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26 April 2023

**By email:**

Standing Committee on Economics  
House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear Committee Secretary

**Inquiry into promoting economic dynamism, competition, and business formation**

The Consumers' Federation of Australia (CFA) welcomes the opportunity to contribute to the House of Representatives Standing Committee on Economics *Inquiry into promoting economic dynamism, competition, and business formation*.

CFA is the peak body for consumer organisations in Australia. CFA represents a diverse range of consumer organisations, including most major national consumer organisations.

CFA considers that there is a lack of adequate competition in many market sectors in Australia, which enables business to sustain mark-ups and produces poor market outcomes. CFA is particularly concerned that excessive market concentration may be contributing to "sellers' inflation" or "profit-led inflation" in Australia, and we urge this committee to investigate this phenomenon. Profit-led inflation was recently recognised by the UBS Chief Economist as an issue affecting developing markets at the moment.<sup>1</sup> CFA's recent submission to the Senate Select Committee on the Cost of Living provided further commentary and recommendations in this regard, and we attach a copy.

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<sup>1</sup> UBS Chief Economist, What is Profit Lead Inflation?, 16 March 2023, [https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/market-insights/paul-donovan/jcr\\_content/mainpar/toplevelgrid\\_1847870123/col1/teaser\\_826301810\\_cop/linklist/link.0905296706.file/PS\\_9jb250ZW50L2RhS9hc3NldHMvd20vZ2xvYmFsL2NpbYqtYXJrZXQtaW5zaWdodHMvZG9jL3doYXQtaXMtcHJvZml0LWxlZC1pbmZsYXRpb24tbWFyY2gtMjAyMy5wZGY=/what-is-profit-led-inflation-march-2023.pdf](https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/market-insights/paul-donovan/jcr_content/mainpar/toplevelgrid_1847870123/col1/teaser_826301810_cop/linklist/link.0905296706.file/PS_9jb250ZW50L2RhS9hc3NldHMvd20vZ2xvYmFsL2NpbYqtYXJrZXQtaW5zaWdodHMvZG9jL3doYXQtaXMtcHJvZml0LWxlZC1pbmZsYXRpb24tbWFyY2gtMjAyMy5wZGY=/what-is-profit-led-inflation-march-2023.pdf).

CFA notes that the terms of reference for this inquiry appear to focus on issues like industry structures and their impact on competition and economic dynamism. CFA considers that, in addition, a key focus should be on demand-side initiatives to promote more effective competition.

This was a key recommendation in the 2015 Harper Competition Policy Review. It recognised that competition will not be effective unless consumers are informed and are able to make effective choices without encountering undue barriers. The review stated:

“The Panel believes that markets work best when consumers are informed and engaged, empowering them to make good decisions. Empowering consumers requires that they have access to accurate, easily understood information about products and services on offer. But just providing information is not enough to guarantee good choices by consumers. The ‘right’ type of information must also be provided, so consumers can (and want to) act on the available information. Insights from psychology and behavioural economics suggest that consumers can have behavioural traits that prevent them from making good use of even well-presented information. Governments should take account of these findings to ensure that consumers are able to enjoy the full benefits of competition and choice.”<sup>2</sup>

CFA’s submission to the Senate Select Inquiry into Cost of Living also made recommendations about specific measures in particular markets to boost competition and more positive market outcomes for consumers in specific markets including groceries, telecommunications, consumer credit and energy. We refer the committee to that submission.

Yours sincerely

Gerard Brody  
**Chair, Consumers Federation of Australia**

[Attachment – CFA Submission to Senate Select Committee on Cost of Living, March 2023](#)

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<sup>2</sup> Harper Competition Policy Review – Final Report, page 53