



LESSONS FROM AUSTRALIA'S  
COMPETITION POLICY REFORMS

by

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## INTRODUCTION

- **Australia**
  - **Economic success since the 1980s**
  - **Microeconomic reform and competition policy as contributor**
  - **Factors in success (and shortcomings)**
  - **Lessons**
  - **The future outlook**
  - **A drama in three acts?**

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## ACT 1: 1900-1980

- **Poor relative economic performance**
- **Poor policy**
- **Some areas of success**
  - **Section 92**
  - **Agriculture, where unregulated**

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## AUSTRALIA BY THE 1960s

- A closed, regulated economy
  - Import protection
  - Fixed exchange rate
  - Regulated industries (finance etc)
  - Monopoly utilities
  - Anticompetitive laws
  - Cartels and monopolies
  - Regulated labour market
- “Protection All Round”; “the Australian Settlement” – Paul Kelly

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## ACT 2: ECONOMIC REFORM SINCE THE 1980s

### Major Reforms

- Trade liberalisation
- Capital markets
- Infrastructure deregulation
- Competition policy
- Labour market reform (partial)
- Macroeconomic policy
- Tax reform
- Good economic outcomes
- Multiple paternity claims
- China’s contribution?

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## ACT 2: DRIVERS OF REFORM

- **Sense of crisis**
- **Clear reform goals**
- **A committed, educated political leadership**
- **Bi-partisan support**
- **Union, business support**
- **Strong institutions and supportive bureaucracy**

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## FEATURES OF TRADE AND DEREGULATION REFORMS

- **Sequencing:**
- **“Opening the borders” came first**
- **Unilateral liberalisation**
- **Avoidance of “big bang” or comprehensive initial reform**
- **Avoidance of abrupt changes (25 per cent tariff cut of 1974 was not repeated)**
- **Preannounced and graduated reductions in protection**
- **Industry plans in sensitive sectors**

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## ACTING ON A BROAD FRONT

- Reforms were sequential and incremental initially
- Reforms evolved in a cumulative way to encompass whole economy
- Potential losses in some sectors partly offset by benefits from reforms in other sectors e.g. trade liberalisation and deregulation increased employment generally even though jobs were lost in particular sectors and firms
- As reforms widened, it was harder to excuse exemption of individual sectors
- Sustainability of reforms

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## TRADE AND DEREGULATION ADJUSTMENT MEASURES

- **General support**
  - General retraining schemes
  - Welfare safety net
- **Specific measures in sensitive sectors**
  - Industry plans
  - Direct compensation
  - Regional support

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## COMPETITION LAW AND POLICY

- **Australian Industries Preservation Act 1906 – High Court emasculation**
- **Trade Practices Act (TPA) 1974**
- **Reforms to TPA in 1990s**
  - Higher penalties; a stronger merger law
- **Formation of ACCC from TPC and PSA**
  - A sharper focus on competition
- **Vigorous, high profile enforcement of Trade Practices Act (including consumer protection provisions)**

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## WHAT IS COMPETITION POLICY?

- **Competition/antitrust/trade practices law**
- **A comprehensive national competition policy**
  - Includes competition law
  - Reform anticompetitive laws
  - Deregulation
  - Reform, restructure public utilities
  - Competitive neutrality

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## DRIVERS OF A COMPREHENSIVE NATIONAL APPROACH

- Opening of economy created pressure for action on non traded goods sector
- TPA focus not on the least competitive sectors
- Recognition that competition policy needed to be comprehensive
- Privatisation, corporatisation, etc of public utilities raised competition issues

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## A COMPREHENSIVE NATIONAL APPROACH

- Reform on a sector by sector basis, without a broader policy framework or process, unsatisfactory
- A national market rather than separate regional markets
- Accompanying TPA enforcement
- Greater recognition of value of competition

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## COAG PRINCIPLES 1991 AND THE HILMER NCP INQUIRY

### Principles

- No anticompetitive conduct against the public interest;
- Universal and uniformly applied rules;
- Anticompetitive arrangements said to be in the public interest assessed independently transparently;
  - An open, integrated domestic market;

### Leadership and Intergovernment Agreement on

### Principles

### Hilmer Report

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## AUSTRALIA'S NATIONAL COMPETITION POLICY

- Universal application of TPA
- Vigorous TPA enforcement
- Removal of anticompetitive laws
- Structural reform of public monopolies
- Access to “essential facilities”
- Competitive neutrality
- Monopoly pricing regulation

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## IMPLEMENTATION

- **Reviews**
- **Machinery**
- **Compensation**

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## LIMITATIONS

- **Poor Commonwealth performance  
e.g. Media sector**
- **Small business resistance**
- **Rural resistance**
- **Imperfect selling of competition  
case**

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## FACTORS IN REFORM

- A sense of crisis (“Banana republic”)
- Sequencing
- Reform reports
- A clear agenda for reform
- A committed educated leadership
- Institutional arrangements
- Some lack of political understanding of implications of a competition policy

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## FACTORS IN REFORM cont.

### Qualified Supporters

- Contradictions in competition policy attitudes
- Big business opposition to stronger Trade Practices Act but support for wider competition reforms aimed at public utilities, professions, small business etc.
- Small business and farmer support of some of agenda
- State governments – fiscal incentives
- Unions – ambivalent attitudes
- Bureaucratic support, especially central agencies

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## **ACT 3: COMPETITION QUESTIONS LOOKING AHEAD**

- **Criminal sanctions**
- **Untouched sectors**
  - **Education**
  - **Health**
  - **Public services**
  - **Harder to conceptualise**
  - **Intellectual property**
- **Labour markets**
- **Infrastructure?**

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## **LOOKING AHEAD**

- **Reform fatigue**
- **Loss of political interest**
- **Interest in “nation building” and infrastructure projects**
- **China as source of productivity growth – and complacency?**
- **Recent reforms as exceptionalism**

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## LESSONS FOR OTHER REFORM AREAS

- **Crises**
- **Mandates**
- **Agendas**
- **Leadership**
- **Institutions**
- **Sustainability**

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