



National Competition Policy fact sheet

For small businesses and consumers

Competition is critical for lifting dynamism, productivity and wages.

It puts downward pressure on the prices of the things we pay for every day and delivers more choice and higher quality goods and services for everyone.

This is why the Australian, state, and territory governments are working together to revitalise Australia's landmark National Competition Policy (NCP).

As a first step in this process of revitalising NCP, feedback is sought on the core elements of NCP through the Revitalising National Competition Policy consultation paper which can be found at <https://treasury.gov.au/consultation/c2024-557133>.

Improving competition will help to improve the operating environment for small businesses. Healthy competition can level the playing field, enabling all businesses to get a fair go and have an opportunity to thrive.

This is crucial for the around 2.5 million small businesses that represent 97 per cent of all Australian businesses.

National Competition Policy was introduced in 1995. It led to a decade of reforms that boosted and strengthened Australia's economy and benefited businesses and consumers.

NCP led to governments at the national, state, territory, and local level reviewing laws and regulations to identify and change anti-competitive laws and undertake significant reforms to improve competition.

Under the NCP, nation-wide reforms were implemented as well as localised reforms tailored to the needs of individual states and territories.



Changes driven by the National Competition Policy

The NCP introduced in 1995 led to changes including:

- Ensuring government businesses did not undermine private operators active in the same industry and location, such as local governments operating childcare centres, aged-care facilities, or gyms.
- Governments agreed not to restrict competition through legislation and to remove laws already in place that did this; for example, repealing a NSW law that restricted the times when bread could be baked.
- The agriculture sector benefited from reforms to anti-competitive legislation that helped spur falls of up to 42 per cent in rail freight rates in the 1990s. Shipping also benefited from real port charges falling 50 per cent over the same period.
- Introduction of prices oversight mechanisms nationally led to savings for small businesses in water, gas and electricity bills, and savings for consumers in electricity and telecommunications bills.
- Retail energy and gas markets being opened to competition in most states and territories, enabling consumers including small businesses to shop around for the best deals and lowest prices.
- Retail trading hours being deregulated in many states and territories, so families no longer had to rush to do their grocery shopping on Saturday mornings before shops closed for the weekend.



However, our economy has changed a lot in the three decades since NCP was developed.

It is now important the NCP remains fit for the purpose of driving government policy and action towards the opportunities and challenges of the modern economy.

These challenges include digitalisation, the growth in human services, the net zero transformation and supporting Australia's most vulnerable.

Reduced competition has also contributed to Australia's slowing productivity growth over the past decade.

The benefits of competition

- Australia's economy needs to be competitive and dynamic, adaptable and resilient to meet future challenges and opportunities.
- A competitive economy is one in which unnecessary barriers to starting, running and growing a business are reduced. Businesses can more easily break into new and growing market segments, rather than rely on existing markets and business models.
- Business owners have more opportunities to grow their enterprises, and entrepreneurs have better chances to create a new business or start-up.
- Competition encourages development of new products, services and business models that businesses can use and consumers benefit from.
- Small businesses, in particular, can provide entrepreneurship opportunities for women, Indigenous Australians and people from culturally and linguistically diverse backgrounds. Small businesses also play important social roles for regional, rural and remote communities.
- While competition can pose challenges, these challenges are opportunities for small businesses and entrepreneurs to grow and evolve.
- Embracing competition as a catalyst to stay attuned to customer needs and preferences is a recipe that can lead to long-term success for a small business. This can help small businesses and entrepreneurs innovate and thrive in a dynamic economy.



Revitalising National Competition Policy

The Australian, state and territory governments are seeking feedback across three core areas.

- National Competition Principles: how can the National Competition Principles be revitalised to address economic and competition issues?
- National Competition Reform Program: do the proposed reform themes reflect the key areas of existing or emerging competition issues, and what are the key reforms that should be considered?
- Institutions and Governance: what institutional and governance frameworks would best support NCP?

National competition reform program

A new National Reform program could deliver a mix of economy-wide and sector-specific reforms that could drive enduring positive change for business and consumers.

Five provisional reform themes have been identified for consultation and further analysis:

- Promoting a more dynamic business environment
- Harnessing the benefits of competition in net zero transformation
- Lowering barriers to labour mobility
- Better harnessing choice, competition and contestability in human services
- Leveraging the economic opportunities of data and digital technology

Outcomes from these reforms could include:

- Creating a seamless national economy by aligning state regulations and requirements to facilitate nationwide business operations.
- Ensuring quality goods and services are accessible across Australia, including in regional and rural areas.
- Addressing recognised competition issues in emerging sectors that could prevent businesses from innovating and adopting new technologies and data.
- Creating a level playing field for small and bigger businesses, making sure regulation does not inadvertently create obstacles for businesses trying to enter into or expand in markets where big players may dominate.
- Ensuring businesses do not face unnecessary compliance costs, especially for small businesses that have fewer resources to deal with complex regulation.
- Improving transparency and choice to help consumers compare and select the option that best meets their needs, preferences, and budget.



Institutional and governance arrangements

Strong institutional and governance arrangements are needed to make sure NCP works as intended and achieves its goals.

This includes asking whether the institutions supporting NCP are fit for purpose.

Under the original NCP, the National Competition Council (NCC) had a significant role in assessing governments' performance against the commitments they made, including what kinds of reforms were needed and how they should be implemented.

However, when the previous NCP reform agenda concluded, these arrangements fell away.

Revitalised NCP institutions would need to administer the right accountability frameworks to spur government action to meet commitments.

Finally, institutions and governance arrangements would need to embed NCP as a business-as-usual function, rather than a one-off reform program.

Embedding NCP requires creating the environment and mechanisms to continually review, renew and advance NCP, so that it remains an effective tool in lifting the living standards of Australians.

