



731-1173

**The Hon David Bradbury MP  
Assistant Treasurer  
Minister Assisting for Deregulation**

The Hon John Murphy MP  
Chair  
Standing Committee on Petitions  
House of Representatives  
Parliament House  
CANBERRA ACT 2600

18 MAR 2013

Dear Mr ~~Murphy~~

Thank you for your letter of 29 November 2012 concerning a petition regarding cost of living issues. I apologise for the delay in responding to you.

While the Australian economy is very strong, with a positive outlook for economic growth and continuing low unemployment, the Australian Government recognises that cost of living pressures such as the rising cost of utilities and groceries as identified in the petition, are a concern to many Australian households.

In relation to the cost of electricity and gas charges, residential electricity prices are subject to regulation in all states and territories, except Victoria which deregulated prices in 2009 due to the existence of effective competition in the state's retail energy market. Jurisdictional pricing regulators determine electricity prices based on energy purchase costs, transmission and distribution network charges, and retail costs. Retail gas prices for small customers are subject to regulation in New South Wales, South Australia and Western Australia. Other jurisdictions no longer apply regulation of retail gas prices for small customers due to the existence of open and competitive markets.

While variations exist across jurisdictions, the main factor behind rising electricity prices has been the significant investment required to build new, and replace ageing, network infrastructure to meet rising energy demand and ensure supply reliability. Rising gas prices are generally due to rising distribution and energy purchase costs which together make up the majority of the retail price paid by consumers.

The Australian Government is working with the states and territories to deliver a cooperative energy market reform agenda aimed at mitigating energy price rises for consumers, while ensuring supply reliability. On 7 December 2012 the Australian Government with state and territory governments committed to a comprehensive package of reforms to electricity markets. These commitments will help ease the burden on families by:

- enhancing the regulatory framework to ensure expenditure by network businesses is efficient and avoids undue price pressures for consumers;

- introducing measures to facilitate greater consumer engagement in the energy market, including establishing a Consumer Challenge Panel, comprised of industry experts, to represent consumers' interests in regulatory determinations by the Australian Energy Regulator (AER);
- strengthening the regulator by providing an additional \$23 million in federal funding to the AER over four years to support additional expert resources, clearer and more transparent reporting, and greater consumer engagement;
- requiring states and territories to identify clear pathways towards more flexible electricity prices to allow retailers to offer consumers a better deal; and
- promoting greater demand side participation to assist in minimising peak demand and associated infrastructure investment by empowering consumers to better understand and manage their energy use and costs.

Energy is an essential service and it is important that all consumers can reasonably access it. The Australian Government has introduced the National Energy Customer Framework (NECF) which provides consistent protections for the sale of energy to consumers. The NECF commenced on 1 July 2012 in Tasmania and the Australian Capital Territory and will commence in other participating jurisdictions as soon as practicable. In addition, state governments maintain a range of rebates and concessions for vulnerable customers, such as pensioners. Retailers should be able to provide their consumers with information on these rebates and concessions.

To help meet the cost of living increases that may occur with the introduction of the carbon price, the Australian Government is providing households with assistance. Almost six million Australian households will receive assistance that meets or exceeds their expected average carbon price impact. Nine out of 10 Australian households will benefit from some combination of assistance through tax cuts, increases in pensions, increased allowances and family payments to help them with the cost of living impact of the carbon price. On average, it is expected that weekly household expenditure will rise by around \$9.90 per household, including \$3.30 per week on the average electricity bill. On average, households will receive \$10.10 per week in assistance. More information on the carbon price and the Clean Energy Future plan is available at: [www.cleanenergyfuture.gov.au](http://www.cleanenergyfuture.gov.au).

Regarding the issue of local council rates and water charges, these are administered by local government authorities, in accordance with the relevant state or territory legislation, and utilities providers respectively.

The Government also recognises the impact that housing costs can have on families and household budgets and is therefore implementing a range of measures to improve access to affordable housing throughout Australia. Over \$20 billion has been invested in projects including new and renewed social housing, the Housing Affordability Fund which is reducing the cost of new homes, and the Building Better Regional Cities program. Under the Government's \$4.5 billion National Rental Affordability Scheme, an additional 50,000 dwellings will be delivered nationally in partnership with the states and territories to the private rental market at below-market rates.

As noted in your petition, the cost of food and groceries forms part of the broader concern about cost of living pressures. In response to these concerns, in 2008 the Government directed the Australian Competition and Consumer Commission (ACCC) to undertake an inquiry into grocery prices. In preparing its 2008 report, titled the *Report of the ACCC inquiry into the competitiveness of retail prices for standard groceries* (the ACCC Report), the ACCC examined the grocery retailing industry, from the farm gate to the checkout counter. The ACCC Report is available at: [www.accc.gov.au](http://www.accc.gov.au).

According to the ACCC Report, the biggest impediments to improved competition included high barriers to entry and expansion, a lack of incentives for the major supermarkets to compete strongly on price, and the limited price competition from independent retailers. It was the ACCC's view that the appropriate policy response was to attempt to lower barriers to entry and expansion for independent supermarkets and potential new entrants, in both retailing and wholesaling.

The Government considers that promoting competition in the grocery retailing sector, including by lowering barriers to entry, is the most effective way of exerting downward pressure on grocery prices and encouraging innovation and greater choice for the benefit of all consumers. The entry of ALDI and Costco into the Australian grocery sector is having a positive impact in this regard.

To promote more competition in the grocery retailing industry and reduce barriers to entry, the Government has introduced a range of policy measures including:

- changes in the foreign investment policy to extend the timeframe for the development of vacant commercial land from 12 months to five years;
- clarifying predatory pricing and misuse of market power provisions in the *Competition and Consumer Act 2010*;
- providing information about the Australian retail grocery industry in international trade forums to attract new entrants into the Australian market; and
- introducing a mandatory, nationally-consistent unit pricing regime.

Thank you again for your letter and I hope this information will be of assistance to you.

Yours sincerely

DAVID BRADBURY