
# HOUSE OF REPRESENTATIVES

## STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND PUBLIC ADMINISTRATION

**Reference: National Competition Council annual report 1996-97**

**MELBOURNE**

**Wednesday, 25 February 1998**

OFFICIAL HANSARD REPORT

**CANBERRA**

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND PUBLIC ADMINISTRATION

Members:

Mr Hawker (Chair)

Mr Albanese
Mr Anthony
Mr Causley
Mrs Gallus
Mr Hockey
Mr Latham
Mr Martin
Mr Mutch
Dr Nelson
Mr Pyne
Dr Southcott
Mr Willis
Mr Wilton

## WITNESSES

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND PUBLIC ADMINISTRATION

*Review of the National Competition Council annual report 1996-97*

MELBOURNE

Wednesday, 25 February 1998

Present

Mr Hawker (Chair)

| | |
|---|---|
| Mr Albanese | Mr Anthony |
| Mr Causley | Mr Mutch |
| Dr Southcott | Mr Wilton |

Committee met at 10.00 a.m.

Mr Hawker took the chair.

**CHAIR**—I declare open this public hearing of the House of Representatives Standing Committee on Financial Institutions and Public Administration. This is the first hearing the committee is having to review the National Competition Council's 1996-97 annual report. The NCC's role in competition policy is crucial. It advises the Commonwealth, states and territories in implementing the competition reforms as well as assessing their progress.

Since the NCC's inception there have been ongoing basic concerns about its effectiveness. Questions continue to be asked about, firstly, the dual role of the NCC as adviser and assessor; secondly, the council's method of assessment for the competition payments; thirdly, procedures surrounding the undertaking of the legislation reviews; fourthly, and more recently, the options and tone emerging from the NCC's recent work on the Australia Post review; fifthly, the adequacy of the NCC's resources to appropriately fulfil all its roles; and, sixthly, the evidence now emerging of the slow pace of on the ground reforms under competition policy.

With the first assessment period for the competition payments complete, now is an appropriate time to consider the effectiveness of the council's role. Given the NCC's critical role in competition policy, its actions must be transparent and accountable. With the NCC's unique position of reporting to the Commonwealth, state and territory governments as a group, its appearance before this parliamentary committee provides a rare opportunity for detailed public scrutiny.

The basis for the committee's review is the House of Representatives standing order 28B(b) whereby annual reports within a committee's area of portfolio responsibility stand referred for any inquiry the committee may wish to undertake. As the NCC comes within this committee's area of portfolio responsibility, on 28 August last year the committee resolved to review the NCC's 1996-97 report.

Today we are expecting a very frank and open discussion on a number of matters and, as the committee has a series of questions it wishes to address, I will proceed immediately to the swearing of witnesses.

Accordingly, I welcome the representatives from the National Competition Council to today's public hearing. I remind you that the evidence you give at this public hearing is considered to be part of the proceedings of parliament. I therefore advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of parliament.

**SAMUEL, Mr Graeme Julian, President, National Competition Council, Level 12, 2 Lonsdale Street, Melbourne, Victoria 3000**

**WILLETT, Mr Ed, Executive Director, National Competition Council, Level 12, 2 Lonsdale Street, Melbourne, Victoria 3000**

**CHAIR**—Would either of you like to make an opening statement before we proceed to members asking questions?

**Mr Samuel**—I think we can proceed to questions, Mr Chairman.

**CHAIR**—I might start with some questions about the selling process, which I know you are very conscious of. Have you detected any improvement in the community's understanding of the reforms and the benefits of competition reform?

**Mr Samuel**—I think there is an improvement in the awareness on the part of the community of what competition policy is about and the reforms that need to be undertaken. I think there is still a substantial process of education that is required on the benefits of competition policy and, therefore, the rationale for undertaking the reforms that are an intrinsic part of the competition principles agreement. It is a slow process. It is one that the council regards as an important process and one that the council started to place some real priority on towards the beginning of 1997 and has been working on substantially over the past 12 months.

I think it is fair to say that our concentration to date has been to focus on those groups that will feel the direct impact of reform. Reform tends to impact, particularly in the area of competition policy, on select groups that have benefited from anti-competitive restrictions in the past and to impact upon them more significantly than necessarily the advantages that will be felt by the community. The community benefits tend to be more diffuse.

Therefore the approach has been to work with those groups that will be significantly and directly affected by reform first and then, through that process, to start working on a broad community education regime.

I should mention that the conference that was held last week—a copy of my paper to the conference has been delivered to members of the committee—was organised by the government of Victoria in conjunction with Queensland treasury and it was designed to bring together both regulators—members of competition policy units around the states, territories and the Commonwealth—and various interest groups in the community to discuss the whole issue of competition policy and the cultural changes required.

I think one important element that came out of that conference and out of the subsequent deliberations with the committee for regulation review—which is an informal committee that has been established by senior officials around the states, territories and the Commonwealth—was the need for a coordinated public relations campaign on what are the real benefits of competition policy reform—why are we doing it? It is not a holy grail; it is a process that will lead to a particular outcome that is highly beneficial to the community.

**Mr CAUSLEY**—And clearly highlight who are the beneficiaries?

**Mr Samuel**—And clearly highlight who are the beneficiaries. The area of legislation review is perhaps the more incidental aspect. The major reforms are the big infrastructure items, and as those reforms begin to take effect, so the broad community will begin to evidence the benefits of those over the next two or three years, to the extent they have not already been evidenced.

In the area of legislation review, of course, the fundamental requirement is that there be an overwhelming community benefit—or, to put it in another form, there is a presumption in favour of removal of anti-competitive restrictions and monopoly restrictions that might currently exist in legislation, unless a net community—underline the word 'community'—benefit can be demonstrated to the contrary.

**CHAIR**—Do you feel that the various jurisdictions are doing their bit to get out there and sell it? Is that happening or is it improving?

**Mr Samuel**—They are not at the moment. There are one or two jurisdictions that are adopting a stronger and more robust approach to conveying the message. But I think it is fair to say that the robustness of approach to competition policy is very much reflective of government majorities in upper or lower houses.

That is quite ironic, in the sense that where a government has a substantial majority in both houses of parliament—if there are two houses—then in one sense there is probably less need to sell the benefits of reform to the community because of the capacity to bring about reform through the legislative process. But in those areas where there is more political sensitivity, I do not think there has yet been a full realisation by governments of the very real need to sell the benefits of reform to the public in general. I think that is starting to be realised now as governments are appreciating that the year 2000 is fast approaching and that competition policy agreements require the majority of reform to be completed by the end of that year.

**CHAIR**—Given that you say some are not as effective as others, does that not raise some questions about whose role it is to make sure it is being sold?

**Mr Samuel**—It does raise questions, chairman. The approach that the council is adopting is to work collaboratively—and I am going to use that expression over and over again because it is a very collaborative process that we were adopting. It is not rhetoric; it is quite sincere and genuine in its approach.

We see ourselves as having a number of roles at council level. The assessment role is the one that tends to gain a lot of attention because it involves large sums of money—$16 billion, and if you like, a penalty, as it is often described, for non-compliance. I must say that it is the view of the council that it is really the bottom line role; it is the lowest tier role of what we have to work with.

It is far more important that we work with governments to sell the message of competition policy and the very real benefits associated with it, and work with governments and vested interest groups that are going to feel the sharp edge of competition policy reform in bringing about the necessary outcomes, but in a way that recognises the political sensitivities and imperatives that are inherent in various jurisdictions. There are processes that occur very much behind the scenes to do just that.

**CHAIR**—In those processes, a consultative committee was proposed: has that formally been put together?

**Mr Samuel**—We have not proceeded with the consultative committee approach, quite deliberately, because we are spending more time and finding it more constructive to proceed through a wide-ranging continuous informal consultative approach with interest groups right around the community. If it becomes appropriate we can talk about our Australia Post review and the process we adopted there.

We have tended to move away from the formal consultative committee process. We have a view that it tends to institutionalise the communication of information to us and, more importantly, the communication of information from us to various interest groups. It is institutionalised in the formal, relatively short meetings. Where presentations are made to consultative committee meetings by interest groups, there are responses to those, and the sheer volume of people that are present at those sorts of meetings tends to mitigate against a free and open flow.

Therefore, we have been engaging in an extensive consultative process around the country with interest groups at all levels—local government, consumer groups, environment groups, the unions, small business, big business, and community groups—that are impacted by competition policy reform to talk about the issues and to have people understand a lot better what our message is.

**CHAIR**—You talk about the collaborative approach and so on. I suppose it gets down to the carrot and stick, and you talk about the stick being the bottom line. The committee is very interested in this intermediate option. You have identified already that there are a number of areas of various jurisdictions that have been dragging the chain a bit, yet they all seem to have got the full dividend. With this intermediate option, do people take the threat seriously?

**Mr Samuel**—The intermediate option was a very carefully considered issue at the time of our first assessment. The first assessment report revealed that no jurisdiction had completely complied with its obligations under the competition principles agreement. On the other hand, it also revealed that a substantial amount of work had been done in what was an extraordinarily complex and politically sensitive process. It may have been that the initial target, in terms of the start-up phase, the processes that were required to be completed and the process of actually garnering the necessary resources at government level, may have been a little too ambitious and that it was appropriate to potentially create a little bit of extra time for governments to comply with their obligations.

