



Business Council of Australia

15 May 2024

Dr Alex Robson
Deputy Chair
Productivity Commission
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Dear Dr Robson

National Competition Policy Analysis

The Business Council of Australia (BCA) welcomes the opportunity to make this submission to the Productivity Commission's National Competition Policy Analysis inquiry. The BCA supports the renewed focus on national competition policy through the Council on Federal Financial Relations (CFFR) and the Commission's role in this process.

We particularly welcome the Productivity Commission's role in assessing the reform options that will be proposed by the Commonwealth and state and territory governments. Rigorous analysis of proposed competition reforms is essential in prioritising the selection and implementation of a National Reform Agenda and jurisdiction-specific Reform Plans.

The BCA is supportive of the proposed scope of the study, notwithstanding the fact that specific reform options are yet to be agreed by CFFR. The Commission's long-standing expertise in computable general equilibrium modelling is well-suited to the task of rigorous evaluation of the long-run economic impacts of proposed reforms.

The BCA urges a particular focus on the long-run dynamic benefits at the national level of increased competition and the scope for these benefits to offset short-term static distributional impacts that are also within the scope of the inquiry's terms of reference. These long-run dynamic benefits are particularly important to take into account when considering the size and scope of potential competition payments to the states for undertaking competition reforms.

The BCA has recommended a National Reform Fund to provide ongoing payments for states and territories that implement beneficial reforms, including tax and regulatory changes. Payments from the National Reform Fund would be available only to jurisdictions that fully meet their reform commitments. The size of these payments would need to be sufficient incentive for all governments to implement reforms but proportionate to the fiscal dividend.

The BCA has proposed that the Productivity Commission perform an annual public assessment of each jurisdiction's progress in implementing reforms under this proposal, including recommendations to the Commonwealth Treasurer regarding withholding payments from any jurisdiction that does not fully meet its commitments.

With this proposal in mind, the BCA would welcome a role for the Commission in supporting not just the identification of a national competition reform agenda, but also developing a framework for post-implementation evaluation and the calibration of related payments to the states and territories in response to progress on their agreed reform plans. The National Competition Analysis study would seem well placed to develop and apply such a framework.

Yours sincerely

Bran Black
Chief Executive
Business Council of Australia