



Competition, dynamism and investment

Well established policy and regulatory principles can help make the business environment more amenable to productivity growth. In part, this involves promoting contestability of markets and openness to global competition and investment. It also involves ensuring that market prices can reflect both supply costs (including social costs) and consumer benefits, and that risks are managed efficiently by those best placed to do so.



Recommendations

In order to promote a **more dynamic economy** (recommendations 3.1, 3.3, 3.4):

- Government could commence a review of the scope of Australia's risk protection and social insurance arrangements to allow businesses and individuals to respond to and take risks.
- More generally, improvements to competition and dynamism will come from: addressing the lack of competitive market incentives in highly regulated sectors; transitioning tax system incentives to invigorate productivity growth; ensuring mergers regulation is fit for purpose, noting its complicated relationship with innovation and productivity; staying open to international competition; ensuring regulation does not unduly stymie new business models (volume 7); and enabling competition policy and workplace relations regulation to work together (volume 7).

In order to promote **efficient investment** (recommendations 3.2, 3.5, 3.6):

- State and territory governments should **reform planning and zoning** by implementing standardised business and industrial land use zones across local government areas; aggregating existing zones, where possible; and requiring urban planning decision making processes to consider the community wide economic benefits from the introduction of competition.
- All Australian governments should progress **road user pricing** by working towards an intergovernmental agreement on road user charging for all vehicle types, focusing on distance-priced charging, and subsequently incorporating congestion charges for crowded roads; and considering the inclusion of compulsory third party insurance costs in distance based charges, and options for motorists to choose between higher distance based charges and lower fixed charges.

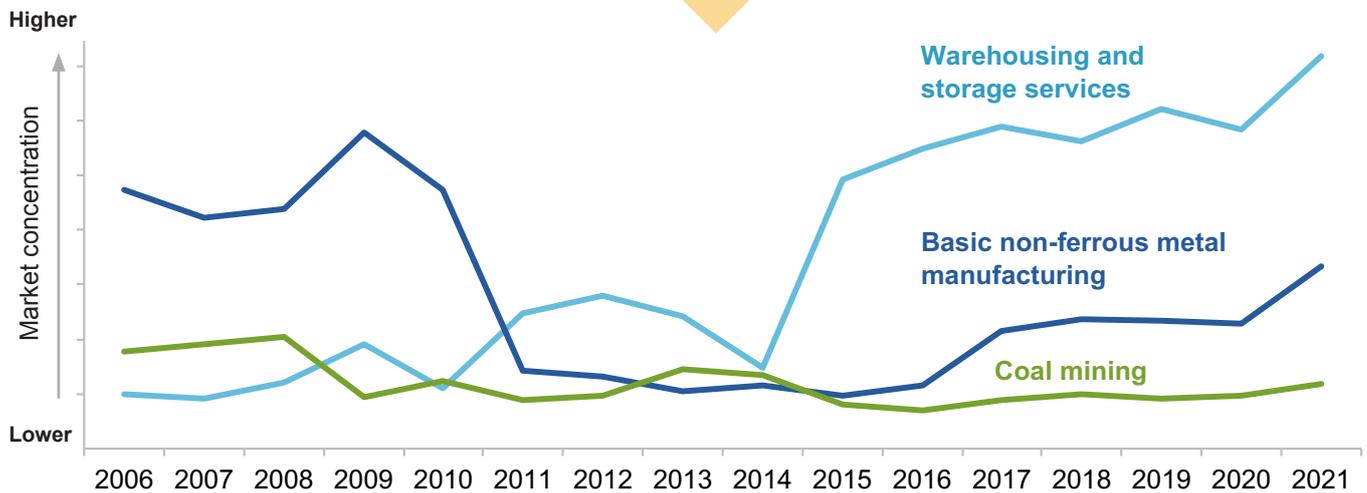
- State and territory governments should improve **public transport pricing and investment** by applying the pricing framework used by the NSW Independent Pricing and Regulatory Tribunal, including consideration of fares that take into account peak time crowding, reduced road congestion, distance based charges, and fares that reflect the lower costs of buses compared with trains.

