

Standing Committee on Finance and Public Administration

ANSWER TO QUESTION ON NOTICE

Budget Estimates Hearing – May 2009

Department of Finance and Deregulation

Finance and Deregulation Portfolio

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Topic: Medibank

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Senator CORMANN asked:

Senator CORMANN – ... to the issue of the competitive neutrality of Medibank, which was also raised in the minister's press release. The minister said:

... the conversion from a not-for-profit entity would result in Medibank Private being on equal footing with major competitors in the private health insurance market.

Can you explain, by way of an explanation of policy, what the government means by that?

Mr Lewis – The concept of competitive neutrality is a concept and principle which has been agreed at COAG level ...and goes to the way in which government businesses should generally operate. It really just goes to equivalence of operation so that government business is not perceived to operate at an advantage to principal competitors. I could certainly provide you with a more formal answer on that, if you wish.

Senator CORMANN – Thank you very much, Mr Lewis. I would appreciate it if you could provide us with some additional information ...

Answer:

The competitive neutrality principles, agreed by COAG in 1995 as part of the National Competition Policy reform package, require that government businesses should not enjoy competitive advantages over their private sector competitors by virtue of their public sector ownership. Competitive neutrality requirements are applicable to significant government business activities.

After being converted to a for-profit entity, Medibank will be liable for company tax and will operate on the same footing as other commercial businesses operating in Australia, including its major for-profit competitors in the private health insurance market, and also with other Government Business Enterprises.