



# **National Competition Policy: modelling proposed reforms**

Study report



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# Terms of reference

I, Jim Chalmers, pursuant to Parts 2 and 4 of the *Productivity Commission Act 1998*, hereby request that the Productivity Commission undertake a Study to assess the impacts to GDP, economic growth, productivity, government revenue and consumer wellbeing from the implementation of competition reforms proposed by Commonwealth, State and Territory governments as part of a revitalised National Competition Policy being progressed through the Council on Federal Financial Relations (CFFR).

In undertaking this work, the Commission should consider the November 2023 Statement of Expectations which directs the Commission to consider national prosperity and economic progress broadly, to ensure strong, sustainable and inclusive economic growth and rising living standards.

## Background

The Australian Government recognises the importance of competition in lifting dynamism, productivity and wages growth, putting downward pressure on prices and delivering more choice for Australians dealing with cost-of-living pressures.

Australia's productivity growth has slowed over the past decade, and we are facing challenges from an uncertain international environment and structural changes taking place from the transition to net zero, digitalisation, and the expansion of the care and support economy. We need a competitive and resilient economy that can adapt to these challenges and make the most of opportunities in our economy.

Laws and policies at all levels of government – Commonwealth, state and territory, and local – impact the competitiveness of our economy. In this context, the Australian Government is committed to working with states and territories on reforming national competition settings to ensure these challenges are met. At the December 2023 CFFR meeting, Treasurers agreed to progress competition-enhancing reforms by revitalising National Competition Policy.

To inform this work, and recognising the principle that all governments should share the benefits of economic growth and revenue from competition reforms to which they have contributed, CFFR agreed the need for economic modelling to assess the impact of proposed reforms, including impacts on government revenue. This will be required to inform any intergovernmental agreements associated with revitalised National Competition Policy, and to inform the National Reform Program – which consists of a National Reform Agenda and Jurisdiction-specific Reform Plans.

## Scope of the inquiry

The Commission will undertake a study to assess reform options proposed by Commonwealth, state and territory governments as part of the revitalised National Competition Policy (as considered by CFFR in mid-2024) to understand the economic and other benefits to the Australian community, as well as the government revenue impacts. While the reform options are yet to be agreed by CFFR, it is important that they tackle shared priorities such as addressing cost-of-living pressures, and adapting to the net zero transition, digitalisation, expansion of the care and support economy, and creating a more dynamic business environment.

In undertaking this assessment, the Commission should provide an assessment of:

- The long-run economic impacts arising from the implementation by all levels of government of proposed reforms to revitalise National Competition Policy, including:
  - the expected impact on GDP

- to the extent possible, the analysis should separately identify the contribution to GDP that would arise from the reforms being implemented by (a) the Commonwealth government; and (b) state, territory, and local governments
- any impacts on dynamic efficiency and other measures of economic progress and national prosperity.
- To the extent possible, the total additional revenue accruing to (a) the Commonwealth government, and (b) state, territory, and local governments, arising from the proposed reform options.
- Benefits accruing to Australian households and to the extent possible, distributional impacts. This should include estimated impacts on aggregate measures of incomes, prices and wages; the differential impacts across various groups (delineated, to the extent possible, by age, gender, income and education); and measures of consumer wellbeing, such as impacts on cost-of-living or consumer choice.
- Where possible, other impacts on consumers that may be difficult to quantify, such as improved quality of service, living standards or other outcomes for consumers.
- Impacts, in terms of output, prices, productivity and growth on relevant industries and sectors.

Where possible, the Commission should provide an indication of the likely time over which any economic or other impacts are expected to occur.

In providing its assessment of the benefits to the Australian community, the Commission should provide an explanation of the methodology and assumptions used to derive the estimates. The Commission should also undertake sensitivity analysis of the results to the assumptions used.

The Commission should also consider any available reviews, estimates or analysis of the potential impacts of proposed reforms.

## Process

The Commission should:

1. Develop a suitable methodology and framework to model the direct and economy-wide economic and revenue impacts of the proposed reform options and revisions to revitalise National Competition Policy. This should be informed by a review of previous modelling undertaken by the:
  - Industry Commission in 1995 on the growth and revenue impacts of the original National Competition Policy, and
  - Productivity Commission in 2005 to estimate the benefits of the original National Competition Policy.

The Commission will be provided with early indicative reform options to inform model development.

2. Model the impacts of reform options considered by CFFR using the developed methodology to estimate the overall economic and revenue impacts, and other outputs described above.
3. Prepare a report which provides analysis of the likely impacts of reforms, covering the outputs and analysis described above.

The Commission will consult as required, including with state and territory governments, in completing this Study.

The Commission should provide a report to the Government by 1 November 2024.

**The Hon Dr Jim Chalmers MP**  
Treasurer

[Received 13 March 2024]

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## **Acknowledgments**

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## **Disclosure of interests**

The *Productivity Commission Act 1998* specifies that where Commissioners have or acquire interests, pecuniary or otherwise, that could conflict with the proper performance of their functions they must disclose those interests. The Commissioners working on this report have no interests requiring disclosure.

# Study report

## Key points

- \* Australia has greatly benefited from past competition policy reforms – but, in recent years, reform efforts have stalled. A new round of National Competition Policy Reforms could boost GDP by an estimated \$26–45 billion in 2023-24 dollars (or by 1.0–1.7% of GDP).**

  - We assessed the economic impact of 26 proposed reforms identified by the Australian, state and territory governments through the Council for Federal Financial Relations. The reforms spanned five themes: dynamic business environment; net zero; labour mobility; human services; and data and digital.
  - This is an estimate of potential benefits. For many reforms, key details about the reforms and implementation do not currently exist. In these cases, we assumed the intended outcomes are realised to their fullest extent.
  
- \* Overall, the proposed reforms will be good for Australians, with the boost to GDP supplemented by other benefits such as improvements in consumer access and welfare, and contributions towards Australia’s emission reductions.**

  - The impacts of many of the proposed reforms are likely to be far-reaching, but not all benefits can be quantified in dollar terms.
  - For many of the human services reforms, the most important benefits lie not with GDP, but with improving quality of care, consumer access and welfare. For many of the net zero reforms, the main benefits will be their contribution to Australia meeting its emission targets.
  
- \* In the long run, the proposed reforms will ease cost of living pressures, reducing prices by an estimated 0.7–1.5%, but the effect of individual reforms is mixed. That said, short-run price effects could differ, so some reforms may ease cost of living pressures in the short run, even if they do not in the long run.**
  
- \* The proposed reforms will increase net government revenues in the long run. For the Australian Government, net revenues will be an estimated \$5.7–9.2 billion higher. For state and territory governments as a whole, net revenues will be an estimated \$2.4 billion higher overall.**

  - A key driver of this effect is that the boost to GDP leads to higher tax revenues for governments.
  - This represents the long-run effects on government budgets of the reforms being in place. It does not account for upfront or transition costs associated with rolling out the reforms – such estimates would require significantly more detail about scope and implementation than was available to us.
  
- \* For many reforms, getting the scope and implementation right will be key. Particular caution should be taken for the reforms about consumer switching, data sharing, information provision in human services and efficient user charging.**



## What is this study about?

The Australian Government is currently undertaking a two-year competition review (Treasury 2023b). A key focus of the review is to ‘look at competition laws, policies and institutions to ensure they remain fit for purpose, with a focus on reforms that would increase productivity, reduce the cost of living and boost wages’ (Chalmers and Leigh 2023). This study focuses on estimating the economic benefits from a set of reforms to competition policy (box 1).





The Australian Government is working with state and territory governments on reforming national competition policy settings. In December 2023, Australian, State and Territory Treasurers agreed to progress competition-enhancing reforms to revitalise National Competition Policy. On 1 February 2024, the Australian Government Treasurer announced that this work:

... will be supported by the Productivity Commission, which will be tasked with assessing the economic, revenue and broader benefits of reform proposals considered by the Council on Federal Financial Relations. (Chalmers 2024)

The terms of reference for this study were provided to the Commission on 15 March 2024. We were asked to look at possible competition reforms, developed through the Council on Federal Financial Relations (CFFR). We were provided with early indicative reform options to inform model development in March, shortly after the commencement of this study. A final list of proposed reforms was provided to the Commission on 19 August 2024. We were requested to provide a preliminary report at the beginning of October 2024 to enable CFFR decision making, with a final report to be provided to the Treasurer on 1 November 2024.

The focus of this study is to assess the economic impacts of the proposed reforms. This includes the scale of any benefits from the reforms, and how those benefits are distributed. As such, this study looks at the likely impacts on Australia’s national economy, as well as on individual states and territories. It also considers how segments of the economy are likely to be affected, including consumers and households, relevant industries and sectors (including small businesses), and the government sector. Figure 1 summarises the types of impacts that we were asked to consider.

**Figure 1 – What economic impacts did we look at?**

National		States and territories	
Impacts on economic progress, prosperity and dynamic efficiency		Impacts on economic progress, prosperity and dynamic efficiency	
Gross domestic product (GDP)		Gross state product (GSP)	
Consumers & households		Industry	Government
Impacts on consumer wellbeing, cost of living, living standards and distributional effects		Impacts on growth, productivity, small businesses and distributional effects	
Incomes, prices, wages, consumer choice, product quality		Output, prices, employment	Government revenue

### **Box 1 – Why does competition policy matter?**

Competition refers to a process of market rivalry, fuelled by businesses striving to achieve their own objectives – such as attracting customers, increasing their profits, avoiding losses or gaining market share. Competition plays a pivotal role in driving economic growth, dynamism and prosperity. Strong competition makes it difficult for individual businesses to accrue excessive market power, which in turn encourages fair and efficient market dynamics and keeps prices in check (Banks 2000). It motivates businesses to respond to the needs of consumers by offering better products and services, leading to improved standards of living. Competition principles have also been extended beyond private markets. One such area is the provision of human services, where embedding the principles of choice and competition is intended to encourage those markets to respond to consumer needs and preferences.

Globally, governments and policymakers recognise the need to maintain robust competition policies to support thriving economies (OECD 2014). Competition policy is about enabling markets to function as well as they can and competitive processes to thrive. The overarching objective of competition policy can be seen as improving community welfare by increasing economic efficiency (PC 2014e, p. 8).

Competition policy settings affect Australia's overall economic performance, as well as the lives of all Australians. Previous competition policy reforms have changed the economic landscape in ways that are now taken for granted. For example, in the past:

- consumers had no choice of electricity or gas provider – they paid regulated tariffs and customer service was poor or non-existent;
- telecommunications services operated as a monopoly, which only ended in 1992 when Australia's second telecommunications provider, Optus, entered the market;
- there were price controls and supply restrictions on food products such as eggs, poultry ... rice, and sugar;
- retail trading hours were restricted for most stores, with limited trading on weekends ...
- only lawyers could offer land conveyancing services ... (Harper et al. 2015, p. 17)

And, in more recent years, competition and competition policy settings have continued (and will continue) to shape the everyday experience of individuals and households.

- Over the past decade, the growth of ridesharing has disrupted the taxi monopoly in Australia. In 2019, demand for Uber services outstripped taxis for the first time (Roy Morgan 2019). This followed decisions in all states and territories to legalise ridesharing (ABC 2016, 2018).
- In the 1990s, changes to regulatory settings allowed new players to enter Australia's retail lending markets (including mortgage brokers and international banks), leading to increased competition for banks (PC 2018a). However, concerns remain that poor competition has contributed to high interest rates and increased cost-of-living pressures (SSCCL 2024, p. 52).
- Digital platforms have become ubiquitous over the past decade but remain concentrated around a few 'tech giants'. There is growing regulatory appetite to reign in the market power of those giants. In 2020, the US Department of Justice brought a successful antitrust lawsuit claiming that Google had maintained a monopoly in search and services by paying to appear as the default search engine on mobile devices (US DOJ 2020). And in 2023 the European Union enacted the Digital Markets Act, giving it more power over large tech firms (EC 2024). Stronger regulatory action has the potential to change how these markets develop, and shape the experience of platform users.