There are two approaches. One would have been to say to all governments that compliance has not been completed, therefore payment should not be made under the first tranche. We felt that, given that there was overall a commitment to pursue competition policy at government level around the jurisdictions, it would have been a substantially negative message to give at this very early stage. Given that the non-compliance or the areas of non-compliance had every expectation of being fulfilled and satisfied within a very short period after the cut-off date, which was 30 June 1997, the preferable approach would have been to have said to governments that we will recommend payment of the first part only of the first tranche—that is the 1997-98 payments—and provide a further interim assessment to the federal Treasurer in respect of the 1998-99 payments, and that that will be dependent upon full compliance by governments with their 30 June 1997

obligations.

I think it is fair to say that the main area where there had been a slippage, which was the gas reform or adoption of the natural gas access regime, looks like it will be fully completed by 30 June 1998; and that is a very important area of reform. The area of electricity reform looks like it will have met the necessary obligations. The few outstanding areas in the areas of legislation review and competitive neutrality look like they are going to meet the necessary requirements. So we are confident that we have actually adopted the right approach.

**CHAIR**—Are you saying that if by July this year you have not seen that happen you will definitely consider withholding some of the next round?

**Mr Samuel**—I think it is fair to say that the clear message that has been coming out since early last year is that the council does mean business; that it will recommend reductions in payments when non-compliance has occurred. The more important area is the second tranche, which relates to obligations that are required to be completed by July 1999. That second tranche assessment will take place—we will start work on it by July this year—over the next 12-month period.

The second tranche is a very important element for two reasons. One is that we start to get into the real meat of competition policy reform. It must be remembered that, with the exception of electricity and gas reforms, the primary reforms or the primary activity required to be conducted in this area under the competition principles agreement by July 1997 was largely timetable setting and direction setting—it was not getting into major areas of legislative review reform. They are now part of the very serious process that is required to be undertaken in this two-year period from July 1997 through to July 1999. The second tranche payments, of course, are far more significant than the first tranche payments, therefore the relevance of those payments to states and territories is far more significant.

The paper that was delivered on 16 February 1998 to the conference on legislative review made it absolutely clear to states and territories—and it was widely reported—that the council does mean business and that it will recommend reductions in payments where non-compliance has occurred.

**CHAIR**—Mr Albanese is very keen to follow up on a couple of those points.

**Mr ALBANESE**—In the report that this committee presented last year entitled *Cultivating competition*, we recommended:

Recommendation 13. The committee recommends that the state, territory and Commonwealth governments put in place measurement and monitoring systems so that the outcomes of implementing national competition policy can be adequately assessed in the future.

One of the problems you have got with ensuring compliance, ensuring that people are actively pursuing the road to competition nirvana which you suggest they should be, is the failure to have that assessment. To what extent have you taken on board our recommendations regarding a review and showing what the actual benefits are?

**Mr Samuel**—Very seriously, as it is clearly the whole foundation of any public education program in the area of competition policy reform. There are two levels of dealing with the measurement process and interlocking that into a public education process. One is to adopt the sorts of symbols that are very important to the average Mr and Mrs Australian. Therefore, it is very easy to point to the benefits of reform that have been shared by virtually every Australian in the area of, for example, telecommunications deregulation of competition and airline deregulation of competition.

Over the next three years, as some states move towards full competition in the area of electricity supply, particularly in the retail area, we will then be able to point to the benefits of that reform to consumers. They will see that in terms of reduced prices and improved service. So in terms of the general consumer, that is easy to show, that is easy to demonstrate.

**Mr ALBANESE**—Can I take up the issues in the three industries which you raise. Do you agree that perhaps the average consumers who see two lots of cable being duplicated in their street might suggest that some of the telecommunications reform perhaps was botched up—by the previous government, to be fair. When we book an airline ticket we see that the airlines have exactly the same prices, exactly the same time schedules and—an example I used to the ACCC last year—at exactly the same point in time on the same day, both airlines, the duopoly, chose to cancel flights out of Canberra in the evening, spontaneously; good working of the market there.

In the area of electricity, I met last week in Melbourne with just about all of the privatised electricity companies. In your report, at chapter B7.2, in terms of the objectives of reform, you say that customers should be free to choose who supplies their electricity. On page 117 you say that, by July 2001, all customers will have the freedom to choose their electricity supplier. On page 120 you mention a fully competitive national market to operate from 1 July 1999, and give as one of its main objectives the ability for customers to choose which supplier—including generators, retailers and traders—they will trade with.

Would you be surprised to learn that basically all the companies admitted that it was total fantasy and that at the consumer level there is absolutely no competition in operation in Victoria? The competition policy, privatisation, et cetera, in Auckland at the moment is working in a particularly interesting way.

**Mr CAUSLEY**—And Brisbane.

**Mr ALBANESE**—I did not want to raise Brisbane, of course. In terms of selling the process, there is this ideological mantra that competition benefits equally at the bottom line. Electricity is the most absurd example. To suggest that someone has a choice of turning on a light and which company they will choose in terms of retailing is just nonsense. The big beneficiaries are, of course, those who can compete, the big consumers.

**Mr Samuel**—Can I address each of those and take them in turn. In terms of telecommunications, I would respectfully suggest that in fact the average punter out there would not be focusing so much upon dual cable rollout and the inefficiencies of that as they would be focusing on their telephone bill and the fact they can now make STD calls and international calls at vastly reduced rates to what were ever available before; the fact that, certainly from July last year, when full competition was able to enter into the market, suddenly it was possible to see discounts being available on local calls; the fact that international calls can now be

made on the Internet by various service providers.

**Mr ALBANESE**—I certainly accept that that is the case. But do you accept my point on telecommunications that, in terms of a total deregulation or a model of the telecommunications industry and the way the market was opened up, perhaps that could have been handled a hell of a lot better by a bit of regulation planning. Regulation is needed on, for example, sharing of cables and sharing of mobile phone towers.

**Mr CAUSLEY**—It is a distribution system being corporatised separately.

**Mr Samuel**—That goes to the issue of the process of deregulation of telecommunications. I tread into an area where I do not have a great deal of knowledge, other than to say that my understanding is—and Mr Willett may want to elaborate on this—that the flaws which occurred in relation to the deregulation of telecommunications largely resulted from the retention of regulation or a specific regulation under the auspices of Austel, rather than from the deregulation process.

For example, the access regimes under part IIIA of the Trade Practices Act were not implemented in relation to telecommunications, thus the access issues that might have prevented the duplication of cable rollout were not permitted because of a specific regulatory regime that was brought into play as part of the deregulation of telecommunications.

It often happens that deregulation of competition is maligned because of the distorted regulation that is left in place rather than because of the deregulatory process. I emphasise that this is not an area that either the NCC or I have any great expertise in, but it could well be that had there been deregulation of telecommunications in the model that we had as at July 1997, back at the beginning of the deregulatory process, it might be that some of the inefficiencies you have commented upon might not have occurred and the consumer might have seen the benefit a little earlier on.

I emphasise that I think the primary concern of most consumers—given that the rollout of duplicate cable has been limited to very few jurisdictions in Australia at the moment—is that they are now getting an enormous choice of service provider, different services are available and certainly different prices are available. The fall in telecommunication costs for average households has been estimated to be of the order of 20 per cent. If I move to the airlines, yes, there is some dual scheduling.

**Mr ALBANESE**—It is total, it is uniform; not some.

**Mr Samuel**—That may be when you are flying to and from Canberra, I am not sure.

**Mr ALBANESE**—Or Melbourne or Brisbane.

**Dr SOUTHCOTT**—They are pretty major routes.

**Mr Samuel**—Certainly, in my experience, I think it is fair to say that what we are now seeing is a removal of the rigid dual scheduling that occurred under the two airline policy but, much more importantly,

we are seeing vigorous competition in pricing for airlines.

**Mr ALBANESE**—Are you serious?

**Mr Samuel**—Absolutely. This of course is all pre-national competition policy in any event, but if I could take us back to the two airline days, there were no stand-by fares, discounted fares, discounted fare routes.

**Mr ALBANESE**—They have the same ones, advertised for the same period in the same newspapers. The credibility of what you are saying is, frankly, just zero.

**Mr Samuel**—If I might say so, the real issue is to compare airline prices and airline services offered for consumers under the two airline agreement arrangement with the current pricing schedules and current services. I doubt that there would be a consumer out there who would not indicate to you very quickly that they are now evidencing substantially lower air fares than they were ever paying before.

It may be that there is a comity of pricing and a comity of scheduling between the two major airlines and it may be that market forces are dictating that they are the best times to schedule flights, and we will often see in some areas that price-following does occur. But certainly, without any exception, consumers have seen, with the advent of competition, lower prices for airline travel than they were evidencing under the previous two-airline agreement.

If I could move to the third area of electricity, I knew the moment I opened my mouth on electricity you would raise Auckland and someone else would raise Queensland. Let me say to you that I would not be surprised if you were to say to me that the major suppliers would not anticipate major competition once the supply of electricity in the retail area—that is, to the retail customer—is opened up by the year 2001. I have to say to you that I think that would be more a hope than an expectation.

If the evidence of what we have seen in telecommunications is any example at all, we will see major competition occurring in the supply of electricity at all levels. At the moment, of course, it is limited to major users.

**Mr ALBANESE**—I am saying that the companies themselves sat down, the chief executives of Mission Energy and other companies, we had a map put up on a wall behind and Victoria was divided up into regions, and they agreed that they had zero intention of moving beyond that.

