



Speech by

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Hansard 18 May 2000

QUEENSLAND COMPETITION AUTHORITY AMENDMENT BILL

Dr WATSON (Moggill—LP) (Leader of the Liberal Party) (12.40 p.m.): I rise to participate in debate on the Queensland Competition Authority Amendment Bill. This Bill refines the process which was started in 1995 at the COAG meeting. Queensland was represented at that meeting by the Goss Government. That agreement, which was signed by heads of all State jurisdictions—all Premiers—led to the National Competition Policy Bill when we came to Government. Further to that was the introduction of what was then termed the Queensland Competition Authority Bill in 1997 which, at that time, was introduced by the then Treasurer, the member for Caloundra, who is in the Chamber now. That Bill was passed in this House with the support of the then Labor Opposition. That legislation established the Queensland Competition Authority.

The Queensland Competition Authority was established because, without establishing a Queensland Competition Authority to regulate certain activities, Queensland would have been subject to Federal regulation in the Federal jurisdiction. It was thought to be in the interests of Queensland to establish the Queensland Competition Authority. That authority was charged with three responsibilities. Firstly, it was designed to undertake prices oversight of monopoly or near monopoly Government business activities. It had a prices oversight role. Secondly, it was to provide a complaints mechanism for alleged breaches by Government business activities of the principle of competitive neutrality. If there is to be a competitive environment and Government businesses may be seen to have a competitive advantage because they have been part of the business, it is important to have a body that can oversee complaints as to the abuse of monopoly power by Government business activities. Thirdly, it was to administer a State-based third-party access regime for services provided by certain essential infrastructure.

The emphasis on prices oversight, third-party access and competitive neutrality provided by the Queensland Competition Authority has resulted in substantial economic gains for the State. In particular, the role of prices oversight and third-party access has provided a more competitive economy in Queensland and in the future will continue to lead to lower prices and lower input costs for the benefit of consumers and industry alike. This increased competitiveness has facilitated investment in Queensland. Having a competitive environment encourages investment, which is what encourages job growth, job creation and sustainability of those jobs in the long term. It is important to understand that a competitive economy—one that produces growth, one that produces investment, one that produces jobs—is important to raise the living standards of Queenslanders over time.

The objectives of this Bill are threefold. The first objective of this Bill extends to local government the application of the State's monopoly prices oversight regime and third-party access. When the National Competition Authority Bill was introduced by the previous Government, it was indicated at the time that it would be extended to significant local government business activities but not extended to those activities until sufficient negotiation and consultation had taken place with local government. That consultation took place and was completed towards the end of the coalition's term in Government.

The current Government supported that position and has restated its support for that position. That extension through this Bill follows that extensive consultation with and agreement from local government. In some respects, there was no option. If local government did not go to a State-based regime, then they would have been subjected to the Federal Government's regime in any case. They

could not have escaped from oversight. The question they had to face was whether or not local government business undertakings wanted to come under a State-based oversight regime or a Commonwealth-based oversight regime.

The second objective of this Bill is to establish an independent prices oversight regime for private water suppliers. This is also consistent with its general requirement to make sure that Government business activities or those which essentially have monopoly or near monopoly situations such as private water suppliers are subject to an oversight regime with respect to their prices. Obviously in a competitive market it is competition which keeps prices under control. In a non-competitive market—a monopoly situation, which is what most water supply is; once the pipes are in, it represents a natural monopoly and it is very difficult for anyone else to replicate that infrastructure—it is important to have an oversight regime to make sure the consumer is getting some benefit or is not being taken advantage of because of the monopoly situation. The third objective of this Bill relates to some miscellaneous amendments which mainly relate to the State's third-party access regime. However, there is one significant amendment to the area of competitive neutrality.

There are significant social and community benefits in having the Queensland Competition Authority regime. We believe independent prices oversight is critical for the protection of consumers and users against the exercise of monopoly power by Government business enterprises. Consideration of third-party access issues is also critical, given that access prices often constitute a significant proportion of input costs which ultimately feed into the charging structures. When there is essentially monopoly infrastructure, the ability to control access through the control of prices is particularly important. Recently we have heard this argument at the Federal level in relation to Telstra. The ACCC has recently compelled Telstra to lower its access charges by something like 30%.

The establishment of a State-based regime allows for not only prices oversight and third-party action; it also allows the delivery of CSOs to be appropriately considered and incorporated at the State level. Without a State-based regime, the Commonwealth regime would prevail. The risk with that is that the interests of Queenslanders could be subordinated to other interests. That was one of the driving forces behind the coalition Government's decision to ensure the setting up of a Queensland-based mechanism and it was the rationale behind the Queensland Competition Authority.

If the Commonwealth regime had applied, the State Government would have virtually no influence over the implementation of the policies. I do not think it could even guarantee the continued delivery of CSOs. That may well be done via another mechanism—

Mr Hamill: It may not be very acceptable.

Dr WATSON: It might be a more complicated mechanism. As the Treasurer has said, it may not even be an acceptable mechanism, either politically or socially.

I think increased competitiveness has enhanced the Government's capacity to deliver CSOs to Government businesses and has assisted the Government in delivering its social objectives. After all, one of the reasons Governments are elected is to ensure that social objectives are delivered. There may be differences between the Government and the coalition in terms of what are thought to be social objectives. The important thing is that there is an expectation that Governments can deliver on their social objectives.

I do not think there is any doubt that the benefits outweigh the extra costs associated with the establishment of the Queensland Competition Authority and its recurrent costs. I have not seen a cost-benefit analysis from the Treasurer but, given the arguments I have put forward, I think it would be in favour of the continuation of the QCA and would favour the extension of the QCA's oversight into the areas covered by this Bill.

One other issue I mention now and will explore during the Committee stage relates to clause 19 of the Bill, which amends section 38 in the Act, which deals with the principle of competitive neutrality. The definition in the Act is broad. The proposed change significantly narrows the coverage of section 38. I understand the narrowing in the amendment Bill.

The three areas included in the amendment were the three areas given to me in a briefing note as an example of the kinds of things we would look at. At the time, the Bill was drafted a bit more broadly. I am not sure that the three areas specified in the amendment are the only three areas in which there may be a problem with competitive neutrality principles. There are probably other areas in which Government business enterprises can have a competitive advantage, simply because they are part of the Government. We can explore those a bit further during the Committee stage. If I recall my own briefings from Treasury—

Mr Hamill: These are the key elements.

Dr WATSON: They were the key elements, but I am not quite sure they are exhaustive in terms of the problems we may run into with competitive neutrality. They may be mutually exclusive, but I am not sure they are exhaustive. As I indicated previously, we will be supporting the Bill.