## What reforms did we assess?

We were asked to analyse the impacts of 26 proposed reforms, spanning five themes. A brief outline of the proposed reforms is included in table 1 and they are discussed in greater depth in appendices B1-B5.

**Table 1 – Proposed National Competition Policy reforms**

No.	Short name	Long name and description <sup>a</sup>
<b>Dynamic business environment</b>		
<b>B1</b>	Overseas standards	<b>Lower barriers to the adoption of trusted overseas standards</b> Adopting an expedited or default approach to recognising trusted overseas standards and processes – where they fulfill an equivalent regulatory purpose (e.g., provide protection to consumers) – to existing and future references to Australian standards in regulation.
<b>B2</b>	Commercial planning and zoning	<b>Liberalise and standardise commercial zoning rules and review planning requirements to ensure they do not distort competition</b> Adopt a liberalised, pro-competition and nationally consistent approach to commercial planning and zoning regulations.
<b>B3</b>	Public procurement	<b>Improve contestability and value for money in public procurement</b> Governments develop a nationally consistent best practice procurement framework.
<b>B4</b>	Phoenixing	<b>Efforts to prevent phoenixing in the building sector</b> Improving information-sharing between regulators and the collection of statistical data on phoenixing activities to facilitate a better response.
<b>B5</b>	E-conveyancing	<b>Reform e-conveyancing market</b> State and territory government reforms to the e-conveyancing market to implement competition through interoperability.
<b>B6</b>	Marine freight industry	<b>Lower competition barriers in the marine freight industry</b> Lowering competition barriers in the marine freight industry.
<b>B7</b>	Distribution networks	<b>Improve domestic distribution networks</b> Address barriers that restrict distribution networks, including regulatory barriers on specific imported products that are safe and useful for Australian markets.
<b>B8</b>	Efficient user charging	<b>Implement forward-looking efficient user charging approaches</b> Develop prospective benchmark user charging guidelines that can be adopted nationally.
<b>B9</b>	Modern methods of construction	<b>Lower barriers to modern methods of construction</b> Lower barriers to the growth in nascent innovative construction businesses including increased automation, modular/prefabricated, off-site housing, 3D printing housing, and transportable housing.
<b>Net zero</b>		
<b>NZ1</b>	Right to repair	<b>Remove barriers to the ‘right to repair’</b> Addressing barriers to third-party repair of consumer products. Primarily this would enable independent repairers and consumers access to the necessary parts, information and equipment needed to repair products, including access to embedded software in products.
<b>NZ2</b>	Overseas standards	<b>Streamline the adoption of trusted overseas standards to enable an efficient net zero transformation</b> Streamline the adoption of trusted overseas standards that support the net zero transformation.

No.	Short name	Long name and description <sup>a</sup>
<b>NZ3</b>	Heavy EVs	<p><b>Lower barriers to the adoption of electric vehicle (EV) trucks and buses that meet trusted overseas standards</b></p> <p>Lower barriers to the adoption of electric trucks and buses that meet trusted overseas standards by:</p> <ul style="list-style-type: none"> <li>• Ensure Australian Design Rules (ADRs) for heavy vehicles align with trusted overseas standards, where they are at least as safe as Australian standards; and can be updated as they develop without undue delay</li> <li>• Ensure road use regulation supports adoption of updated ADRs on Australian roads (which could include heavier and wider EV trucks).</li> </ul>
<b>NZ4</b>	EV charging	<p><b>Support competition in EV charging infrastructure (EVCI) rollout</b></p> <p>Adopt consistent policy settings in the national rollout of EVCI that promote efficiency and address potential competition risks.</p>
<b>NZ5</b>	EV imports	<p><b>Lower barriers to the uptake of imported EVs</b></p> <p>Remove barriers that prevent independent EV imports and ensure these vehicles can be used on Australian roads.</p>
<b>Labour mobility</b>		
<b>L1</b>	Restraint of trade clauses	<p><b>Limit the unreasonable use of restraint of trade clauses</b></p> <p>Adopt a nationally consistent approach to limiting the unreasonable use of restraint of trade clauses in employment agreements to improve job mobility.</p>
<b>L2</b>	Occupational licensing	<p><b>Streamline occupational licensing and registration requirements</b></p> <p>L2.1 – Remove unnecessary licensing and registration requirements and streamline remaining requirements to ensure they are justified by consumer safety risks.</p> <p>L2.2 – Reform the structure and governance of national professional bodies that make occupational registration and licensing decisions to address conflicts of interest.</p>
<b>Human services</b>		
<b>H1</b>	Matching	<p><b>Assist health and care service users to find the best service providers</b></p> <p>Facilitate the availability and accessibility of service information to better match service users to providers across the health, care and support sectors.</p>
<b>H2</b>	Labour mobility	<p><b>Improve labour mobility in health care</b></p> <p>Remove unnecessary barriers to labour mobility in the health, care and support services, including barriers to workers performing their full scope of practice.</p>
<b>H3</b>	Access arrangements	<p><b>Reform market access arrangements for service providers</b></p> <p>Reform market access arrangements (including commissioning and other approaches) for human services to improve market functioning and better address thin markets.</p>
<b>H4</b>	Medicine pricing	<p><b>Reduce the cost of medicine</b></p> <p>Reduce the wholesale cost of medicines by adjusting pricing strategies and addressing anti-competitive agreements.</p>
<b>H5</b>	Telehealth	<p><b>Remove barriers to Telehealth</b></p> <p>Remove unnecessary barriers to consumer access to telehealth and other digital health services.</p>
<b>Data and digital</b>		
<b>D1</b>	Consumer switching	<p><b>Reduce search and switching costs for consumers</b></p> <p>Address the major frictions and impediments that deter consumers shopping around and switching to competitively priced or more suitable products.</p>

No.	Short name	Long name and description <sup>a</sup>
D2	Data sharing	<p><b>Optimise data availability and sharing to improve competition</b></p> <p>Removal of technical, legal or resourcing barriers to aid:</p> <ul style="list-style-type: none"> <li>• public access (including business access) to (non-sensitive) publicly funded data of significant public value (e.g. publicly funded research data)</li> <li>• acquisition and sharing of private data (where privacy and consumer protection impacts are managed).</li> </ul>
D3	Emerging technology	<p><b>Address regulatory barriers to the development and growth of emerging technologies</b></p> <p>Remove regulatory barriers that hinder the uptake of emerging technology in commercial activities, including robotics, artificial intelligence, aeronautics, and biotechnology.</p>
D4	Banking	<p><b>Remove barriers to competition in banking</b></p> <p>Remove regulatory barriers to competition in the banking sector that advantage large incumbents and lead to poor consumer outcomes. This could include barriers that hinder customer movement or place a high burden on new or smaller players.</p>
D5	Payment systems	<p><b>Increase access by non-Authorised Deposit-taking Institutions (ADIs) to payment systems</b></p> <p>Increase direct access for non-ADI payment product providers to Australian Payment Systems, to clear and settle payments.</p>

a. The long names and descriptions of each reform were prepared by the National Competition Policy Senior Officials Working Group and provided to us. We assigned a short name to each reform.

This is not an exhaustive list of competition reforms that could benefit Australia. Other reforms to competition law and policy are being considered as part of the competition review, but are not in scope for this study. This includes reforms in the area of aviation (Treasury 2024a) and mergers and acquisitions (Treasury 2024b). In addition, some submissions to this study identified other areas where revitalising competition policy could be beneficial. This included:

- trade and foreign investment (Fels, sub. 1)
- taxation (Fels, sub. 1; Lyons, sub. 18)
- electricity markets (Alinta Energy, sub. 5)
- workplace relations (HIA, sub. 4)
- broader issues in the construction and housing industry (HIA, sub. 4; Urban Taskforce Australia, sub. 6).

The case for reform in these areas was not in scope for this study. In progressing the National Competition Policy reform agenda, the Australian, state and territory governments should consider the suggestions made in submissions to this study.

Many of the proposed reforms will benefit from intergovernmental coordination. Just over a quarter will require the Australian, state and territory governments to work together to implement the reform in a way that fully realises the potential benefits (figure 2). There are three reforms (B2, B5 and B8) where the bulk of reforms will need to occur at the state and territory level or those governments could implement unilaterally, but that could have greater benefits if a harmonised approach between jurisdictions were taken. There are also many reforms that could be progressed by the Australian Government alone.

**Figure 2 – Who is needed to implement each proposed reform?**

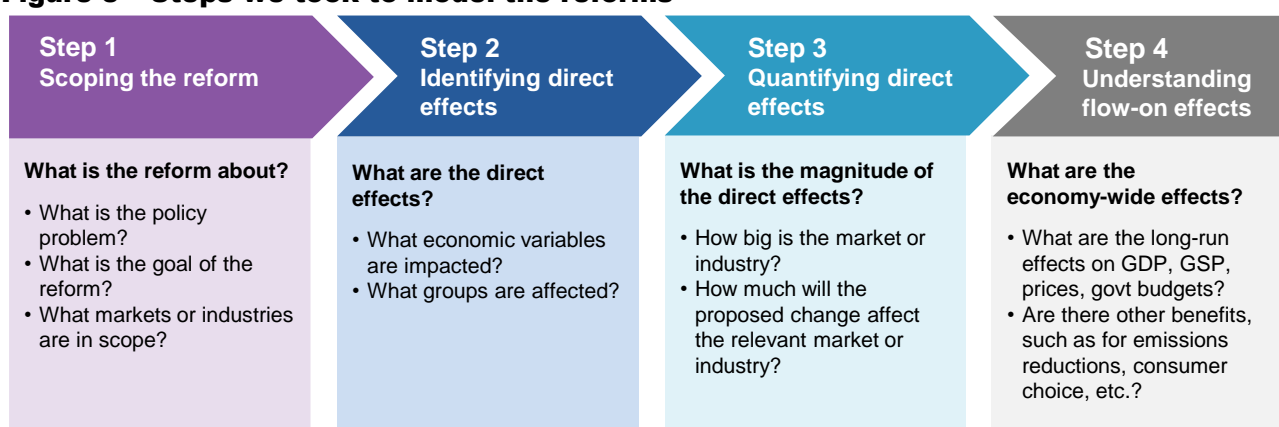
Australian Government only	Coordination needed	State/territory governments only
B1 – Overseas standards	B3 – Public procurement	B2 – Commercial planning and zoning
B6 – Marine freight industry	B4 – Phoenixing	B5 – E-conveyancing
B7 – Distribution networks	NZ3 – Heavy EVs	B9 – Modern methods of construction
NZ1 – Right to repair	L2 – Occupational licensing	
NZ2 – Overseas standards	H2 – Labour mobility	
NZ4 – EV charging	H3 – Access arrangements	
NZ5 – EV imports	D2 – Data sharing	
L1 – Restraint of trade clauses	<b>Unclear<sup>b</sup></b>	
H4 – Medicine pricing	B8 – Efficient user charging	
H5 – Telehealth	H1 – Matching	
D3 – Emerging technology <sup>a</sup>	D1 – Consumer switching	
D4 – Banking		
D5 – Payment systems		

a. Depending on the scope of technologies covered by this reform, involvement of state and territory governments may also be required. b. More information is needed about the intended scope or implementation of these reforms to determine which levels of government will be involved.