**Mr Samuel**—I guess that what governments and competition councils and other authorities cannot do is dictate to the market what they should do in dealing with available markets. We cannot dictate that they should compete and they should cross borders. Experience would tend to suggest in almost every other market that although there is the very best intention in the world not to compete, ultimately someone says, ‘There is benefit in my crossing into someone else’s territory’—in other words to break ‘keep off the grass’ type arrangements to compete—and competition does occur. I think it is too early to predict and I understand what you are saying as being an indication.

**Mr ALBANESE**—Electricity is a good example in the retail market to Mr and Mrs Smith out there. Because it requires such high cost infrastructure, someone who operates in western Victoria will not decide, 'Mr Jones wants to work with my company, rather than the other one in eastern Victoria.' They do not pretend it is going to occur, so I do not see why the National Competition Council should pretend it is going to occur either.

**Mr Willett**—I would respond by saying that they may well be very surprised. I think you are going to see a lot of changes in the electricity industry when full contestability is introduced in terms of the emergence of the specialist marketers and multi-utilities. It is not just going to be a matter of what the current incumbents plan to do or what they would like to do. Obviously, they would like to hang on to the monopoly markets that they have at the moment.

It is interesting to note that with the introduction of contestability to the 160-megawatt consumers that is about to come into operation, those consumers are currently being offered substantial discounts by their current suppliers. Those discounts, on an anecdotal basis, are of the order of 30 to 50 per cent; they are very substantial benefits. That is from their current suppliers offering them contracts to tie them in because they fear, with the introduction of contestability, the market is going to change very dramatically.

**Mr ALBANESE**—There is the example in the Hunter Valley where one of those deals will potentially result in a loss to Energy Australia of an estimated hundreds of millions of dollars.

**Mr Willett**—That is a competitive market; if they do deals, they may make losses.

**Mr ALBANESE**—The person or corporation benefiting from the deal is not Mr and Mrs Jones, it is the big players, that is the problem. In terms of where the subsidisation comes in, there is genuine concern in New South Wales in the current electricity debate—poor old Michael Egan has probably had to be hospitalised after Auckland and Brisbane—about who the beneficiaries are. Indeed, for people who were at the MCG when the lights went out, there is concern about the beneficiaries in Melbourne as well.

**Mr Samuel**—It was Waverley Park where the lights went out, and the AFL got the blame for that, rather than anyone else.

**CHAIR**—Mr Albanese raises a very important point. A number of us have always been concerned that some benefits of competition are going to be distributed unevenly. Obviously, it will benefit the big consumers, and people living in regional areas are often the last to get the benefits, or may not get any. Those of us who come from country areas are only too well aware of what happens with things like petrol pricing. There are sensitivities there, so I think that is an area I would like to flesh out a bit.

**Mr ANTHONY**—Mr Albanese mentioned power and you have talked about the benefits of communications. I used to work in the private sector in the years before my political life. Whilst we might have cheaper telecommunications prices now, in a lot of regional areas we do not have a service because the technicians have gone, the linesmen have gone. I am a recipient of Queensland power now and it is not just a problem of the lights going out at the football; you might be cooking dinner for the kids when it goes out.

I am beginning to question whether, as the chairman said, there is an uneven distribution of the benefits of competition policy in telecommunications, particularly in rural areas where the service is very patchy. We cannot get mobile phones and we certainly have not got satellite yet. We cannot even get power put on, because of the corporatisation of one organisation. What concerns me is your comment that the regulatory regime did not catch up with the competition. They go hand in glove—I do not think you can separate them. The consequences are exactly the same for some consumers.

I am interested in your comments on telecommunications. There was this ridiculous allocation of public resources in cable; that was bad policy. The situation now with digital, where we have spectrum licences, is that they might go free to some of the current owners of free TV but you still have millions of dollars of public assets in cable TV where they had to pay for it. Yet we are still giving this first batch of money to all the states, saying, 'You have done a good job.'

What are the performance criteria? Are we measuring competition on performance? Clearly, we have rewarded a lot of these states, notwithstanding that some of them may not have caught up yet. When will we start to have better performance indicators, particularly for people in regional areas?

**Mr Samuel**—You have raised a whole range of issues, and forgive me if I miss one or two on the way. Let me put to bed quickly Auckland and Queensland, because that is a case again of competition policy being maligned, I think unfairly. We must remember that Auckland, of course, has not introduced any form of competition into the supply of electricity at all. What they have done is restructured the existing arrangement into a corporatised form of supply, so in a sense they have not gone down the privatisation or competition route, as has perhaps been suggested. It is the same with Queensland.

**Mr CAUSLEY**—That is the disease that has caused the problem. Even in my area, which is serviced by North Power, we are already getting blackouts because of what you are saying: they are corporatising, they are finetuning, they are trying to become competitive. That is the disease.

**CHAIR**—Can we let Graham answer.

**Mr Samuel**—Let me say to you that deregulation and deregulation reform can take two forms. I often liken it to stripping a bandage off a wound and letting some fresh air get in to enable it to heal itself. If you do it with a very slow process, it continues to be painful for some time and it does not let the sun and the fresh air get in until it is all off. I think often it is better if the bandage is whipped off in one fell swoop, very quickly, and the pain is over quickly, and you can see the whole process occur. I liken competition policy to that.

In terms of telecommunications, which Mr Albanese and Mr Anthony raised, we went through a slow process of deregulation, and it was a distorted deregulatory process. A distorted deregulatory process will inevitably lead to distortions in the way markets can work. Sometimes they are good but, more often than not, they are bad.

The process of competition policy that we are required to address focuses on some areas of what I call distorted deregulation or distorted competition and really asks us to assess in a totally objective, transparent

and analytical sense whether distorted regulation is providing a total community benefit or whether it is providing benefits to particular incumbents in an industry, wherever it might be; whether it is telecommunications or in the area of professions or an area of specific interest groups that are protected from competition.

As I say, I am not totally familiar with the whole telecommunications deregulation process, but I sometimes wonder, looking at it from afar, if I can put it in that sense, if we had moved in July 1997 to the total deregulation step at stage 1 and said that that was the level of freedom from regulation that we are going to have at the very early stages, whether we might not have avoided some of the distorted elements that are being talked of now; that is the elements involving the duplication of cable and networks and the inefficiencies associated with that which we saw under a distorted moving to a deregulatory regime.

The corporatisation process you have described is the first step towards real competition but there is no competition in corporatisation. Corporatisation simply makes transparent the real costs associated with operating a government business, but there is no competition. In a sense, Queensland is only a quarter to a half of the way along the road towards full, free competition and, most importantly, interconnection.

Again, without having a deep in-depth knowledge of the problems that have occurred in Queensland in recent days, I suggest to you that interconnection might well have been a saving grace—and Mr Willett might have some comment on this. Interconnection, had it already occurred, might well have been a saviour for some of the difficulties that have occurred of more recent days. But I say that without a deep in-depth knowledge of what has occurred in Queensland.

We are not experts on Auckland. We are certainly not experts on what is happening with power in Australia, and far less so with Auckland. But I can say to you that Auckland is not a deregulated regime, it is a form of hybrid corporatised regime. Again, without understanding the issues involved with the failure of cables in the Auckland central business district, I suggest to you that they are issues that bear little relevance to competition policy. They are other issues concerned with the technical aspects and the partial corporatisation leading towards full competition that applies there.

It is appropriate to focus on what has happened in Victoria because Victoria has probably gone the full way in the sense of setting out a process and a program for deregulation.

**Mr CAUSLEY**—You are looking at a postage stamp sized state.

**CHAIR**—Come on.

**Mr Samuel**—Perhaps I can give you some examples from some estimates that we currently have before us. From November 1992 to May 1997 a typical Victorian household has benefited from a 9.2 per cent real reduction in the unit cost of electricity. Victorian treasury and finance department estimates that since 1993 a typical household with electric hot water now spends $66 less than it would have without the competitive industry.

In November 1996, the Australian Chamber of Manufactures found that 78 per cent of large customers

received a reduction of around 10 per cent in energy costs and 10 per cent of contestable cost customers experienced an increase in electricity charges. Down time from blackouts—an interesting element—was down 50 per cent since 1989-90. This means that the reliability of the supply has improved 50 per cent. That has come from the Office of the Regulator-General.

I can provide a number of other statistics. The up-time available capacity factor, at in excess of 90 per cent, is generally regarded as being world's best standard and means that more electricity can be delivered more efficiently. Both residential and business disconnections fell dramatically in the second half of 1996 compared to the same period in 1995.

So right across the board benefits are being felt. There will be a high profile blackout of an AFL match at Waverley Park, but it appears to ignore the fact that blackouts, on a pure statistical analysis, are down 50 per cent since 1989-90. Overall, consumers are benefiting from that and that is before we have reached the stage of full competition in the supply of electricity in Victoria, because competition at a retail level does not really impact until into the next decade.

**Mr ANTHONY**—Notwithstanding that there are benefits for people in metropolitan areas, my experience on a day to day basis in rural areas is that the benefits are very distorted. Does the NCC acknowledge this? Is there evidence that you have collated about this? While there might be 10 per cent cheaper prices, a lot of people are not getting their power put on because there are no people to put it on or they are not getting their phones restored after storms or connected in new buildings. This is the problem. I think it is important that the NCC acknowledges that people in rural areas are missing out on the benefits because it is one area that we in government together can try to address.

**Mr Samuel**—I absolutely acknowledge that and it is well recognised around the council table. There are two aspects of this. The first is the distribution of benefits from competition policy and whether the distribution occurs directly as it falls according to the market; and the second is any disadvantages that might flow from competition policy, in terms of ensuring that services are available to all Australians wherever they might be at a reasonable price.

The second one is perhaps the easier one to tackle because that is the one that is tackled and can only be tackled by government in dealing with universal service obligations and community service obligations. That is part of the ongoing regulation that will be required in any deregulatory regime to ensure that where there is a public policy that all Australians, wherever they live, should continue to receive an essential service and receive it at a fair price. That needs to be undertaken by mandating, directing and requiring universal service obligations and community service obligations. That is an issue we have been addressing with respect to the Australia Post review of more recent times.

What I dealt with in the second part, Mr Anthony, is maintaining the universality of service and the fairness of price. As to receiving the benefits of deregulation, it is inevitable that in an uncontrolled fully competitive environment certain sectors will receive those benefits to a greater or lesser degree than other sectors. The question of whether the benefits of deregulation should be more evenly distributed then becomes a matter of government policy and it then becomes an extension of issues of community service obligations and universal service obligations.

If at least it can be demonstrated that a universal service obligation is being maintained—that is, that government policy is that wherever you live you receive a service at a fair price—and the government's view is that beyond that the benefits of deregulation may then fall as the market normally would dictate, then that is one level. If governments generally as a matter of policy want to transparently distribute the benefits of deregulation more evenly, then a further directive is required and it is a directive that can be done in a transparent manner. That does not necessarily require you to have anti-competitive restrictions in place.

**Mr CAUSLEY**—Surely that is naive. If you believe that the government can pay a CSO to regional Australia, when the majority of Australians live in Sydney and Melbourne, politics dictate that that cannot happen.

**Mr Samuel**—It actually does happen. It happens all the time.

**Mr CAUSLEY**—Where?

**Mr Samuel**—It happens in the area of postal services.

**Mr CAUSLEY**—But postal services will be deregulated.

**Mr Samuel**—I cannot comment on the content of our report, other than to remind you that one of the terms of reference was a recognition that it was government policy that a universal service obligation existed and also that uniform pricing ought to be available.

**Mr CAUSLEY**—We have instances at the present time where consumers of electricity who have had service for 100 years are being told by the power supplier, 'The distribution line to your property is yours, you maintain it and you replace it.' The line has been there for 100 years supplying these customers, but then all of a sudden it has been transferred back to them and they are told, 'It is yours, you look after it.' There has to be a cost for that.

The other point is that under competition policy it is fairly clear what happens when you have a powerful buyer in the marketplace. Have a look at Woolworths and Coles: they can sell Coke cheaper than the local milk bar can buy it from a wholesaler. If you have the same situation with electricity, where the big consumer of electricity can negotiate a discounted rate, surely the consumers who are small users, particularly rural users, are going to be cast to one side and told, 'We are not really interested in you.' So there will be a cross-subsidisation the other way with consumers subsidising industry.

**Mr Willett**—I do not agree with that.

**Mr CAUSLEY**—Why? It is proven in the marketplace.

**Mr Willett**—I was about to suggest that is not the evidence that is emerging now. It is difficult to say exactly what is going to happen when households become contestable in the next century. But what we do know, what we are seeing now, is relatively small customers—the 160-megawatt users—being offered discounts. So it is clearly not a market power issue.

Big consumers in the market are not the only ones who are getting discounts; the small enterprises, the 160-megawatt customers who are small businesses, are being offered substantial discounts, amongst the largest discounts being realised so far. The evidence is that the discounts are reaching deeply into the market and going to the smaller customers, and my expectation would be that this will continue down to household customers when they become contestable.

As Mr Samuel said, there are some issues in terms of geographic differences and differences between rural and city customers. That is an issue for public policy but I do not think it is a justification for saying we cannot have this competitive market because it discriminates between customers who do not cost very much to supply and customers who do cost a lot to supply. Perhaps the answer is to address the question of high cost customers directly through public policy measures.

**Mr CAUSLEY**—I know it is early days in the competition policy, but you have to prove to the consumer that they are getting a benefit from it.

**Mr Samuel**—Can we take two follow-on issues from that. The first is to ensure that the consumer does not suffer a disadvantage, and that is done by various regulatory controls over standard of supply and price of supply, all designed to ensure that the disparities that can occur between larger and smaller customers and the sorts of cost differentials that can occur having regard to different geographical locations do not result in a disadvantage—let me stress: do not result in a disadvantage—as distinct from an equal sharing of the advantage.

Then let me deal with the equal sharing of the advantage. In true competition, the advantages of competition will be shared disproportionately, there will always be the power of the large buyer. That does not, though, just simply reside in the coffers of gold of the large buyer. What it does is it reduces the overall costs of that large buyer in supplying whatever the buyer supplies. If it is BHP then it ought to flow down in lower steel prices, and if it is a Woolworths or a Coles Myer then it ought to flow down in lower retail prices to customers or to the suppliers of those companies. It ought to flow down all the way through.

There is one thing that can be said for certain and that is that in the absence of competition there is no discipline to ensure that large buyers, small buyers and residential retail customers are all going to get the benefits of the most efficient supply of the best service at the lowest price and the flow-on effects that I have just described because, in the absence of competitive disciplines, it just does not occur. Ultimately, what competition ensures is a discipline in the broad economy and therefore ensures the highest efficiency for the best quality and the lowest price.

Immediately that will be jumped on as saying, yes, but that can have some social disadvantages; and yes, a completely free market can have social disadvantages. That is the time when governments intervene to ensure that the social disadvantages are neutralised but are neutralised in a way that diminishes the impact on competition. So it ensures that we get the benefits of competition while preserving the safety net of the community interest or the community benefit in every way possible.

Thus the tests that are set out in the competition principles agreement are very clear. They broadly say that anti-competitive restrictions and anti-competitive behaviour are presumed to be bad; or, putting it the

converse way, competition produces efficiencies, it produces benefits for the community as a whole.

However, there may be circumstances where there is a net community benefit in retaining restrictions, and the tests then to be determined are twofold. First, is the net community benefit in retaining the restriction one that outweighs the benefits of the competition itself? The most important test is the second one: is this the only way that we can achieve that net community benefit? Do we have to have restrictions on competition to deal with the social issues that are important to the government and to the community as a whole or is there another way of dealing with them?

They can be addressed in so many different ways, depending on the particular industry or the particular area that we are looking at, that you would have to address each particular one. It is a very important element of competition policy which is sometimes called the public interest test. The public interest test is an expression that council is tending not to use very much because it is a test that often gets confused with overuse in various different forms of legislation. We are talking now much more about net community benefit and focusing on the benefits to the community as a whole, rather than benefits to particular interest groups who most often are those who benefit from anti-competitive restrictions in whatever area it might be.

**Dr SOUTHCOTT**—In the area of casinos, when you think through how they are actually going to benefit the economy as a whole, what sorts of benefits does having competition in casinos provide to consumers? Is there a net consumer benefit in having competition in casinos? I would be very interested to hear your comments as to how that impacts in the wider economy.

**Mr Samuel**—I think the issue that needs to be addressed with respect to casinos is whether the community as a whole obtains a benefit from the privilege that is granted to the holder of the monopoly licence. Monopolies anywhere grant privileges, they grant privileges to the monopolist. A monopoly that flows from having substantial market power gives an ability to charge monopoly prices. A monopoly that flows from a government licence gives even greater ability and then requires regulation to try and control the misuse of that market power through excessive charges or through the provision of poor service. So monopoly licences grant a privilege.

The question that really needs to be asked is this: is there an overall community benefit flowing from the privilege granted to an individual or a group of individuals by a monopoly licence? There are some very intricate and complex social policy issues relating to gambling in casinos, TABs and the like. I guess the question that governments need to address in the area of competition policy is this: if a government can determine that there is a very good social policy reason for restricting gambling, or if they can determine that there is a very good social policy reason in having an ability to control the illegal activities that might be associated with gambling or money laundering, then is the only way of achieving that by means of a monopoly licence, or can you achieve the same result and have a removal of the monopoly licence and the privilege that flows to the monopoly holder from that licence? That issue is being addressed by governments at the moment; it is not an issue on which the council has formed a view.

The council obviously recognises at this early stage, because it has seen some analysis of the subject, that there are clear social policy reasons—I move away from social policy and get back to the expression I used before of net community benefits—in having restrictions on gambling and controls over gambling. The

real question that governments have yet to address is whether a monopoly licence is the most effective way of achieving that or whether there are other means of achieving the same result without having a monopoly licence.

That takes me to the dual test I talked of before in clause 5(5) of the competition principles agreement. That is, are there community benefits that outweigh the costs of restriction? Do the net community benefits on the control over gambling activity outweigh the granting of a monopoly licence? The second question is: is the monopoly licence the only way of achieving it or are there less restrictive means?

For example, if a government formed a view that gambling turnover in the state should be limited to X hundred million dollars or that the number of TAB outlets in a state should be restricted to 2,000 or that the opportunity for gamblers to gamble on baccarat tables, roulette wheels and pokies should be limited to 5,000 tables and 10,000 poker machines, the question is, can you achieve those restrictive benefits—which might all be there for very good social policy reasons, net community benefit reasons—without having a monopoly licence in place?

It may well be that economically you could demonstrate that you should have two casinos, each limited to 2,500 tables, or not limited at all, but actually having between them a totality of 5,000 tables for which you have to tender.

**Dr SOUTHCOTT**—You could argue that 20 years ago Brisbane and Sydney did have competition in the casino market; the only problem was they were illegal.