## Our approach to assessing the reforms

We were asked to assess the economic impacts of the proposed competition reforms provided to us through the CFFR process. We adopted a staged approach to systematically assess each of the proposed reforms (figure 3) and consulted with the National Competition Policy Senior Officials Working Group at each step in this process. We have sought to provide ‘best estimates’ of the potential economic impacts, given the time available, the information provided about each of the reforms and the constraints on consultation and engagement (box 2).

**Figure 3 – Steps we took to model the reforms**



## Box 2 – Consultation and engagement

Information about the proposed reforms was provided to the Commission on a confidential basis and remained confidential throughout the course of this study. This includes the indicative list of reforms (provided 18 March 2024), as well as the final list of reforms (provided 19 August 2024).

Consequently, we were unable to conduct our usual public consultation and engagement processes to the full extent. For the same reason, it was not possible to release a draft report for public comment. On 3 April 2024, we issued a call for submissions, which outlined the purpose of the study and proposed approach to modelling. In response, we received 18 submissions and three brief comments.

To inform our estimate of the economic effects, we drew extensively on the existing Australian and international evidence about competition reform initiatives. We also conducted workshops on 20 May 2024 and 28 August 2024 to discuss methodology and results with the National Competition Policy Senior Officials Working Group, which comprises representatives from each of the jurisdictions – in addition to meeting with jurisdictional representatives bilaterally and as a group on multiple occasions.

Overall, it should be noted that relatively little consultation was able to be undertaken as part of this study specifically, with the result that the Commission was constrained in its ability to seek new evidence and publicly test its analysis and estimates. Appendix A contains further details about consultation.

## Scoping the reforms

The first step was to understand the intended scope of each reform. This included identifying the background and context for the reform; the policy problem and the goal of the reform; and which markets, sectors or industries were intended to be affected.

For some of the proposed reforms, the intended scope was not clear. In general, these were instances where good practices had been identified, but it was not clear how widely those practices could or were intended to be applied. That said, there were usually some markets or sectors clearly intended to be in scope, even if the full intended scope had not been articulated in the reform descriptions provided to us. Examples of reforms falling into this category include:

- the adoption of trusted overseas standards (B1, NZ2)
- addressing regulatory barriers to the adoption of emerging technologies (D3)
- implementing efficient user charging for government-provided goods and services (B8).

In these instances, we adopted a **case study** approach, focussing on markets that were clearly in scope, to illustrate the types of benefits that could be expected from the reform. It was not possible to extrapolate these effects to other markets, meaning that we have not been able to capture or quantify all benefits that would accrue from a broader rollout. For this reason, interpretation of the modelling results should take into account the fact that, for some reforms, the realised benefits could be greater (and potentially significantly greater) than the benefits that have been estimated.

## Identifying the direct effects of the reforms

There are two dimensions to understanding the direct effects of each proposed reform. The first is what economic variables are likely to be impacted – such as changes to the price of certain goods or productivity

in certain markets. The second is who is likely to be affected by these changes – whether certain types of consumers; particular markets, sectors or industries; or specific geographical areas of Australia.

Some of the effects in figure 1 were identified as part of this step. This includes:

- for affected industries or sectors – effects on prices, costs, profits, efficiency and productivity
- for consumers – effects on access to services, consumer choice and quality of goods and services.

The scope and intended in-principle effects of each proposed reform were tested and validated at a methodology workshop that we held with the National Competition Policy Senior Officials Working Group.

For almost all reforms, we were able to identify their (likely or intended) direct effects. The exception to this was the proposal to reform competition in the marine freight industry by repealing Part X of the *Competition and Consumer Act 2010* (Cth) (reform B6). Part X exempts registered agreements between shipping lines from parts of Australia's general competition laws, including laws requiring that such arrangements be shown to provide a net public benefit. We could not identify the direct effect of this reform for two reasons: first, it is unclear what effect existing registered agreements are having on price and productivity in the marine freight industry; second, it is unclear what regulatory arrangements (if any) would be put in place instead of Part X. Previous reviews have recommended the repeal of Part X on good governance grounds – that is, there is no compelling basis for the special treatment of shipping lines (Harper et al. 2015; PC 2005a, 2022b).

## Quantifying the direct effects of the reforms

For a handful of the proposed reforms, there were clear details about what concrete policy changes would be made. For these, we sought to directly estimate the likely economic effects of implementing the specified reform in the intended market, sector or industry. We drew on Australian and international studies, evidence from past studies and inquiries and input from the jurisdictional representatives.

Many of the reforms were, however, more about principles to foster improved efficiency or economic prosperity than about implementing specific, known and tangible changes. In other words, they are better characterised as reform directions – areas where there is appetite to address an identified policy problem, but no specific actions have been proposed. Reforms in this category include:

- several human services reforms about improving access to services and health outcomes (H1, H2, H3)
- streamlining commercial planning and zoning regulations (B2)
- improving public procurement practices (B3).

For these, to enable some degree of quantification, we took a **scenario- or outcomes-based** approach – that is, we sought to model what would happen in certain scenarios or if certain outcomes were achieved. This approach yields estimates about the size of the available benefits, leaving aside the question of how those benefits can be realised. It should be borne in mind that, when it comes to the details of reform implementation, a modelling exercise cannot manufacture certainty from the unknown. Therefore, for these reforms, the modelling results should be considered as an outer envelope of the possible benefits.

For some reforms, we used an **elasticity approach** to estimate how responsive the overall economy is to the direct effects of the reform. This involves applying an arbitrary productivity shock (we have chosen 1% or 0.1%, depending on the reform) to the affected sectors to illustrate how much overall economic conditions change in response. This means that our modelling results are not a measure of estimated impacts, but are instead a measure of the economy-wide response to a potential shock. These results are roughly speaking linearly related to the shock – so, for example, the results from a 0.2% shock would be roughly twice that for a 0.1% shock of the same kind.

The various modelling approaches we took are summarised in figure 4.



**Figure 4 – Modelling approaches**

	Intended scope is well defined	Scope to be determined after this study
Specific reform actions identified	The reform was modelled <b>directly</b> – that is, a direct assessment of the estimated costs and benefits of implementing the specified reform in the intended market, sector or industry.	The reform was modelled through a <b>case study</b> approach, focusing on sectors or markets that are clearly intended to be in scope. This approach illustrates the types of costs and benefits that can be expected from certain types of reforms.
No specific reform actions identified	For some reforms, a <b>scenario- or outcomes-based</b> approach was used. This is about estimating the size of the available benefits, leaving aside the question of how those benefits can be realised.  For some reforms, we used an <b>elasticity approach</b> to estimate how responsive the overall economy is to the direct effects of the reform.	A combined <b>case study and outcomes-based</b> approach was used for some reforms.  Where the scope and reform actions were very unclear, <b>first principles</b> were used to assess the issues and the case for government intervention.

Overall, our primary focus was on the long-run economic impacts of the proposed reforms – an approach supported in submissions (BCA, sub. 2). Given the lack of implementation detail, we did not focus on the upfront or transition costs associated with rolling out the reforms. In essence, the modelling exercise undertaken in this study is about describing how the reforms might affect long-run economic conditions in Australia; it is not a cost-benefit analysis of the reforms.

There are some reforms where we considered that the quantification of certain impacts was not possible or would not provide additional insights. For these, we have sought to identify and discuss the nature of any material economic impacts and, where applicable, the in-principle case for reform. This approach was supported in submissions, which emphasised the importance of identifying costs and benefits, even when they are intangible or cannot be quantified (Consumers' Federation of Australia and CHOICE, sub. 3, p. 1).

## Understanding the flow-on effects of the reforms

We used Computable General Equilibrium (CGE) models to estimate the likely flow-on effects of the proposed reforms. CGE models use actual economic data, fitted to a set of equations that describe the structure of the economy. They can be used to estimate how an economy might react to economic shocks, including policy changes.

Depending on the model, CGE modelling can yield information about how a package of reforms is likely to affect aggregate measures such as output, prices and government budgets in the long run. In the context of the CGE model, the long run refers to how long it takes for the economy to fully adjust to the specified shock (in this case, each of the proposed reforms), as opposed to a specific time period.

The Commission has previously used CGE models to estimate the economic effects of the Hilmer reforms (IC 1995; PC 2005b) and the terms of reference for this study directed us to consider the methodology used in these earlier reports (box 3).

### Box 3 – Modelling competition reforms

In 1993, the **Hilmer Report** found that, with interstate trade growing due to advances in transport and communication technology, a nationally consistent approach to competition policy was needed (Hilmer 1993, p. 16). The report set out a framework for a National Competition Policy and, in 1995, the Australian, state and territory governments committed to a suite of reforms. The reforms contributed to a productivity boom that was sustained through the 1990s that underpinned more than a decade of continuous economic growth (Banks 2001; PC 2005b).

Initially, the Industry Commission (1995) estimated that the reforms could permanently boost GDP by up to 5.5%. Later, once reform implementation was well underway, the Productivity Commission estimated that the reforms had led to a GDP uplift of at least 2.5% (PC 2005b).

Two decades later, the **Harper Review** revisited competition policy in Australia. The review took place as Australia's mining boom was drawing to an end, and found further reforms would be 'critical to improving Australia's productivity performance and to sustaining our living standards into the future' (Harper et al. 2015, p. 18). The review made 56 recommendations to reinvigorate Australia's competitive landscape. While the Australian Government (2015) committed to implementing the majority of the review's recommendations, progress was slow (Bogaards 2019; Harris 2015). Amongst the recommendations not implemented was one to task the Productivity Commission with modelling the economic effects of the proposed reforms (Harper et al. 2015, p. 79).

For this study, we prepared three CGE models and, when the list of proposed reforms was finalised, chose to use two. The key characteristics of each model are summarised in table 2, and full details are in appendix C. The detailed CGE modelling results are in appendix D.

**Table 2 – Key features of the CGE models we used**

	PC National	PC Regional	Victoria University Regional Model
<b>Owner</b>	Developed and maintained by the Commission.	Developed and maintained by the Commission.	Maintained by the Centre of Policy Studies at Victoria University
<b>Regions</b>	Australia-wide	Australia-wide, with state and territory detail	Australia-wide, with state and territory detail
<b>Database</b>	2018-19	2018-19	2018-19
<b>No. of industries</b>	114	114	92
<b>Used for this study</b>	Yes	No	Yes

Not all proposed reforms were good candidates for CGE modelling. First, reforms were only suited to CGE modelling if their intended or expected impacts could be identified and estimated – though, as discussed above, for some reforms we addressed this by focussing on outcomes or scenarios.

A second requirement is that the direct effects were sufficiently large, so as to produce non-negligible changes in the model. There were several reforms that were likely to produce material effects in specific markets, but those markets are small in the context of the broader Australian economy. Examples of reforms in this category include the reforms for:

- e-conveyancing (B5)
- adopting a standard for charging plugs for electric vehicles (EVs) (NZ4).

This means that, although a small number of individuals or businesses may be significantly impacted, those impacts would be lost if analysed through a CGE framework. In these instances, the effects of the reforms were best understood through a sectoral analysis of the reform, which is the approach we took.

In total, 19 of the 26 reforms were at least in part modelled via CGE modelling.

## What did we find?

### The proposed reforms will boost GDP

The overall package of proposed reforms is expected to be good for the Australian economy. Based on the impacts that we could quantify, we estimate that the proposed reforms have the potential to **boost GDP by \$26–45 billion** or 1.0–1.7% of GDP in the long run (in 2023-24 dollars). This equates to a permanent increase of about \$3,000–5,000 per household. All CGE-modelled reforms had the effect of increasing GDP (table 3), though some had small effects. The reforms with the greatest increase in GDP had economy-wide impacts and include occupational licensing (L2), banking (D4), and distribution networks (B7) (the effect of each individual reform is discussed in the next section of this report). The permanent boost to gross state products (GSP) from the reform package is reported in table 4.

Overall, these estimates should be considered an **outer envelope** of the possible GDP (and GSP) uplift from these reforms, in line with the Industry Commission's approach to modelling of the Hilmer reforms in 1995. This is because many of the proposed reforms are best characterised as principles to foster improved efficiency or economic prosperity, rather than implementing specific, known and tangible changes. As discussed above, we took an outcomes- or scenario-based approach to modelling many of the reforms, which yields estimates about the size of the potential benefits, leaving aside the question of how those benefits can be realised. (For a handful of reforms, we took a case study or elasticity approach to modelling, which means that the potential economic effects of those reforms could be greater than estimated.)

It should also be noted that, whereas the Industry Commission (1995) estimated a boost to GDP of up to 5.5% (\$23 billion in 1993-94 dollars), the revised estimates a decade later – once reform details and implementation approaches were evident – were less than half that, at 2.5% of GDP (\$20 billion presumably in 2003-04 dollars) (PC 2005b). This differential illustrates the difficulty of estimating expected benefits in the absence of full information about the scope of the reforms and how they will be implemented. This means there is a degree of uncertainty associated with the modelling that we did as part of this study and reflects the need for caution when interpreting estimates about the impact of future reforms.

As a percentage of GDP, the proposed reforms will have a smaller economic impact than the Hilmer reforms. However, it should be noted, that Australia's economy has changed considerably since the time of the Hilmer reforms – in part due to the reforms themselves. A larger and more complex economy means that reforms of any size will register as a smaller share of GDP today than three decades ago. As a rudimentary point of comparison, reforms worth \$23 billion in 1993-94 are equivalent to about \$52 billion in 2023-24 – or, in other words, about 1.9% of GDP in 2023-24.

**Table 3 – Headline economic effects**

No.	Short name	CGE <sup>a</sup>	GDP (\$m) <sup>c</sup>		CPI (%) <sup>c</sup>		Other <sup>d</sup>
			Lower	Upper	Lower	Upper	
<b>Dynamic business environment</b>							
B1	Overseas standards	..	..	..	..	..	Product variety
B2	Commercial planning and zoning	Yes <sup>b</sup>	..	..	..	..	Higher land use value, competition in downstream markets
B3	Public procurement	Yes	..	34	..	-0.00	..
B4	Phoenixing	..	..	..	..	..	Consumer confidence
B5	E-conveyancing	..	..	..	..	..	..
B6	Marine freight industry	..	..	..	..	..	..
B7	Distribution networks	Yes	3,435	6,780	-0.13	-0.25	..
B8	Efficient user charging	Yes <sup>b</sup>	..	..	..	..	..
B9	Modern methods of construction	Yes	2,858	5,730	-0.05	-0.11	Lower housing supply pressures
<b>Net zero</b>							
NZ1	Right to repair	Yes	..	408	..	+0.02	Consumer rights
NZ2	Overseas standards	..	..	..	..	..	Product variety, emissions reduction
NZ3	Heavy EVs	Yes	..	748	..	-0.02	Emissions reduction
NZ4	EV charging	..	..	..	..	..	Emissions reduction
NZ5	EV imports	Yes	..	1,095	..	-0.04	..
<b>Labour mobility</b>							
L1	Restraint of trade clauses	Yes	2,569	5,137	-0.05	-0.10	..
L2	Occupational licensing	Yes	5,155	10,332	-0.10	-0.19	..
<b>Human services</b>							
H1	Matching	Yes <sup>b</sup>	..	..	..	..	Health outcomes, consumer choice
H2	Labour mobility	Yes	600	1,205	-0.07	-0.12	Health outcomes
H3	Access arrangements	Yes	1,789	3,228	-0.03	-0.06	Health outcomes, consumer choice, choice for informal carers
H4	Medicine pricing	Yes	..	2	..	-0.00	..
H5	Telehealth	Yes	..	793	..	-0.02	Health outcomes, convenience
<b>Data and digital</b>							
D1	Consumer switching	..	..	..	..	..	Consumer choice
D2	Data sharing	Yes	..	1,642	..	-0.05	Innovation effects
D3	Emerging technology	Yes	..	711	..	+0.02	Effects in other industries, innovation effects
D4	Banking	Yes	3,532	6,574	-0.17	-0.47	..
D5	Payment systems	Yes	172	445	-0.02	-0.06	Innovation effects
<b>TOTAL<sup>e</sup></b>			<b>25,542</b>	<b>44,864</b>	<b>-0.72</b>	<b>-1.45</b>	

a. Whether we conducted CGE modelling for any part of the reform. GDP and CPI effects are only reported for CGE-modelled reforms, as they are CGE modelling outputs. b. We estimated the responsiveness of the overall economy to the direct effects of the reform. This means that the CGE modelling outputs are not a measure of estimated impacts, but are instead an elasticity measure. These results are reported in tables 5 and 8. c. A range is reported for certain reforms to reflect where we undertook sensitivity analysis. d. This column reports significant other benefits that we anticipate, but could not be (directly) quantified in our modelling. e. Individual values may not sum to total due to rounding. The lower total is the sum of lower estimates for reforms where sensitivity analysis was undertaken, plus central estimates for reforms where sensitivity analysis was not undertaken.

**Table 4 – Estimated effect of the reform package on Gross State Products<sup>a</sup>**

	Change (\$ m)	Change (%)
New South Wales	11,431	1.3
Victoria	7,762	1.2
Queensland	9,433	1.9
South Australia	2,101	1.4
Western Australia	12,231	3.1
Tasmania	635	1.5
Northern Territory	798	2.3
Australian Capital Territory	443	0.8

a. For upper-bound estimates. Values do not sum to the estimated effect on GDP due to rounding.

## But not all benefits could be quantified

For some reforms, the benefits are reflected in their effect on GDP; however, for many others, their effect on GDP should be seen as a secondary consideration. For example, for many of the net zero reforms, the main focus is on helping Australia meet its emission targets. In addition, for many of the human services reforms, the focus is on a range of outcomes including improved access and consumer choice. Our analysis indicates that, overall, these various reforms are likely to have the effect of helping Australia meet its emission targets, improving access and promoting consumer choice – but these benefits are not reflected in the headline results from the CGE modelling.

Therefore, it should be emphasised that no single number can capture the full impacts and benefits of any reform agenda. Many of the reforms have benefits that are not amenable to quantification in monetary terms, and we have identified and discussed these benefits in appendices B1–B5. This includes some measures that we were asked to consider, where possible, in the terms of reference, such as effects on consumer choice, living standards and quality of life.

Even where the primary direct effects of the reform are quantifiable, the flow-on effects of reform can be so far-reaching and nuanced that it would be impossible to capture them in full. For example, several of the data and digital reforms are aimed at encouraging innovation and improving economic dynamism – for these, the exact nature and magnitude of their impacts are inherently unforeseeable. Moreover, the evolving scope of some reforms means they could be applied to markets and industries that were not anticipated at the time of this study – by definition, our modelling does not account for these benefits.

## Getting scope and implementation right is key

For all of the proposed reforms, getting scope and implementation right is essential to realising the potential benefits to the fullest extent possible. But for some, extra caution is required when deciding whether and how to proceed with the reforms, and decision-makers should consider how the downside risks will be managed.

- **Reform D1 – Consumer switching.** There is mixed evidence about the efficacy of measures to improve consumer switching in various markets. Well-designed initiatives (such as mobile number portability) can boost levels of switching, but initiatives that are badly designed can result in net costs. Moreover, many efforts to improve switching have been market-led (for example comparison websites), and there is a question about the ability of – or the need for – government-led initiatives to generate similar benefits.

- **Reform D2 – Data sharing.** While improved data sharing has the potential to deliver large net benefits, the exact costs, benefits and risks depends on the type of data being shared. A one-size-fits all policy is not appropriate as different datasets generate different value and risks, and the design of each of the data-sharing schemes will be a key determinant of the size of the benefits (if any) from this reform.
- **Reform H1 – Matching.** For human services, the evidence suggests that providing consumers with more information about services providers, such as performance rankings, may not change consumer behaviour. While information sharing can motivate poor-performing providers to improve or exit the market. If not carefully designed, information sharing can also result in unintended (and adverse) consequences: This includes providers refusing to provide certain services or serve certain cohorts in order to maintain higher ratings.
- **Reform B8 – Efficient user charging.** There are some government services for which fully cost-reflective user charging is not appropriate, so the reform to adopt efficient user charges more widely has the potential to result in net costs (including worse equity outcomes and increased cost of living pressures), if applied to the wrong government services. Whether efficient user charging should be adopted for government services should be considered on a case-by-case basis – a detailed review of the prospective (positive) externalities or equity implications would be needed for each service.

These reforms, and key implementation considerations, are discussed further in appendices B1-B5.

## The cost of living will be modestly lower in the long run

As discussed above, cost of living relief is another focus of the proposed reform package. The terms of reference for this study direct the Commission to assess the cost-of-living effects of the proposed reforms and the Treasury's National Competition Policy consultation paper stated that 'a subset of reforms that are important for addressing cost-of-living pressures will be prioritised for early implementation' (Treasury 2024c, p. 32).

Our modelling results showed that, overall, the total effect of the reforms will be to decrease prices in the long run by 0.7–1.5%, which will ease cost of living pressures.

The effect of individual reforms is mixed (table 3). For reforms where we modelled long run prices, we found that only two would increase prices and the remainder would decrease prices. In the CGE modelling, the effect of reforms on long run prices is determined by two factors.

- Whether the price change is positive or negative is determined by the structure of the CGE model, including how related markets interact with each other. For example, because many markets use labour as an input, changes in demand for labour in one market could affect the amount of labour available to be used in other markets, leading to increased labour costs in those latter markets. These relationships are fixed in the CGE model.
- The magnitude of the change is affected by the size of the shock applied to the CGE model. The size of these shocks was determined by our estimation of the direct effects associated with each reform (discussed above).

It should be noted that the CGE-model provides insights into long-run price effects only, and the short-run price effects could be different. This means it is plausible that some reforms may ease cost of living pressures in the short run, even if they do not in the long run. In the short run, cost of living effects will also be influenced by the timing and sequencing of reform implementation.

## For governments, net revenues will increase overall

As a whole, the proposed reforms will have the long-run effect of increasing net revenues for governments overall (table 5). In the CGE modelling, the effect on government budgets is the combined effect of changes

to tax revenue collections (incomings) and changes to expenditure (outlays) – and the net effect is determined by the relative magnitude of these changes. These were all determined in the CGE model as a response to the shock that we specified.

For the Australian Government, net revenues will be an estimated \$5.7–9.2 billion higher, largely due to increased income tax collection (driven by increases in nominal income). For state and territory governments, as a whole, net revenues will be an estimated \$2.4 billion higher. This is the net effect of changes to revenue (comprising GST grants, non-GST grants, payroll tax and property taxes) and changes to expenditures (employee expenses, driven by nominal wages), which is unique to each jurisdiction.

**Table 5 – Changes to net government revenue<sup>a</sup>**

	Change (\$ m)	Change (%)
<b>Australian Government</b>	9,183	1.3
<b>New South Wales</b>	706	0.6
<b>Victoria</b>	663	0.7
<b>Queensland</b>	410	0.4
<b>South Australia</b>	150	0.5
<b>Western Australia</b>	303	0.6
<b>Tasmania</b>	46	0.5
<b>Northern Territory</b>	25	0.3
<b>Australian Capital Territory</b>	47	0.6

a. For upper-bound estimates. Values may not sum to totals reported elsewhere due to rounding.