**Mr Samuel**—These are really complex issues. If I take that simple example of a state determining that it was going to limit itself to 10,000 poker machines, would it be appropriate to grant a monopoly licence to one operator to operate all those poker machines or is it appropriate to put it out to tender and let there be competition?

**Dr SOUTHCOTT**—At the moment you have listed South Australia and Queensland as still not having resolved issues relating to casinos. What sort of action do you want to see from those states?

**Mr Samuel**—The same sorts of reviews that are required to take place with respect to any other form of legislation, be it the professions, be it pharmacies, be it statutory marketing authorities; that is, a review that assesses the issues using the tests I talked of before. Look at the anti-competitive restrictions—in this case the monopoly licence; look at the net community benefits argued to be the rationale for the restrictions, which may be the social policy issues that I have described before, but I do not want to pre-empt any of those reviews; and then look at whether the anti-competitive restriction of being licensed is the only means of achieving the net community benefits that are claimed to flow from it. They are the sorts of issues that governments have to address with respect to all legislative review.

**Dr SOUTHCOTT**—Last week the *Australian Financial Review* published an article saying that up to $16 billion of competition payments could be at risk if the states did not proceed further along the path of reform. If, for example, Bob Carr and Michael Egan in New South Wales do not get the privatisation of New South Wales electricity through, does that put at risk national competition payments?

**Mr Samuel**—No, it does not. The privatisation of electricity or the privatisation of utilities is not an integral part of the competition principles agreement. I recall seeing public statements made by the New South Wales Treasurer and Premier in particular which have not focused on the competition payments as being the rationale for the privatisation of electricity; they have rather focused on the fact that there are some important obligations they have in terms of competition policy with respect to participating in the national electricity market; that in their view and on their assessments maintaining New South Wales electricity in public, that is government, hands will not position that particular industry to be able to participate on a fully competitive basis in the national market.

**Mr Willett**—Can I just add to that? While the agreements themselves do not say anything about privatisation specifically, privatisation, particularly in the areas of utility services, may well be a very effective means of achieving these obligations and in some jurisdictions it may be the only option they have when you take into account factors like commercial risk and the level of capital that has to be injected into some of these businesses to make them viable. They are really matters for jurisdictions to make decisions on. But Mr Samuel is right; there is no specific obligation but it is a related question.

**Dr SOUTHCOTT**—That is certainly my understanding. Are you aware, for example, that the South Australian Premier has said that if the Electricity Trust of South Australia is not privatised that could put at risk up to $2 billion of national competition payments? Is it fair to say that it is not an issue of privatisation or public ownership per se, it is a matter of achieving the goals of a fully competitive national electricity market by mid-1999?

**Mr Samuel**—I think it is the issue Mr Willett has raised. As I have read the statements made by the South Australian Premier and the New South Wales Premier and Treasurer, they are all conveying the same message and that is that they have obligations under the competition principles agreement to participate in the national market, to enter

into a fully competitive environment, and they have determined that privatisation not only is desirable but may be a necessary means of enabling ETSA, in the case of South Australia, and the New South Wales electricity authority to actually participate effectively in that market.

**Dr SOUTHCOTT**—Given that the last lot of competition payments were fairly generous, what would it take to require the NCC not to pay competition payments?

**Mr Samuel**—Non-compliance in non-trivial areas. You are going to ask me to define a non-trivial area. There is a range of areas where non-compliance will have very little relevance in terms of competition policy, either in competition efficiency terms, economic terms or symbolic terms. They are there because there is redundant legislation that has been around for years that has not been dealt with before. There is legislation that has very little relevance, that is quite obscure. We would not be focussing on those sorts of non-compliance issues.

There are some critical issues and, unfortunately, they are the issues that are in certain respects the most politically difficult for governments to deal with, and non-compliance or slippage in those areas will mean that there will be recommendations for reductions in payments. The big ticket items are the ones that

we have been talking about for the first part of this morning.

**Dr SOUTHCOTT**—Energy.

**Mr Samuel**—One is energy. The very big ticket items that are starting to become very important, because the obligations are now starting to come into play, are water reform and road transport. There are smaller ticket items, however, which are equally important and probably far more sensitive at a broader community level and they relate, for example, to review of professions and review of statutory marketing arrangements, which has a major impact in rural areas. While they are not as big ticket in terms of economic benefits as the energy issues that we talked of and water reform, they are on the other hand very important issues and have very direct impacts for the consumer.2

**CHAIR**—We are asking all sorts of questions, so I might try to pull together what you have been saying. First of all, do you think you now have sufficient resources to do the job that you have?

**Mr CAUSLEY**—Everyone wants more money.

**CHAIR**—Based on the fact that you have been putting a bit of effort into things like casinos, do you feel you have sufficient resources?

**Mr Samuel**—No. I should emphasise to you that we have not been putting a lot of effort into casinos. More effort has been put into casinos by some state governments that have focused on that publicly in more recent times. Our view is that casinos are not the major issue we ought to be dealing with. There are some very complex issues on casinos and licences but it is not an area we have given a great deal of attention to, it is not one we have focused on in a very serious way. Some state governments have done reviews of the area, but we have not given it a great deal of focus at all.

Our prime area of focus has been on gas reform, gas access regime, part IIIA of the Trade Practices Act, involving access issues and the number of access declaration applications that have been made to us in the early stage of the operations of the access regime. We have focused more recently on some of the more difficult legislation review areas, particularly the professions and statutory marketing authorities. Of course, in the past nine months a major effort has gone into the review of Australia Post.

**CHAIR**—Can we go back to the resources question.

**Mr Samuel**—I think my executive director will have a smile on his face if I say we never have enough resources, but then you cut your cloth to suit the available resources. I will take this opportunity to say that, having come from the private sector and still being part of the private sector, I never cease to be absolutely amazed at the extraordinary commitment that is put in by a very small team—less than 20 people—at the National Competition Council. They are members of the public sector who are putting in extraordinary hours and extraordinary commitment to achieving the council's objectives. So that is done and it is done within the budgetary constraints that we have.

**Mr ANTHONY**—I notice that you had to use consultants for the Australia Post review. Is it normal

practice to use consultants on particular projects? Does that therefore imply that you have not got enough resources?

**Mr Samuel**—I think you have hit upon the critical issue. The Australia Post review necessitated the use of consultants because it got into some very complex areas that were beyond the capacity of the secretariat to deal with in the time available. Consultants are expensive and that is what tends to throw out the operational budget of the secretariat.

**CHAIR**—I was going to talk about legislative review and the pace of review. A quick question on the pace of review: I understand that about 100 areas have been reviewed out of nearly 2,000, which would tend to indicate that it is not progressing at the pace you would expect if we are going to see it all done by the year 2000. How concerned are you about the slippage that seems to be occurring?

**Mr Samuel**—At this stage I do not think we are concerned about slippage because the estimate of 100 was as at the date of our annual report and at the date of the last assessment, which was 30 June 1997 and at that point of time fundamentally they were at the early stages of review. The requirements were to provide us with timetables of review and, where those timetables provided for a review to take place, to make sure they had taken place. There was not a significant degree of slippage, so I do not think that was an area of concern.

**Mr Willett**—I think the number of 100 under review applied as at the end of December 1996, so only six months into the review program.

**Mr Samuel**—It was very early stages in the review process. I think, as our annual report indicates, there was not a great degree of slippage at the date of the annual report. We are now getting into the serious stage of the review. We will not have a lot of direct information on that until we receive the reports from the states and territories which are due in the next two months, and then we will get a bit of an idea of the pace of review.

We will be getting into the higher profile area of review, the areas I talked of before—the professions and the statutory marketing authorities. They are much higher profile areas and they are more politically sensitive. We are working now with jurisdictions to see whether we can assist in the national coordination of some of those reviews, where national coordination is perhaps appropriate.

I remember seeing some comments in the *Australian Financial Review* in the past couple of days where the architects have sought the assistance of the federal government in securing a national review of the architects profession. I think it is fair to say across the board all professions would prefer to see national reviews take place, rather than individual state by state reviews.

We are working with the states and territories on trying to coordinate some form of national process—it does not mean a centralised process, it means a coordinated process—to bring about those reviews. They will be politically sensitive, they will be high profile and there will be a lot of effort undertaken by those who want to resist change and resist the removal of anti-competitive restrictions to try to sway political parties and governments not to proceed with the removal of those restrictions. That is where the second tranche

assessment is going to be fairly critical.

**Mr CAUSLEY**—Are you referring to the statement attributed to you by the *Australian Financial Review* where you said you were concerned about vested interests influencing review panels?

**Mr Samuel**—Yes. We have communicated with the states, territories and the Commonwealth to set out some guidelines on our views as to what constitutes an appropriate review process and we have focused on three or four levels of the review process. The first level is the membership of review panels. We have indicated that it is our strong view that review panels are tainted in both perception and outcome where they have industry representatives; that is, where those who may be affected by the outcome of the reviews are on the review panels themselves. We think the review panels should be independent so that they can undertake a robust review.

We have focused on the necessity for there to be a full, open and transparent review process inviting submissions from all interested parties, all stakeholders. That is where industry representation can best have their views heard; they can put in submissions and make representations. We have also focused upon the bona fides of the review itself. Without wanting to either pre-empt or to arrogate to ourselves a view on the outcome of the review, you can pretty well tell when a review has either not undertaken a bona fide process or has got an outcome that has been severely tainted by political imperatives.