It should be noted that these results do not account for the expense of implementing the reform. This includes the fixed cost of rolling out the reform, as well as any ongoing administrative or operational costs. This is a costing exercise separate to the one we have been asked to undertake and will require significantly more detail about the intended implementation pathway of each reform than we have been provided.

## A closer look at the reform areas

### Dynamic business environment

We were asked to consider nine reforms for enhancing business dynamism (tables 1 and 6). A dynamic business environment is important because it means that the economy can respond and adapt to changing economic circumstances. As the Treasury explained:

Enhancing business dynamism is key to restoring Australia’s productivity. A more dynamic business environment directly supports competition, through encouraging innovation, information sharing, diffusing technological advancement, and greater choice for consumers.

(Treasury 2024c, p. 34)

The role for government in this area is to ensure that the regulatory environment does not unnecessarily impede – and, where possible, promotes – dynamism.

**Table 6 – Summary of dynamic business environment reforms**

No.	Short name	Key direct effects	Key flow-on effects
<b>B1</b>	Overseas standards	<p><b>Estimated effects:</b></p> <p>Lower compliance costs for businesses (\$500m per annum)</p> <p><b>Other key effects:</b></p> <p>Fewer out-of-date standards</p> <p>Lower admin costs for regulatory agencies</p> <p>Increased product variety (some markets)</p>	Flow-on effects were not estimated
<b>B2</b>	Commercial planning and zoning	<p><b>Estimated effects:</b></p> <p>Increased competition in downstream markets (modelled as an illustrative 0.1% increase in capital productivity of retail markets)</p> <p><b>Other key effects:</b></p> <p>Higher land use values</p>	<p>The following results are elasticity measures:</p> <p><b>GDP:</b> +\$23 m (+0.00%)</p> <p><b>CPI:</b> -0.00%</p> <p><b>Net govt revenue (Cth):</b> +\$6 m</p> <p><b>Net govt revenue (S/T):</b> -\$1 m</p>
<b>B3</b>	Public procurement	<p><b>Estimated effects:</b></p> <p>Lower government procurement costs (2% decrease in government expenditure)</p>	<p><b>GDP:</b> +\$34 m (+0.00%)</p> <p><b>CPI:</b> -0.00%</p> <p><b>Net govt revenue (Cth):</b> +\$1,654 m</p> <p><b>Net govt revenue (S/T):</b> +\$3,035 m</p>
<b>B4</b>	Phoenixing	<p><b>Estimated effects:</b></p> <p>Reduced costs for creditors, including suppliers, workers, consumers and government (\$2.85-5.13 billion annually)</p> <p><b>Other key effects:</b></p> <p>'Fairer' competition in construction market</p>	Flow-on effects were not estimated
<b>B5</b>	E-conveyancing	<p><b>Estimated effects:</b></p> <p>Increased competition, leading to lower prices (\$8-\$15 per transaction)</p>	Flow-on effects were not estimated
<b>B6</b>	Marine freight industry	<p><b>Key effects:</b></p> <p>Uncertain</p>	Flow-on effects were not estimated
<b>B7</b>	Distribution networks	<p><b>Estimated effects:</b></p> <p><i>For parallel imports:</i></p> <p>Lower prices for vehicles (by 15%)</p> <p><i>For tariff and excise systems:</i></p> <p>Lower compliance costs for importers (\$1.29-2.58 billion annually)</p> <p><i>For coastal shipping services:</i></p> <p>Savings of \$33 million annually</p>	<p><i>For parallel imports of vehicles:</i></p> <p><b>GDP:</b> +\$89 m (+0.00%)</p> <p><b>CPI:</b> -0.00%</p> <p><b>Net govt revenue (Cth):</b> +\$13 m</p> <p><b>Net govt revenue (S/T):</b> -\$10 m</p> <p><i>For tariffs:</i></p> <p><b>GDP:</b> +\$3,346–6,691 m (+0.13–0.25%)</p> <p><b>CPI:</b> -0.13–0.25%</p> <p><b>Net govt revenue (Cth):</b> +\$152–304 m</p> <p><b>Net govt revenue (S/T):</b> +\$199–399 m</p>
<b>B8</b>	Efficient user charging	<p><b>Estimated effects:</b></p> <p><i>For roads:</i></p> <p>More efficient road usage (modelled as an illustrative 1% increase in road transport productivity)</p>	<p>The following results are elasticity measures:</p> <p><b>GDP:</b> +\$693 m (+0.03%)</p> <p><b>CPI:</b> -0.01%</p> <p><b>Net govt revenue (Cth):</b> +\$76 m</p> <p><b>Net govt revenue (S/T):</b> -\$67 m</p>



No.	Short name	Key direct effects	Key flow-on effects
		<p><b>Other key effects:</b></p> <p><i>For other government services:</i></p> <p>More socially efficient allocation of investment in government services</p>	
<b>B9</b>	Modern methods of construction	<p><b>Estimated effects:</b></p> <p>Increase in construction output (1–2%) (modelled as an equivalent increase in labour and capital productivity)</p>	<p><i>For residential construction</i></p> <p><b>GDP:</b> +\$2,021–4,050 m (+0.08–0.15%)</p> <p><b>CPI:</b> -0.03–0.07%</p> <p><b>Net govt revenue (Cth):</b> +\$202–406 m</p> <p><b>Net govt revenue (S/T):</b> -\$73–146 m</p> <p><i>For non-residential construction</i></p> <p><b>GDP:</b> +\$837–1,680 m (+0.03–0.06%)</p> <p><b>CPI:</b> -0.02–0.04%</p> <p><b>Net govt revenue (Cth):</b> +\$96–194 m</p> <p><b>Net govt revenue (S/T):</b> -\$20–40 m</p>

## Removing red tape

Four of the reforms in this theme were about addressing red tape. This includes:

- reviewing and standardising commercial planning and zoning rules between jurisdictions (B2)
- updating building regulations to facilitate modern methods of construction, including prefabricated and modular construction (B9)
- addressing barriers that restrict distribution networks, including restrictions on parallel imports and compliance costs for importers (B7)
- streamlining processes for recognising trusted overseas standards (B1).

The reforms to refresh commercial planning and zoning rules (B2) and update building regulations (B9), and one aspect of the reform about distribution networks (B7), have the capacity to deliver significant economic benefits. The Commission has previously recommended that commercial and industrial planning and zoning should move to fewer, broader, and standardised land use zones (PC 2011b, 2011c, 2014d, 2017g, 2017h, 2023b). Reducing overly prescriptive zoning could deliver two types of benefits.

- Increased economic value of land – increasing competition for land would enable land to be put to higher value uses.
- Increased competition in downstream markets – giving businesses more choice over where they can locate would make it easier for new firms to enter local markets and for existing firms to expand, enabling them to compete in new geographical areas. It would also remove distortions in competition between in-store and online retailers.

Although these potential benefits are large, quantifying their magnitude is not straightforward. As the Commission has previously noted, modelling changes to commercial planning and zoning rules would be a highly speculative exercise (PC 2020c, p. 21), and therefore would not produce reliable insights. The fact that demand for land is affected by a range of factors means that isolating the effect of previous reforms is not possible (PC 2020c, p. 12). For example, in recent years, the COVID-19 pandemic has led to a shift in the relationship between metropolitan and suburban areas, affecting the decisions of businesses about where to locate (PC 2021f, p. 59). We have examined a specific documented case of change (supermarket competition in Victoria) to illustrate the potential gains from reform, though it is not clear to what extent these outcomes can be extrapolated to other markets. To overcome these empirical issues, we took an elasticity approach to illustrate the possible flow-on effects for increasing competition in the retail sector.

Updating building regulations to enable greater use of modern methods of construction also has the potential to have significant economic impacts. Currently, prefabricated construction makes up about 3–5% of Australian residential and non-residential construction (such as schools, hospitals, and hotels) – compared to, for example, Canada at 8–16% (HIA 2022, p. 10). Relative to traditional methods, modern methods of construction save time and can have lower costs. Overall, this reform could increase output in the residential and non-residential construction market, leading to a \$2.9–5.7 billion increase in GDP. It could also help alleviate housing supply pressures in the longer term. It should be noted, however, that regulation is not the only barrier to the uptake of modern methods of construction; other limiting factors include consumer preferences and access to finance.

One limb of the reform about distribution networks (B7) is about compliance costs imposed by the tariff, excise, tax and quarantine systems – including a proposal to remove the remaining import tariffs. This reform has the potential to deliver a significant boost to GDP due to the breadth of imports that could be affected. This reform will reduce the price of imports, through both the removal of tariffs and compliance costs for importers. It will also place downward pressure on the price of domestically produced goods.

The reform about recognising overseas standards (B1) and the other aspects of the reform about distribution networks (B7) are expected to have more modest economic impacts.

- The other limbs of the reform about distribution networks (B7) include restrictions on parallel imports and coastal shipping rules. Of those, restrictions on the parallel imports of internal combustion engine vehicles will have an economic impact in the immediate term, but this will decrease over time as the market transitions to EVs (there is a separate reform about the import of EVs, discussed below). The other limbs are anticipated to have smaller economic impacts (table 4).
- The reform about standards covers mandatory standards. Based on feedback in workshops (box 3), we focused on mandatory standards for products. Overall, we found that streamlining the process for adopting overseas standards would lower administrative costs for regulatory agencies, lower compliance costs for businesses, and could lead to greater product variety. The Australian Competition and Consumer Commission estimated business savings of at least \$500 million per year in regulatory costs (Cass-Gottlieb 2024). To the extent that it reduces standards falling out of date, there could also be innovation and safety improvements. For consumers, our analysis of a selection of products sold in Australia and overseas showed that the price differential is small or non-existent, meaning that there are unlikely to be significant effects on prices (as opposed to product variety) in Australia.

## Changing government practices

Two reforms were about changing the way government conducts business, including how it procures and charges for goods and services.

In broad terms, the first reform is about adopting better practices in relation to public procurement, with a view to achieving better value for money (B3). Much has been written about how public procurement practices can be improved (in particular, avoiding or minimising the use of panels). Based on the literature, we estimate that governments could potentially aim to achieve savings of 2% on current expenditure levels by implementing better procurement practices. Given Australia's high rate of public procurement this reform could deliver significant savings to governments (\$1.7 billion to the Australian Government and \$3.0 billion to the state and territory governments combined). Because we modelled this reform as a saving to government for a given level of output, the estimated GDP impact is practically zero. In practice, however, those savings could fund additional government expenditures or be passed on to households in the form of tax cuts, either of which could in turn boost GDP (though they would then no longer manifest as savings).

The second reform is about the development of an efficient user charging framework. As discussed above, the question of whether efficient user charging should be adopted for government services must be considered case by case. This means that the benefits of adopting a broad framework are not clear cut. There are some services where the case for efficient user charging is well-established. For example, the Commission previously estimated that better asset utilisation due to road reform (including but not limited to pricing) could deliver economic and social benefits in the order of 0.7% of GDP (PC 2017b, p. 17) – though it should be noted that this was not a measure of GDP uplift. For this study we took an elasticity approach to modelling the flow-on economic effects of road user charging. However, there are also many government services for which fully cost-reflective user charging is not appropriate and would be contrary to the objectives of government policy, such as in health and education.

### Reforms to specific industries

This theme also included three reforms to address market dynamics or reform competition settings in specific industries. This includes the reforms:

- to address phoenixing in the construction industry (B4)
- to improve competition in the e-conveyancing market (B5)
- for the marine freight industry, to repeal exemptions from certain competition laws (B6).

These reforms have the potential to have significant economic impacts in the specific markets and industries that they affect. For example, e-conveyancing reforms could transform that market from a near-monopoly to one that is more competitive, which could significantly reduce the cost of e-conveyancing services. While these reforms are expected to have significant sectoral effects, the flow-on effects to the broader Australian economy are limited. For this reason, we did not separately estimate the flow-on effects of these reforms.

### Net zero

As a signatory to the Paris Agreement, Australia has committed to international goals and efforts to contain the extent of global warming (DCCEEW nd; UNCC 2024). In line with this commitment, Australia has pledged to achieve net zero emissions by 2050 (DCCEEW nd). Unnecessarily restrictive regulatory settings could hamper innovation that might otherwise enable the transition to net zero. As the Treasury explained:

Competition has a key role to play in advancing the net zero transformation. Competitive markets drive the innovation and adoption of technologies needed to dramatically reduce emissions.

Unnecessary regulatory requirements that reduce efficiency, and limit access to low emissions technology, will increase the abatement costs. (Treasury 2024c, p. 41)

We were asked to assess five reforms under the net zero theme, which are summarised in tables 1 and 7. The full analysis of each reform is in appendix B2.

### Electric vehicles

Four reforms were about the uptake of EVs and related infrastructure.

- Of these, two were to directly enable the import of heavy vehicles (electric trucks and buses) (NZ3) and other types of vehicles including passenger vehicles (NZ5). Overall, we found that these reforms will open up those markets to greater competition. So long as global supply of EVs is not constrained, this will increase the number of vehicles available for purchase, leading to lower prices and therefore cost savings for Australian households and businesses. It will also enhance product variety and consumer choice, by expanding the range of vehicles that are available in Australia.

- The other two reforms cover standards about charging infrastructure – to allow bidirectional charging of EVs (NZ2) (this reform could potentially also cover other emerging standards) and for EV charging plugs (NZ4). We found that these reforms would create greater certainty for consumers and industry, which will support the uptake of EVs.

**Table 7 – Summary of net zero reforms**

No.	Short name	Key direct effects	Key flow-on effects
<b>NZ1</b>	Right to repair	<p><b>Estimated effects:</b></p> <p><i>For the repair market:</i></p> <p>Lower prices for repair services (remove 10% profit margins for repairers)</p> <p><i>For a repair supplies obligation:</i></p> <p>Higher agricultural output (value of grain output increases by 3%)</p>	<p><i>For the repair market:</i></p> <p><b>GDP:</b> +\$311 m (0.01%)</p> <p><b>CPI:</b> +0.01%</p> <p><b>Net govt revenue (Cth):</b> +\$86 m</p> <p><b>Net govt revenue (S/T):</b> -\$98 m</p> <p><i>For a repair supplies obligation:</i></p> <p><b>GDP:</b> +\$97 m (0.00%)</p> <p><b>CPI:</b> +0.01%</p> <p><b>Net govt revenue (Cth):</b> -\$19 m</p> <p><b>Net govt revenue (S/T):</b> -\$17 m</p>
<b>NZ2</b>	Overseas standards	<p><b>Estimated effects:</b></p> <p>Enabling vehicle-to-grid reduces the amount of grid-scale battery storage required (net present value \$2 billion)<sup>a</sup></p> <p><b>Other key effects :</b></p> <p>Lower prices and greater availability of vehicle-to-grid technology</p> <p>Reduced emissions</p>	Flow on effects were not estimated
<b>NZ3</b>	Heavy EVs	<p><b>Estimated effects:</b></p> <p>Reduced transport costs for heavy EVs (1–4% decrease)</p> <p>Increased road damage (5–10% increase)</p> <p>Lower prices for heavy EVs (10% lower)</p> <p>Removal of 5% import tariff on heavy EVs</p> <p><b>Other key effects:</b></p> <p>Reduced emissions</p>	<p><i>Combined effect<sup>b</sup>:</i></p> <p><b>GDP:</b> +\$748 m (0.03%)</p> <p><b>CPI:</b> -0.02%</p> <p><b>Net govt revenue (Cth):</b> \$51 m</p> <p><b>Net govt revenue (S/T):</b> -\$58 m</p>
<b>NZ4</b>	EV charging	<p><b>Key effects (not estimated):</b></p> <p>Greater certainty for charging infrastructure</p> <p>Greater take up of EVs, which may contribute to reduced emissions</p>	Flow on effects were not estimated
<b>NZ5</b>	EV imports	<p><b>Estimated effects:</b></p> <p>Lower prices for second hand EVs (15% decrease)</p> <p><b>Other key effects:</b></p> <p>Increase in product variety</p>	<p><b>GDP:</b> +\$1,095 m (0.04%)</p> <p><b>CPI:</b> -0.04%</p> <p><b>Net govt revenue (Cth):</b> +\$164 m</p> <p><b>Net govt revenue (S/T):</b> -\$124 m</p>

a. Effects of adopting vehicle-to-grid technology, compared to no uptake. b. Estimated for a scenario with maximal reduction in transport costs (4%) and minimal increase in road damage (5%). For disaggregated estimates, see appendix B2.

Together, these reforms are estimated to boost Australia's GDP by \$1.8 billion. These reforms will also facilitate a quicker transition from internal combustion engine vehicles to EVs, enabling faster emissions reduction – thereby supporting Australia's net zero objectives. There will be some costs involved. Transitioning to heavy EVs will increase wear and tear on roads, as heavy EVs generally weigh more than their conventional counterparts. In the short run, road damage will increase as heavy EV uptake increases but given international efforts to develop lighter EVs and more efficient engines (Elmelin 2023), it is unclear whether these costs will persist in the long run.

## Right to repair

We also considered one reform about addressing barriers to the right to repair (NZ1), stemming from recommendations made in the Commission's *Right to repair* inquiry (PC 2021d). One key recommendation was to introduce a repair supplies obligation for agricultural machinery. This would mean that, when agricultural machinery breaks down, farmers would be able access more repairs in a timelier fashion. This is important because, at critical points during harvest time, delays can cause crops to spoil or deteriorate in quality, leading to production losses. We found that implementing that recommendation could lead to higher output for farmers, translating to a \$97 million increase to GDP. The inquiry also made recommendations to bolster the rights of consumers and third-party repairers. Implementing these recommendations will lead to greater competition in the repair sector, leading to a \$311 million increase to GDP. Implementing the reforms could also have upstream effects on the original product market that bolster consumer wellbeing, though it was not possible to estimate the magnitude of these effects.

## Labour mobility

Labour mobility is about the ability of workers to move between different employers, occupations and geographical regions. A flexible workforce means that the labour market is more competitive, leading to better employment conditions and higher real wages for workers (Deutscher 2019). It also means that the economy can more readily adapt to changes, which improves productivity and supports economic dynamism:

Job mobility matters to the entire economy. In fact, job switching is something economists use as an indicator of a well-functioning, competitive and dynamic labour market. For businesses, it means improved productivity, as they can attract the talent and skills they need. (Leigh 2024)

The two proposed reforms under the labour mobility theme focus on the ability of workers to move between employers and between occupations (tables 1 and 8).

- One is about limiting the unreasonable use of restraint of trade clauses (L1) – focusing on non-compete clauses, which impede the ability of workers to switch employers and start up rival businesses.
- The second reform is about occupational licensing, which governs the entry of new workers into certain professions. This reform consists of two sub-reforms to: reduce unnecessary occupational licensing requirements (L2.1); and address conflicts of interests in occupational licensing decisions (L2.2).

Reforms are already underway to enable automatic mutual recognition of occupational licensing between jurisdictions and therefore are not in scope for this study. In 2020, the *Intergovernmental Agreement on the Automatic Mutual Recognition of Occupational Registration* (National Cabinet 2020) was signed, to enable licensed workers to move between and operate more seamlessly across state lines. In line with the terms of the agreement, an evaluation of the automatic mutual recognition scheme is expected in 2025.

Overall, the labour mobility reforms are estimated to have a significant economic impact (the full analysis of each reform is in appendix B3), including a \$7.7–15.5 billion boost to GDP. This estimate of the GDP impact derives solely from the effects of reforms L1 and L2.1.

**Table 8 – Summary of labour mobility reforms**

No.	Short name	Key direct effects	Key flow-on effects
L1	Restraint of trade clauses	<b>Estimated effects:</b> Increased wages for workers (up to 2.4% in industries with high use of non-compete clauses and up to 1.4% in others)	<b>GDP:</b> +\$2,569–5,137 m (+0.10–0.19%) <b>CPI:</b> -0.05–0.10% <b>Net govt revenue (Cth):</b> +\$333–666 m <b>Net govt revenue (S/T):</b> -\$28–55 m
L2.1	Occupational licensing (reduce unnecessary requirements)	<b>Estimated effects:</b> Increase in productivity for industries with high incidences of occupational licensing (0.8% increase)	<b>GDP:</b> +\$5,155 m–10,332 m (+0.19–0.39%) <b>CPI:</b> -0.10–0.19% <b>Net govt revenue (Cth):</b> +\$612–1,225 m <b>Net govt revenue (S/T):</b> -\$72–144 m
L2.2	Occupational licensing (conflicts of interest)	<b>Key effects (not estimated):</b> For affected occupations, possible increase in the supply of professional services	Flow-on effects were not estimated

The sheer prevalence of restraint of trade clauses in Australia means that reform L1 has the potential to have a large economic impact. One in five Australian workers are subject to non-compete clauses and one in two are subject to some form of post-employment restraint (ABS 2024g). Non-compete clauses constrain job matching and act as a barrier to labour productivity – therefore, we modelled this reform as having the direct effect of improving labour productivity, with the exact magnitude depending on the current prevalence of non-compete clauses in each industry.

The Commission has previously modelled the economic effects of reducing unnecessary occupational licensing requirements (L2.1) as part of its *Advancing prosperity* report (PC 2023d). That report estimated an increase in productivity of 0.8% for industries with the highest incidence of occupational licensing (construction; transport and wholesale; professional, scientific and technical services; school education; and health and social services). We verified this using the CGE models available for this study, and found a 0.39% boost to GDP (compared to 0.34% in *Advancing prosperity*).

For reform L2.2, we found no existing evidence to show that conflicts of interest are affecting the way licensing decisions are being made, nor that they are leading to worse occupational licensing outcomes. The lack of evidence does not necessarily mean that problems do not exist, but it does mean that it was not possible to predict the likely effects of such reform, and therefore not possible to model the likely benefit. We were also unable to develop the evidence base further, given the constraints on public consultation we faced (box 3). Any reform effort in this area should begin with a clear understanding of what the policy problem is and how it manifests. If there are occupations where conflicts of interest are suspected to adversely affect licensing decisions, further inquiries focusing on those specific occupations should be undertaken. Failing that, a systematic (and public) review of conflicts of interest in occupational licensing would be needed.

## Human services

This reform theme covers a range of human services, including health, disability, aged care, community services, and other services. The provision of high-quality and accessible human services is important because they contribute to the wellbeing of individuals and enable economic and social participation (PC 2016c, p. 3). Reforms in this area have the potential to affect the entire Australian population:

Everyone will access human services in their lifetime, including children, the elderly, people facing hardship or harm, and people who require treatment for acute or chronic health conditions ... Reforms to the way human services are provided [can] enable and support people and their families to have a stronger voice in shaping the services they receive, and who provides them. (PC 2017c)

Reforms will also be important to address the growing pressures on human services. As the population ages, the burden of chronic disease increases and community expectations rise, more pressure will be placed on government budgets. The most recent Intergenerational Report projected that Australian Government spending on health, aged care and the NDIS are projected to rise from 6.2% of GDP to 10.8% by 2062-63 (Australian Government 2023a, p. 15).