Political imperatives or political expediencies are not part of the tests set out in the competition principles agreement. There is a whole range of other issues, but political expediency is not a relevant criteria. You can tell where that might have had an impact, therefore we have cautioned states in conducting their reviews to avoid focusing on the political imperatives and to try to focus on the genuine public interest issues, community benefit issues and the competitive elements.

**CHAIR**—How far are you prepared to intervene in there?

**Mr ANTHONY**—Would you withhold payments?

**Mr Samuel**—Absolutely. We do not withhold the payments, we recommend the withholding of payments. We have a directive that is signed by all nine governments which says that the National Competition Council must assess whether or not the review process has been conducted in a proper manner or, more broadly, must assess whether all nine governments have complied with their obligations under the competition principles agreement. We are there as the appointee of all nine governments to carry out that directive, so we will; we have to.

**Mr ANTHONY**—What will you do with the automotive decision on tariffs?

**Mr Samuel**—We have expressed already our view on that subject in our annual report. We can again express our view on that subject in our assessment on the Commonwealth report, which you are aware we have just received. We do not have any financial imperatives that can be recommended to state treasurers relative to the Commonwealth because that was not part of the agreements, so it is not a matter we can deal with.

**Mr CAUSLEY**—Can I raise with you single desk selling, which I think you are critical of, and ask where you see that that is not competitive?

**Mr Samuel**—I think it is fair to say that the criticism is not of single desk selling. That would lead to pre-empting or arrogating to ourselves the outcome of reviews. What we have been critical of is the nature of the reviews, particularly two of them that have taken place to date.

**Mr CAUSLEY**—That is rice and sugar?

**Mr Samuel**—Rice and sugar. We have drawn attention to what we think has actually set a benchmark for an analysis and a review of the subject, which is the review recently completed by the CIE, the Centre for International Economics, on the Australian Barley Board in Victoria and South Australia. We took a lot of time at the two-day conference of regulators and industry participants which was held a couple of weeks ago to focus on that report. A representative of the CIE, David Pearce, presented a fairly in-depth analysis of this review and methodology and the process that had been adopted.

What we have emphasised to states is that, as the process of reviews generally and particularly of SMAs is evolving and developing, so I think all jurisdictions and ourselves are becoming, if you like, more knowledgeable as to a number of the issues involved. We have indicated to the states that the CIE report sets a bit of a benchmark now for the conduct of a review of these issues. It deals with a very careful and robust analysis of single export selling and actually puts it to a fairly rigorous test.

That is not to say that we would indicate in any particular area that single desk selling was inappropriate or appropriate; that would lead to pre-empting reviews. It is merely to say that as the knowledge is developing, the CIE report is very important for setting benchmarks there. That actually sets a bit of a threshold that states, territories and the Commonwealth need to look at in doing their own reviews.

**Mr CAUSLEY**—In selling or exporting overseas, if you do not get the maximum value for your product, Australia loses. Often you are dealing with cartels overseas, especially in Japan. In your report you say—and I declare a vested interest in sugar—that in 1996 the Queensland review of sugar recommended the maintenance of the domestic market monopoly. That has not been in place since 1992. The domestic market has been competitive since about 1992, when the sugar companies broke away and started selling competitively on the domestic market and it has been competitive since then.

**Mr Willett**—That is not our understanding of the arrangements.

**Mr CAUSLEY**—The domestic sugar refining market has been deregulated since about 1992.

**Mr Samuel**—If I could focus on the issue of single desk, a very interesting argument flows from this. We have obviously been approached by a number of those involved in the industry in recent times to talk about single desk export selling and mandatory issues. Often the argument with industry flows along this fairly simple three or four line process: single desk selling is absolutely fundamental and it is not only fundamental but it is desired by all industry participants.

We respond by saying that it is our information that there are an increasing number of industry participants who would prefer not to have mandated single desk selling, they prefer to have free choice. The response is that, no, all participants want to have single desk selling. We then refer industry to the alternative of voluntary collusive arrangements, noting that section 51 of the Trade Practices Act provides a very specific exemption for collusive voluntary arrangements relating to export markets.

Our response to industry representatives is to say that, if everyone wants single export desk selling, they should then enter into a voluntary collusive arrangement, which will be exempt under section 51 of the Trade Practices Act and it will therefore be completely legal and, if everyone wants it, it will hold together. If they do not want it, maybe it indicates that it is not appropriate to maintain it. The real issue is the mandated vesting for single export. It is an argument that industry representatives are finding increasingly difficult to deal with because I do not think they have focused on the voluntary arrangement issues.

Our simple message is to say, 'Test why it is that we have mandated vesting in single export desks. If it is a great benefit to everyone, let's move to voluntary vesting—that is, voluntary arrangements. If it is not a benefit, those who believe it is not a benefit ought to be free to go their own route. If they go their own route and find that by separate export processes they are disadvantaged, they will ultimately fall into line with the voluntary arrangements.' On the other hand, if they find there is an advantage in moving to voluntary export arrangement, maybe others will move into line with them.

**Mr CAUSLEY**—Instead of throwing the baby out with the bathwater, would it not be better to try a duopoly in the marketplace, because of the competition there? The problem we often have with these instances is that one particular seller will bring everyone back down to the lowest common denominator.

**Mr Willett**—It is not easy to see why that would happen.

**Mr CAUSLEY**—It happened in Thailand. The Japanese are very cunning in coal; not only do they play one off against the other, they buy shares in the company and know exactly how much they can offer.

**Mr Samuel**—If there is a grouping in of suppliers to make sure they do not get taken out by that process, they will get together and they will get together under a voluntary collusive arrangement because it makes sense to do so. If there is a market advantage in a party operating separately and conducting his own separate operation, then the party ought to be free to do so. It will not throw out any babies with the bathwater because the voluntary arrangement will still be in place.

**Mr ANTHONY**—You did a big review last year on Australia Post and you presented four options for increased competition, from leaving the status quo to full deregulation under the Trade Practices Act. Which of the four options does the NCC favour?

**Mr Samuel**—I cannot at this stage disclose the contents of our final report because it has yet to be delivered to the Treasurer. It will be delivered I hope next week.Perhaps I ought to explain the process, Mr Anthony, of the options paper. The options paper was not designed, quite deliberately, to say, 'Here are four options and they are the only options we will consider.' It was designed to draw out further consultation and further reaction from the community at large and all interested members of the community as to what the

various options might be.

I think it is fair to say that it proved to be a very successful process in evoking responses, in evoking substantial submissions from interested parties and in providing a basis for some very intensive workshops on the critical issues and the critical options and the critical issues facing us. As a result of that I think we have formed a view which will be a single option review but I do not think I am at liberty at this stage to say if it is any of those options at all or, if it is, which one it is.

**Mr ANTHONY**—Are you aware that there is a fairly high degree of satisfaction with the current service, the current arrangements?

**Mr Samuel**—I think it is fair to say in the submissions and the workshops there was a high degree of satisfaction with the current service but at the same time a recognition that competition would bring substantial benefits, both to potential new industry participants and to those that use the service, and I think that was stated right across the board.

**Mr ANTHONY**—Graham Johns, the managing director, has said—we know the story, it has been in the *Sydney Morning Herald* for the last year—he is critical of the policy of the NCC—a 45c stamp is too dear; therefore it should be open to greater competition. I do not know whether it is correct, but according to Mr Johns, the 45c price is 80 per cent of the average price of 60c charged for stamps in OECD countries. Can you perhaps respond to that?

**Mr Samuel**—I recall only vaguely the comments made by Mr Johns. I am not sure that the price of postage in OECD countries is as relevant to determining what the price of postage would be if certain markets were open to competition because ultimately they will set a market price.

I am a bit constrained. If this meeting were taking place next week I would be able to talk about the Australia Post review and you could see some of the analysis. I am not sure that I can disclose some of the analysis that is provided in there in looking at our recommendations.

I think we need to focus on the performance of Australia Post, its financial performance, its rate of return, whether the rate of return is an appropriate rate of return—appropriate relevant to a business of that nature—whether it is an excessive rate of return or an insufficient rate of return. If it was an excessive rate of return, is that because of the lack of competition or is it because the postage rate is too high? Who is benefiting from that and who is paying for that? They are the sorts of issues that we have addressed in our report.

**Mr ANTHONY**—When the report is released, if you were to advocate deregulation, what does the NCC think is a reasonable CSO that Australia Post should provide?

**Mr Samuel**—Unfortunately again you are asking me to focus on the contents of the report and I am afraid I cannot do that, other than to say that both the universal service obligations which are a policy of government and the community service obligations that have flowed from that have received substantial coverage in the report, both as to the extent of the obligations and the method of funding of those obligations.

**Mr ANTHONY**—My concern, which I raised at the beginning of this hearing, is that if we go down this path, yet again the benefits of competition will be very patchy and there will be very few benefits in rural areas, unless there is a big CSO. It sounds like we are going to have big CSOs on everything because the benefits of competition are very patchy.

**Mr Samuel**—Let me say again that I hope I have indicated that the council is very sensitive to two issues in relation to reform. The first is to ensure that reform does not negatively impact—that is, disadvantage—groups where there is a government policy view and a social policy view that groups should not be significantly disadvantaged because of geographical locations or the like.

As to the benefits of reform, they will always be disparate. They will be disparate depending upon the size of the participant in the market, depending upon geographic location. The directive that we most often see from government is to ensure not so much that the benefits of reform are uniform in terms of their allocation but rather that we do not see any disadvantages flowing from reform which disadvantage particular groups in the community unfairly.