The Harper Review recommended the adoption of ‘choice and competition principles’ in the area of human services (Harper et al. 2015, p. 36). This would transplant one of the key principles of competitive markets – the idea that service provision should be responsive to consumer needs and preferences – into the context of human services. This also reflects the shift in attitudes about how services should be delivered towards person-centred approaches to human services provision (PC 2019b, p. 171).

We were asked to assess five proposed reforms in this theme, which are summarised in tables 1 and 9. The reforms were intended to support choice, competition and contestability in a way that helps to ensure access to quality and sustainable services. The full analysis of each reform is in appendix B4.

### Improving access to human services

In broad terms, three reforms are about improving access to human services, through:

- improving labour mobility in the health, care and support services, with a focus on scope of practice (H2)
- reforming market access arrangements in the health, care, support and social services sectors, with a focus on addressing thin markets (H3)
- lowering barriers to consumers accessing telehealth and other digital health services (H5).

These reforms will have modest effects for most people. For example, reforms to improve telehealth will make health services more easily accessible (PC 2020b) and deliver time savings – compared to attending in person, a telehealth appointment could save a patient 65 minutes in waiting and travel time on average (PC 2024b). And removing barriers to workers performing their full scope of practice can reduce the cost of care. For example, expanding the scope of practice of nurse practitioners could help meet the growing demand for health services at lower cost (by about \$400–823 million).

One of the greatest opportunities for these reforms is in rural and remote areas, where they could improve access to health (and other) services, leading to improved health outcomes. This is particularly important because people living in rural and remote locations experience difficulty in accessing health services, with higher rates of hospitalisations, deaths and injury (AIHW 2024d). To illustrate the potential impact of reform, we modelled the potential benefits that could accrue if health outcomes could be improved in rural and remote areas. Overall, we found that, if this led to a 0.5% increase in the available labour supply in those areas and healthcare productivity in regional rural Australia increased by 1%, then it would result in an increase in GDP of \$3.2 billion.

It should be noted, however, these results do not provide insights about how these benefits could be secured. Improving access to health services in rural and remote areas is a long-standing and unsolved problem that has received considerable attention over the years (AIHW 2024d; Nous Group 2023). No modelling exercise can provide new solutions for policy problems; they can only test and validate policy ideas that have been developed through other channels. Nevertheless, our modelling results provide insights about the scale of the benefits available, and the value of continuing efforts in this area.

**Table 9 – Summary of human services reforms**

No.	Short name	Key direct effects	Key flow-on effects
H1	Matching	<p><b>Estimated effects:</b> Possible improved health outcomes (modelled as an illustrative 0.1% increase and a 0.1% decrease in labour productivity)</p> <p><b>Other key effects:</b> Possible increased consumer choice</p>	<p>The following results are elasticity measures: <i>For a labour productivity increase:</i> <b>GDP:</b> +\$2,646 m (+0.10%) <b>CPI:</b> -0.05% <b>Net govt revenue (Cth):</b> +\$347 m <b>Net govt revenue (S/T):</b> -\$35 m</p> <p><i>For a labour productivity decrease:</i> <b>GDP:</b> -\$2,641 m (-0.10%) <b>CPI:</b> +0.05% <b>Net govt revenue (Cth):</b> -\$346 m <b>Net govt revenue (S/T):</b> +\$35 m</p>
H2	Labour mobility	<p><b>Estimated effects:</b> Cost savings (\$400–823 m for nurse practitioners and \$200m for pharmacists) Improved health outcomes in regional and remote areas (see H3)</p> <p><b>Other key effects:</b> Increased consumer choice and improved quality of service</p>	<p><i>For nurse practitioners:</i> <b>GDP:</b> +\$567–1,172 m (+0.02–0.04%) <b>CPI:</b> -0.04–0.09% <b>Net govt revenue (Cth):</b> +\$95–196 m <b>Net govt revenue (S/T):</b> +\$83–171 m</p> <p><i>For pharmacists:</i> <b>GDP:</b> +\$33 m (+0.00%) <b>CPI:</b> -0.03% <b>Net govt revenue (Cth):</b> +\$104 m <b>Net govt revenue (S/T):</b> -\$21 m</p>
H3	Access arrangements	<p><b>Estimated effects<sup>a</sup>:</b> <i>For regional and remote areas (covering 29% of the population):</i> Improved health outcomes (0.25–0.5% increase in labour productivity in those areas) Lower healthcare expenditure (1% increase in total factor productivity in those areas)</p> <p><b>Other key effects:</b> Increased consumer choice and improved quality of service</p>	<p><i>For health outcomes in regional/remote areas:</i> <b>GDP:</b> +\$1,437–2,875 m (+0.05–0.11%) <b>CPI:</b> -0.02–0.05% <b>Net govt revenue (Cth):</b> +\$184–367 m <b>Net govt revenue (S/T):</b> -\$16–31 m</p> <p><i>For healthcare exp. in regional/remote areas:</i> <b>GDP:</b> +352 m (0.01%) <b>CPI:</b> -0.01% <b>Net govt revenue (Cth):</b> +\$34 m <b>Net govt revenue (S/T):</b> +\$9 m</p>
H4	Medicine pricing	<p><b>Estimated effects:</b> Lower prices for generic medicines (by 7%)</p>	<p><b>GDP:</b> +\$2 m (+0.00%) <b>CPI:</b> -0.00% <b>Net govt revenue (Cth):</b> +\$22 m <b>Net govt revenue (S/T):</b> +\$13 m</p>
H5	Telehealth	<p><b>Estimated effects:</b> Time savings (modelled as a 0.03% increase in labour supply) Improved health outcomes in regional and remote areas (see H3)</p> <p><b>Other key effects:</b> Increased consumer choice</p>	<p><b>GDP:</b> +\$793 m (+0.03%) <b>CPI:</b> -0.02% <b>Net govt revenue (Cth):</b> +\$104 m <b>Net govt revenue (S/T):</b> -\$11 m</p>

a. The estimated effects for this reform include aspects of H2 and H5.



## Matching consumers and services

Another reform we assessed was about improving matching between consumers and services, by providing consumers with more information about services and service providers (H1). The scope and implementation of this reform will determine whether it results in net benefits. Around the world, past efforts to improve information provision have been met with very little change in consumer behaviour, though this may reflect the merits of specific policy designs. Policies to provide consumers with more information can also create perverse incentives for providers not to provide certain services or serve certain cohorts in order to maintain higher ratings. That said, if the reform can be implemented effectively, it has the potential to empower consumers to make decisions that best meet their needs and incentivise providers to improve the quality of services. This can improve health outcomes, leading to improved quality of life and wellbeing and reduced absences from work and hence higher labour productivity. This would be a broad-based effect that impacts the whole economy.

## Pricing of generic medicines

The final reform is about the price of generic medicines (H4). This reform could reduce prices in Australia to levels similar to those in comparable countries, such as New Zealand, Canada and the United Kingdom. Overall, this will have negligible economy-wide impacts.

## Data and digital

Data and digital technology use can improve the productivity and growth of businesses. This can lead to improved product quality and consumer choice, particularly in the services sector (PC 2023e, p. 1). Productive use of technology can also enhance international trade and improve government service delivery.

Some evidence suggests Australia is falling behind in adopting data and digital technologies:

... compared with other developed countries, Australia does well on basic measures of technology and data uptake, but is falling behind on more advanced uses. This could limit future productivity growth. (PC 2023e, p. 1)

Therefore, governments play a key role in creating policy settings that maximise the benefits of data and digital technologies, while managing user risks (such as privacy, security or other harms). For example, artificial intelligence is expected to deliver large productivity benefits over time but it also has the potential to create new harms to individuals, the economy and society (PC 2024d, p. 2). The challenge for government policy is striking the right balance between:

- removing existing barriers to using data and digital technologies to enhance competition and productivity, and improve consumer choice
- not inhibiting the growth of emerging technologies
- managing the potential risks of emerging of data and digital technologies, including risks to competition.

We were asked to assess five reforms under the data and digital theme (tables 1 and 10). The full analysis of each reform is in appendix B5.

## Financial services

Two reforms are about financial services markets – banking (D4) and payment systems (D5). Given the ubiquity of these services, these reforms could have a significant economic impact, if effectively implemented. Overall, we estimate that these reforms together translate to a boost to GDP of up to \$6.6 billion, which translates to over \$750 per Australian household.

For the payment system reform (D5), we were asked to assess the effects of allowing more payment product providers to directly access the New Payments Platform, which enables low-cost and real-time account-to-account payments. Currently, only authorised deposit-taking institutions (ADIs) or institutions sponsored by those ADIs can access the New Payments Platform. This has hindered the development of Australia's payment product markets, negatively affecting business solution products and the ability to quickly and cheaply transfer money domestically and overseas, as well as contributing to debit and credit card providers dominating the retail transactions market with comparatively high fees for transactions. The proposal is to enable direct access by non-ADIs, thereby increasing competition in the payments market. We anticipate that this reform will give customers and vendors more choice over how they make and receive payments, enabling them to choose payment methods with lower merchant fees.

The banking system reform (D4) is framed more broadly: it is about removing regulatory barriers to competition in the sector. In the absence of specific reform actions, we have considered what stronger competition might look like, focusing on two banking products that are likely to have a material economic impact: home loans and small business loans. For home loans, we estimate this could translate to applicable interest rates being 0.15–0.5 percentage points lower than they would otherwise be. And for business loans, we estimate this could translate to: (a) a 0.5 percentage point reduction in interest rates for the 45% of small to medium sized enterprises (SMEs) with non-residential property asset secured loans and (b) a 2.5 percentage point reduction to the 5% of SMEs with unsecured loans.

There are other parts of the financial system that were not in scope for this study, but where the adequacy of competition settings could have significant implications for the wellbeing of individuals and households (such as credit and debit card payment reform). The Commission has previously undertaken a three-stage review of Australia's superannuation system (PC 2016a, 2017i, 2018b), as well as an inquiry into competition in the Australian financial system (PC 2018a). That latter inquiry covered many types of insurance, but not private health insurance (which merits further study).

### **Adopting good practice principles**

The three remaining reforms can be described as good practice principles rather than well-defined reform actions. These were reforms to increase levels of consumer switching (D1); improve data sharing and access (D2); and enable the uptake of emerging technologies (D3). The broad nature of these reforms means they could potentially cover a very wide range of sectors and policy initiatives – and hence deliver a range of benefits. Because the scope of the reforms is still to be determined, it was not possible to account for or quantify all of those benefits. To illustrate the types of benefits that might be expected, we took a case study approach to modelling two of the reforms.

- For the reform about emerging technologies (D3), we considered a case study for drone technologies. We found that widespread use of drones could boost productivity in key sectors (mining and agriculture), which could in turn increase total output (GDP). We would expect that other enabling technologies (such as artificial intelligence) could boost GDP through a similar mechanism by increasing the productivity of existing industries. New technologies can also lead to the creation of new markets and industries, but attempting to model these effects would be a highly speculative exercise, and therefore unlikely to produce meaningful insights.
- We looked at a health data case study to illustrate the effects of improving data sharing and access (D2). We identified two sources of benefits: enabling health records to be shared could directly improve the way health services are provided; and allowing health data to be used for research could improve the quality of research outputs. For other types of data, however, we would expect that the main benefit would arise from better research outputs, as the case for sharing customer 'records' is more limited.

There is mixed evidence about the efficacy of measures to improve consumer switching in various markets (D1). To assist decision-makers in progressing this reform, we have laid out a framework for identifying the circumstances when government-led initiatives to boost consumer switching are likely to be most fruitful (appendix B5).