**CHAIR**—We might go on to local government issues.

**Mr ALBANESE**—Can I perhaps inform Mr Samuel that I was on a parliamentary committee on micro-economic reform of communications, transport, et cetera, last year that looked at the whole question of the Australia Post monopoly and I just hope that some of the evidence that was given to us was taken into account. We had a unanimous report which was basically in confirmation of your option 1, which is essentially the Australia Post proposal in terms of maintenance of the monopoly.

We had a substantial lot of evidence before us which went to the heart of what Mr Anthony is basically arguing—that there would be rural and regional people who would miss out.

**Mr Samuel**—I hope that you will be satisfied that our report reveals that we have actually conducted a very extensive review of all the information, including the material that was put before your committee and that committee's report. We have consulted extensively during the conduct of the review in a process that has enabled there to be a far more open and frank discussion than can sometimes occur with public hearings and the more formalised or institutionalised process of review, and all the relevant imperatives have been taken into account.

**Mr ALBANESE**—In terms of the way the NCC operates—this is a broader question than the specifics of Australia Post—you have considered the public ownership of Australia Post in your options paper and although you do not appear to recommend anything, certainly you outline some of the pros and cons of continued public ownership. To what extent do you see that as the role of the NCC? I guess I am trying to frame a question which you can answer, given the difficulties that you have.

**Mr Samuel**—I can answer that question; that is easy. One of the specific terms of reference provided to us by the Treasurer in relation to the Australia Post review was that we should note that it was government policy that Australia Post should remain in public hands. That has been taken into account. You will see that in the options paper the issue of ownership of Australia Post did not receive a great deal of attention. We

have put some pros and cons down but we have taken note of our term of reference.

**Mr ALBANESE**—Thank you.

**CHAIR**—On the community service obligations, the committee in its report to parliament thought it probably should be done on a case by case basis. You seem to have a very strong leaning towards isolating them and then funding them separately. Is that a universal view on this whole question of CSOs?

**Mr Samuel**—Yes, CSOs should be dealt with on a case by case basis but there is a range of options for the funding of CSOs.

Without wanting to indicate the course that we have proposed with respect to Australia Post it is certainly our broad general view that CSOs are better if they are transparent so that not only do we know the cost of providing them but, more importantly, we make those that are providing CSOs more accountable for those costs.

When CSOs are hidden there is a lack of accountability for the cost of provision and that often occurs where CSOs are funded by hidden cross-subsidies between one section of the community and another section of the community, with neither section knowing which is the recipient and which is the payer of the cost of the CSO. Most importantly, no sections of the community really understand what they cost and how much as a whole the sections of the community are paying for the CSOs.

So transparency leading to accountability, particularly on the part of the provider of the CSO, is an important element of our philosophical thinking.

**Mr Willett**—That covers it. The bottom line is that separating them out for the purposes of transparency is a positive thing, regardless of how they are funded.

**CHAIR**—I think some of us have probably experienced what it might mean over a period of time.

**Dr SOUTHCOTT**—Just to go back to the area of competitive neutrality, you might remember at the Premiers Conference in June 1996 there was a proposal to remove the wholesale sales tax exemption that local governments and state governments had in the purchase of motor vehicles. That did not actually occur. Is that something you are looking at currently?

**Mr Samuel**—Not the specific tax arrangements because that is outside our ambit; that is a matter for Commonwealth-state financial relationships. My recollection of that particular incident is that it focused on those issues and the like.

In the area of competitive neutrality, of course, it is necessary that government business enterprises, whether at the state government, local government or Commonwealth government level, should have full cost attribution for all that they do. This would remove any inherent advantages of being government owned, whether they be advantages from a taxation viewpoint, advantages from the viewpoint of the cost of borrowing or other factors that might influence it, so they become competitively neutral with the private

sector. That does not necessarily mean that tax has to be charged; that is a Commonwealth-state financial relationship issue.

What has occurred is that in some jurisdictions corporatisation has taken place, which leads then to the actual payment of tax, which then has some impacts on Commonwealth-state tax and financial arrangements and that is a complex area which is receiving constant attention. I think it is receiving specific attention at the moment.

**Dr SOUTHCOTT**—On that area and relating to Australia Post, one thing that we as local members often have raised with us is the fact that the local Australia Post is often more than just a post office, in that you can buy cards and all sorts of things. Often the local newsagents will come and say they are concerned because they wonder whether Australia Post is paying local government rates.

In fact, it is my understanding that under the constitution different levels of government cannot levy tax on each other, so they have to work out a way of actually doing it, by decreasing the transfer payments or whatever. But I do not think state governments can levy tax on Commonwealth government GBEs.

**Mr Samuel**—That matter received some attention in our Australia Post report.

**Dr SOUTHCOTT**—What did you—

**Mr Samuel**—Unfortunately, I cannot say. Next week.

**CHAIR**—That wider issue of taxation by local government, particularly where GBEs have been corporatised, has not been resolved, has it?

**Mr Samuel**—No, it has not. It is receiving, as I understand it, some attention at the moment. It is a complex area because local government is raising the issue of taxation on corporatisation as an impediment to reform.

There are a number of ways of dealing with that. One is for it to be dealt with as part of the total Commonwealth-state tax and financial arrangements, which is a matter outside our ambit. Another is for state governments that are, hopefully, in receipt of competition payments to allocate to local governments part of those competition payments where they perceive there to be a net financial disadvantage flowing from the implementation of competition policy.

I underline the words ‘net financial disadvantage’ because there are two elements of competition policy, one of which is a benefit, the other of which is a cost. The cost will be the imposition of full taxation; the advantage will be efficiency gains. Very often, whether one is dealing with local government business enterprises or indeed state government business enterprises, full corporatisation will lead to efficiency gains which will offset the financial cost of a Commonwealth taxation imposition. So it may be that it is appropriate for states to allocate part of their financial payments to compensate for that financial disadvantage.

You will be aware that the Queensland government has determined that it will allocate, I think, $150 million of its total competition payments to local government. There is a very good reason for it doing so in that state because local government is a major participant in government business activity.

We have reminded states that non-performance by local government of competition policy obligations amounts to non-performance by the state, which amounts to a consideration by the National Competition Council of whether it recommends a reduction in competition payments. Therefore it may be that if local government requires more than a directive by a state government to comply but requires allocation of payments to be made, that may be an appropriate way to ensure state governments receive total competition payments.

**CHAIR**—On that question of local government competition payments, some would suggest that is almost an excuse not to go down that path. Are you prepared to withhold payments on the basis that local government is not performing, for example in Queensland?

**Mr Samuel**—Yes. That is to say it may be an incentive for state and Commonwealth governments to work on the tax issues or, in the absence of doing that, it may be an incentive on state governments to allocate part of the competition payments to local government to ensure the local government complies and thus ensure the state government complies with its obligations under the CPA.

**Mr ALBANESE**—I have another question on Australia Post and your review. This committee is currently undertaking a review into banking services in rural communities. One of the things we see as local members is the closure of local banks, which is similar to the closure of local post offices and what impact that has. Whilst it may well be the same as arguing, to a limited extent, for an electrolyte mine in the inner city of Sydney, certainly I think you can mount a case that there is a reduction in terms of delivery and what have you by the local post offices being closed if you take a broader perspective.

The complaints which I have had and which I am sure are reflected by my colleagues are that if you take a local post office out of the local strip shopping centre it causes part of the demise of that shopping centre. It brings in the multiplier effect that having an Australia Post centre there has.

To what extent has your review of competition policy investigated the closures of post offices? I do not know of one that has closed quietly in my area; the closures have all met with substantial community opposition. With pensioners who have walked up the road to the post office and paid their bills and done a number of things there, it is hard arguing with them the benefits of competition and micro-economic reform.

Has your committee in its review outlined the negative impacts of the corporatisation model? Although it is about increasing profitability and some of the smaller places have closed down, that also has very much a negative impact, in a similar way to bank closures. The community opposition in urban areas is coming through to me, so I am absolutely certain that it would be even stronger in regional and rural communities.

**Mr Samuel**—The short answer is yes. It is consistent with the terms of reference I described before, which required the council to take note of the government's policy directive that it is required to maintain a

universal service obligation in respect of postal services and to maintain a uniform fixed price. So those have been taken into account as part of our review.

**Mr Willett**—It is probably worth adding that while the number of official post office outlets has been falling, the number of outlets overall for Australia Post has been increasing and those numbers have been increasing in rural and remote areas. But access to an outlet is certainly an issue in terms of the universal service obligations and the CSOs that Mr Samuel referred to and that has been addressed.

**Mr CAUSLEY**—I want to go to the professions, which you mentioned in passing. I am interested to know what your thoughts are on the competition in those areas. It is one thing to confiscate the value of taxi plates and another thing to confiscate the value of some special benefits from a newsagency but when you start to try to attack the chambers of QCs, I wonder where you are going to go.

**Mr Samuel**—It is probably more difficult to confiscate the value of taxi plates, I suggest, than to confiscate the value of certain professions because in terms of public sympathy and attitude it may be that some of the professions carry less support than the taxi drivers and certainly less direct impact on a day by day basis. But they are all extremely difficult.

There is less cost to the community—let me rephrase that. There are professional restrictions and restrictions that have developed over many years in the professions based on the concept of the professional and professional standards and professional ethics which in many instances at first glance show little justification other than the maintenance of restrictions on entering into a profession and the maintenance of restrictions on competitive behaviour.