**Table 10 – Summary of data and digital reforms**

No.	Short name	Key direct effects	Key flow-on effects
D1	Consumer switching	<p><b>Key effects (not estimated):</b></p> <p>Lower product prices and/or increased product quality in affected markets</p> <p>Increased consumer choice</p>	Flow on effects were not estimated
D2	Data sharing	<p><b>Estimated effects:</b></p> <p><i>For health data:</i></p> <p>Increased capital and labour productivity in the health sector (by 1%)</p> <p><b>Other effects:</b></p> <p><i>For other data:</i></p> <p>Increased research productivity</p>	<p><b>GDP:</b> +\$1,642 m (0.06%)</p> <p><b>CPI:</b> -0.05%</p> <p><b>Net govt revenue (Cth):</b> +\$205 m</p> <p><b>Net govt revenue (S/T):</b> +\$93 m</p>
D3	Emerging technology	<p><b>Estimated effects:</b></p> <p><i>For drones:</i></p> <p>Increased capital and labour productivity in the agriculture and mining sectors (0.1% each)</p> <p><b>Other effects:</b></p> <p><i>For other technology:</i></p> <p>Lower barriers to adoption, leading to earlier and greater benefits</p>	<p><b>GDP:</b> +\$711 m (0.03%)</p> <p><b>CPI:</b> +0.02%</p> <p><b>Net govt revenue (Cth):</b> +\$80 m</p> <p><b>Net govt revenue (S/T):</b> -\$27 m</p>
D4	Banking	<p><b>Estimated effects:</b></p> <p><i>For home loans:</i></p> <p>Lower interest rates (0.15–0.5 percentage points)</p> <p><i>For business loans:</i></p> <p>Lower interest rates (0.5 percentage points for 45% of SMEs and by 2.5 percentage points for a further 5% of SMEs)</p>	<p><i>For home loans:</i></p> <p><b>GDP:</b> +\$1,293–\$4,335 m (+0.05–0.16%)</p> <p><b>CPI:</b> -0.13–0.42%</p> <p><b>Net govt revenue (Cth):</b> +\$645–2,164 m</p> <p><b>Net govt revenue (S/T):</b> -\$38–127 m</p> <p><i>For business loans:</i></p> <p><b>GDP:</b> +\$2,239 m (+0.08%)</p> <p><b>CPI:</b> -0.05%</p> <p><b>Net govt revenue (Cth):</b> +\$714 m</p> <p><b>Net govt revenue (S/T):</b> -\$316 m</p>
D5	Payment systems	<p><b>Estimated effects:</b></p> <p>Lower merchant fees (0.3 percentage points for Mastercard/Visa transactions, 0.1 percentage points for Eftpos transactions, affecting 15–51% of the retail transaction market)</p> <p><b>Other effects:</b></p> <p>Increased innovation in payments</p>	<p><b>GDP:</b> +\$172–445 m (+0.01–0.02%)</p> <p><b>CPI:</b> -0.02–0.06%</p> <p><b>Net govt revenue (Cth):</b> +\$172–448 m</p> <p><b>Net govt revenue (S/T):</b> -\$55–144 m</p>

## Where to begin?

The exact scope and implementation details have not yet been decided for many of the proposed reforms. To assist with the implementation process, the Commission has identified first steps for each of the proposed reforms (table 11, figures 5-7).

**Table 11 – Where to begin?**

No.	Short name	Recommended starting point	Who <sup>a</sup>
<b>Dynamic business environment</b>			
B1	Overseas standards	Consider what mandatory product standards can be replaced with overseas standards, based on the ACCC stocktake (ACCC 2023a, p. 129).	Cth
		Identify other mandatory standards that could be replaced with overseas standards.	All
		Comprehensive mapping and review of voluntary standards.	All
B2	Commercial planning and zoning	Implement recommendations to standardise planning and zoning regulations as recommended by multiple Commission inquiries and studies (PC 2011b, 2017h, 2023b).	S/T
B3	Public procurement	Reform public procurement arrangements as recommended by the Joint Committee on Public Accounts and Audit (2023) and by the Commission.	All
B4	Phoenixing	Monitor the effects of the <i>Treasury Laws Amendment (Combating Illegal Phoenixing) Act 2020</i> (Cth) to identify what residual policy problems remain.	Cth
B5	E-conveyancing	Enact interoperability legislation and implement the recommendations of the NSW Productivity and Equality Commission (2024).	S/T
B6	Marine freight industry	Repeal Part X.	Cth
		Implement recommendations from the <i>Lifting productivity at Australia's container ports</i> SR inquiry (PC 2022b).	SR
B7	Distribution networks	Remove restrictions on parallel imports of vehicles	Cth
		Remove remaining tariffs	
		Reform the coastal shipping regulatory regime in line with recommendations from <i>Lifting productivity at Australia's container ports</i> (PC 2022b).	
B8	Efficient user charging	Adopt user charging principles for roads and levies.	All
		Identify other government services that are intended to be in scope.	
B9	Modern methods of construction	Review building regulations, codes and standards to determine implementation options and pathways.	S/T
<b>Net zero</b>			
NZ1	Right to repair	Implement a repair supplies obligation for agricultural machinery.	Cth
		Implement recommendations relating to the Australian Consumer Law and intellectual property from <i>Right to repair</i> inquiry (PC 2021d).	SR
NZ2	Overseas standards	Identify and monitor for candidate standards for vehicle-to-grid charging.	Cth
		Monitor for emergence of other relevant overseas standards.	
NZ3	Heavy EVs	Address restrictions on parallel imports and restrictions imposed by Heavy Vehicle National Law and Australian Design Rules.	Cth
NZ4	EV charging	Select a standard or monitor for the emergence of a common international standard.	Cth
NZ5	EV imports	Remove restrictions on parallel imports and those imposed by Australian Design Rules.	Cth

No.	Short name	Recommended starting point	Who <sup>a</sup>
<b>Labour mobility</b>			
L1	Restraint of trade clauses	Consider implementation options, with a focus on identifying policy options that are capable of targeting unnecessary (as opposed to all) non-compete clauses.	Cth
L2	Occupational licensing	Identify areas where licensing requirements can be removed or streamlined. Review progress in implementing automatic mutual recognition. Identify occupations where conflicts of interests are affecting licensing decisions.	All
<b>Human services</b>			
H1	Matching	Scope policy options, with a focus on identifying options that are effective and do not create perverse incentives.	All
H2	Labour mobility	Scope policy options and consider findings from the Scope of Practice review (Cormack 2024c), starting with options to expand scope of practice.	All
H3	Access arrangements	Scope policy options, taking into account cost of implementation and consider evidence from existing and further trials.	All
H4	Medicine pricing	Consider implementation options using evidence from overseas.	Cth
H5	Telehealth	Consider expediting the development of standards for virtual care and an associated accreditation scheme.	Cth
<b>Data and Digital</b>			
D1	Consumer switching	Identify markets that are intended to be in scope, focusing on markets that could benefit from higher levels of consumer switching.	All
D2	Data sharing	Implement data sharing arrangements for health sector data. Identify other data sharing opportunities for government funded service providers.	All
D3	Emerging technology	For drones, identify uptake levels, current uses and potential regulatory barriers. Embed an outcomes-based approach to the regulation of emerging technologies.	Cth All
D4	Banking	Implement recommendations from the <i>Competition in the Australian financial system</i> inquiry (PC 2018a).	SR
D5	Payment systems	Implement recommendations from the <i>Competition in the Australian financial system</i> inquiry (PC 2018a).	SR

a. This column identifies which level(s) of government should be responsible for the action. Cth = the Australian Government. S/T = state and territory governments. All = the Australian, state and territory governments. SR = See the relevant report for details.

**Figure 5 – Australian Government: starting points**

	Theme	Reform	Where to start
Australian Government	Dynamic Business Environment	<b>Phoenixing</b>	Monitor the effects of the <i>Treasury Laws Amendment (Combating Illegal Phoenixing) Act 2020</i> (Cth) to identify what residual policy problems remain.
		<b>Marine freight industry</b>	Repeal Part X. Implement recommendations from the Productivity Commission's <i>Lifting productivity at Australia's container ports</i> inquiry.
		<b>Distribution networks</b>	Remove restrictions on imports of vehicles (imposed by parallel import rules and the Australian Design Rules). Remove remaining tariffs. Reform the coastal shipping regulatory regime in line with recommendations from the Productivity Commission's <i>Lifting productivity at Australia's container ports</i> inquiry.
		<b>Efficient user charging</b>	Adopt user charging principles for roads and levies. Identify other government services that are intended to be in scope.
	Net Zero	<b>Right to repair</b>	Implement a repair supplies obligation for agricultural machinery. Implement recommendations relating to the Australian Consumer Law and intellectual property from the Productivity Commission's <i>Right to repair</i> inquiry.
		<b>Overseas standards</b>	Identify and monitor for candidate standards for vehicle-to-grid charging. Monitor for emergence of other relevant overseas standards.
		<b>Heavy EVs</b>	Address restrictions on parallel imports and restrictions imposed by Heavy Vehicle National Law and Australian Design Rules.
		<b>EV charging</b>	Select a standard or monitor for the emergence of a common international standard.
		<b>EV imports</b>	Remove restrictions on parallel imports and those imposed by Australian Design Rules.
	Labour mobility	<b>Restraint of trade clauses</b>	Consider implementation options, with a focus on identifying policy options that are capable of targeting unnecessary (as opposed to all) non-compete clauses.
Human Services	<b>Drug pricing</b>	Consider implementation options using evidence from overseas.	
	<b>Telehealth</b>	Consider expediting the development of standards for virtual care and an associated accreditation scheme.	

**Figure 6 – State and territory governments: starting points**

	Theme	Reform	Where to start
State and Territory Governments	Dynamic Business Environment	<b>Planning and zoning</b>	Implement recommendations to standardise planning and zoning regulations as recommended by multiple Productivity Commission inquiries and studies.
		<b>E-conveyancing</b>	Enact interoperability legislation and implement the recommendations of the NSW Productivity and Equality Commission.
		<b>Modern methods of construction</b>	Review building regulations, codes and standards to determine implementation options and pathways.

**Figure 7 – Intergovernmental coordination: starting points**

	Theme	Reform	Where to start
All Governments	Dynamic Business Environment	<b>Overseas standards</b>	Consider what mandatory product standards can be replaced with overseas standards, based on the 2023 ACCC stocktake. Identify other mandatory standards that could be replaced with overseas standards. Comprehensive mapping and review of voluntary standards.
		<b>Public procurement</b>	Reform panel procurement arrangements as recommended by the Joint Committee on Public Accounts and Audit and the Productivity Commission.
	Labour mobility	<b>Occupational licensing</b>	Identify areas where licensing requirements can be removed or streamlined. Review of progress in implementing automatic mutual recognition. Identify occupations where conflicts of interests are affecting licensing decisions.
	Human Services	<b>Matching</b>	Scope policy options, with a focus on identifying options that are effective and do not create perverse incentives.
		<b>Labour mobility</b>	Scope policy options and consider findings from Scope of Practice review, starting with options to expand scope of practice.
		<b>Access arrangements</b>	Scope policy options, taking into account cost of implementation and consider evidence from existing and further trials.
	Data and digital	<b>Consumer switching</b>	Identify markets that are intended to be in scope, focusing on markets that could benefit from higher levels of consumer switching.
		<b>Data sharing</b>	Implement data sharing arrangements for health sector data. Identify other data sharing opportunities for government funded service providers.
		<b>Emerging technology</b>	For drones, identify uptake levels, current uses and potential regulatory barriers. Embed an outcomes-based approach to the regulation of emerging technologies.
		<b>Banking</b>	Implement recommendations from the Productivity Commission's <i>Competition in the Australian financial system</i> inquiry.
<b>Payment systems</b>			