If I can take some of the more obvious ones which are already being removed at a fast rate, restrictions on most of the things which have been removed to date, such as advertising and competitive fees, are restrictions that very often show very little benefit to the consumer, to the community at large, and are simply anti-competitive.

The more difficult and perhaps the most complex area of restriction that is imposed on professions is in two specific areas which are interrelated: first, what we call the reservation of title—that is who can call oneself a lawyer, a doctor, a dentist, an ophthalmologist, an optometrist or a pharmacist; and secondly, ownership or structural restrictions—that is who can own businesses or practices that provide these sorts of services.

The reservation of title issue is difficult because the professions will argue that they need to maintain either statutory or voluntary codes of restriction on entry into a profession and on the use of a title of lawyer or doctor or dentist in order that the consumer is not misled as to the party with whom it is dealing and as to whether that party can actually provide the service that the consumer thinks it can provide.

The consumer is misled because it does not have enough information; it is the lack of information. If the average consumer or indeed even the least sophisticated consumer can be provided with enough information to make a decision then it may be you do not need the anti-competitive restriction; you can cure the anti-competitive element and provide the community service of enabling the consumer to determine

whether or not to use a particular professional by providing sufficient information out in the marketplace.

When you have a restriction on entry then there is an immediate disincentive to providing any more information. Why do it? There is a restriction on entry and there is a restriction on the ability of other parties to provide services.

That has been best evidenced in a public sense in the area of provision of conveyancing services where for many years—although it is disappearing fast now except in a couple of states—lawyers argued that only lawyers should be able to provide conveyancing and paralegals were gradually demonstrating that they could provide the same services, sometimes more efficiently and sometimes for a lesser cost.

That has a double impact. Firstly, it gives the opportunity for consumers to use paralegals but it also puts a competitive pressure on lawyers to provide a better service at potentially a lower to cost to consumers. The real issue there was providing sufficient information to the marketplace so that the market could actually make an informed decision as to whether or not to go to XYZ legal firm or to go to XYZ paralegal firm to provide a conveyancing service.

Of course, over a period of time the differences have blurred significantly so that in many cases the paralegals are providing a conveyancing service which is very satisfactory to the consumer—and certainly the price of conveyancing and quality of services has markedly improved. So reservation of title is a difficult area.

Ownership restrictions are even more difficult and in many cases more puzzling because in many professions it becomes the difference between an acceptable package of reform to the profession and an unacceptable package—that is, who can own practices or businesses engaging in that particular profession.

There is a very real question to be addressed by professions of whether ownership of a professional practice has any relevance to the quality of service that is provided by professional practitioners in that practice. Is there any reason why XYZ Pty Ltd cannot own a legal firm and have the same lawyers that currently provide the legal service providing the legal service, yet the ultimate profits from the firm are passed into XYZ Pty Ltd?

Is there any reason why KPMG or Arthur Andersen and Co., chartered accountants, cannot own a legal firm, as is now occurring with Andersen Legal and KPMG Solicitors? They are starting to provide legal services. The restriction on ownership was an anti-competitive restriction that has been there for some time and is one of the restrictions that is now being questioned as to whether they provide a net community benefit.

They will be important in a range of areas that will come up for review over the next two years. One of them, of course, is the area of pharmacies. There are many pharmacists who would readily accept a package of reforms that saw the current limitations on the number of pharmacies that can be owned and the geographical area of where a pharmacy can operate being lifted, but do not want ownership of pharmacies to be derestricted or deregulated because they are concerned about the economic power of the major supermarket chains.

There are some really interesting aspects, such as whether the question of who owns a pharmacy is relevant to a consumer in determining whether or not medicines are properly dispensed or whether the consumer is rather more concerned that the person who dispenses the medicines over the counter is a person who is qualified to do so, irrespective of whether the ownership is in the hands of Mr ABC or Mrs ABC, the pharmacist, or Coles Myer or Woolworths. But it has some competitive issues in terms of pharmacists.

**Mr CAUSLEY**—In the event of deregulation, has the council got a policy on whether those people should be compensated for the asset that they bought in good faith?

**Mr Samuel**—It is not for the council to have views on this matter because for us to have specific views on that would result in us arrogating to ourselves the review process or pre-empting the review process. All we can do at the moment is draw attention to some of the issues—not that review panels necessarily need us to draw attention to it—and to actually start having the professions discuss these issues and have a broader understanding in the community about what it is that is being addressed as part of this public education process in terms of competition policy.

**Mr CAUSLEY**—As soon as you do that you destroy an asset, do you not? As soon as you start to suggest that this is going to change, you cannot sell.

**Mr Samuel**—Yes, there is a real question as to how much of an asset you destroy and who is paying for that asset to exist at the moment. It goes back to the monopoly licence privilege that I talked of before.

One of the big questions to be asked by governments and by the community generally is how much they understand the restrictions of this nature which either create an anti-competitive restriction or in the utmost instance create a monopoly. Do they understand how much that is actually costing the general community, the consumer and that it is something that is passing to a fairly narrow vested interest group who are receiving the benefit?

If the community were to understand that there is a cost that we are all paying, whether it is higher prices for services or lesser quality or lesser efficiency of services and they are paying that in order that a narrow group in the community can receive a benefit or an advantage or a privilege, it may well be that the community will say, 'Why is that happening?' It may be that competition is appropriate to level that out so that the benefits are shared by the community as a whole in lower prices and better services.

**Mr CAUSLEY**—Just one more question. I know that Mr Albanese will not ask you this but I notice on page 18 you make some comment about the deregulation of the labour market. It is rather a soft statement, not as strident as you were on the single desk selling.

**CHAIR**—I have just got to make the observation that public education is something that has to be further pursued.

**Mr Samuel**—You have answered for me.

**CHAIR**—That was the previous question.

**Mr Samuel**—You have provided the answer to that particular question, which is that review of anti-competitive restrictions in workplace relations legislation I think is on the Commonwealth agenda for—I am not sure.

**Mr ALBANESE**—Just after they put 10-year-olds back down the mines.

**CHAIR**—I was making the observation on that previous question that public education is obviously still an important role. I would like to ask about one other area. In our report we made mention of the dual role that the NCC plays in both giving advice and assessing performance. There was not a lot of mention of it in your report but your answer was that we will always make the distinction in what we are doing. How much of your resources have been allocated to advising and how much to assessing?

**Mr Willett**—I will start with that, because I am following up from the previous statement that was picked up in your review. I think there is a clear distinction to be drawn between the sort of advice we provide in the context of the assessment process, which we are doing all the time and is part of the educative process with other jurisdictions; we negotiate, we discuss, we advise on what are appropriate responses to national competition policy reviews, to the commitments in the agreements.

That is quite a different advisory role from where we are asked as part of the national competition policy reform process, for example, the legislative review program, to review and provide advice on the appropriate competition policy reforms in a particular area, as we are currently doing on Australia Post.

As I pointed out previously, it has been relatively easy for us to distinguish between when we are providing advice in the context of our role on assessing implementation—and I am sure jurisdictions have no doubt that is what we are doing when we are discussing different policy responses—and when we have been doing work on Australia Post, which is our first work program item in the context of the legislative review program. I would expect that to continue to be the case.

Clearly there is a tension which the council has recognised. If we do a review on state and territory obligations and we make recommendations as a consequence of that review, that has an impact when it comes to assessing progress on reform implementation overall in the context of that review.

**CHAIR**—In terms of resource allocation?

**Mr Samuel**—With the exception of Australia Post we have not been engaged in a formal review of any particular anti-competitive restriction or legislation. As Mr Willett has indicated, that is the area where, if any, a tension exists.

The advisory role in the manner I described at the opening of this session—which is the role of advice to the community, public education of the community and advice to state governments, which is part of what I call our brokering and facilitation role—is an essential part of which the ultimate assessment role becomes simply a tool. The facilitation and brokerage role of bringing about reform would be the substantial part of what we are doing at the moment.

I put aside the Australia Post review as being a segment on its own. In relation to the brokerage and facilitation role, 'brokerage' is a word that probably can be misinterpreted. It is a facilitation role where we are working with governments, interest groups—be it the professions, be it those in rural areas—to understand what it is that has to be achieved, what the ultimate outcomes are and how we can get to the outcomes in a satisfactory manner that causes the least disruption where changes are required prior to the end of the year 2000.

That is how we see the predominant role for us on the advisory side and that role is absolutely consistent with the assessment role. So the assessment element is merely a tool that is used as part of the advisory role in that area.

**Mr ANTHONY**—In relation to your big infrastructure sectors, particularly gas and rail, what is happening under the national access regime?

**Mr Willett**—Jurisdictions are now implementing gas reform and legislating the uniform access code and we expect them to do that by the end of this financial year; and their expectations are the same.

In terms of rail, as you know, a lot of our access work and declaration work has been in the area of rail. We believe the national access regime has been loaded up with rail issues because there has not been a national agreement on rail reform, as there has been in gas and electricity. Jurisdictions are addressing that now. There has been some agreement on moving to a national rail system and there is further work to be done on that. We are working with both state and Commonwealth governments on those issues.

**CHAIR**—Just before finishing I would ask, if the committee has further questions, can we send them to you in writing. With that, can I thank you, Mr Willett and Mr Samuel, very much for coming before the committee today and answering the questions.

Resolved (on motion by **Dr Southcott**, seconded by **Mr Albanese**):

That this committee authorise publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at the public hearing this day.

**Committee adjourned at 12.05 p.m.**