In order to promote **open trade and foreign direct investment** (FDI) (recommendations 3.7 to 3.10), the Australian Government should:

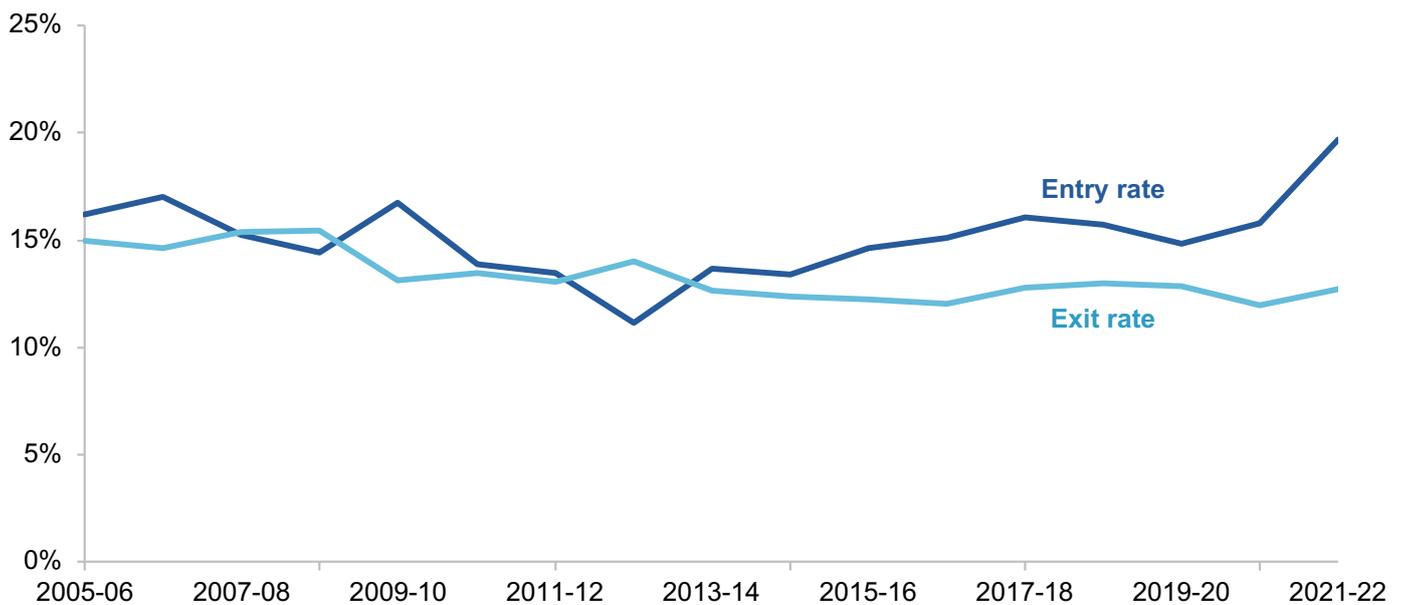
- Take immediate action to unilaterally reduce Australia's statutory import tariff levels to zero.
- Progressively remove Australia's anti dumping and countervailing measures and subject any new measures to an economy-wide cost benefit test.
- Increasingly accept product standards adopted in other leading economies as 'deemed to comply', provided that a transparent review could be undertaken in cases where the Australian Government identified a significant safety risk.
- Bring application fees for proposed FDI into agricultural land assets more in line with other forms of investment, including by applying indexation to the threshold investment value and adjusting the fee tiers so as to reduce the marginal rate fee as a proportion of investment amount.
- Address potential barriers to trade in services both 'at the border' and 'behind the border'. Some relevant policy and regulatory levers include trade policy, tax settings, occupational licensing, foreign direct investment, improved recognition of overseas qualifications and temporary migration settings.

Key figures

Market concentration, as a partial indicator of competition and dynamism, has varied by industry, with stark increases in concentration in some industries while many others became less concentrated. This suggests that factors influencing concentration have not been consistent across the economy. (Volume 3, p. 4)

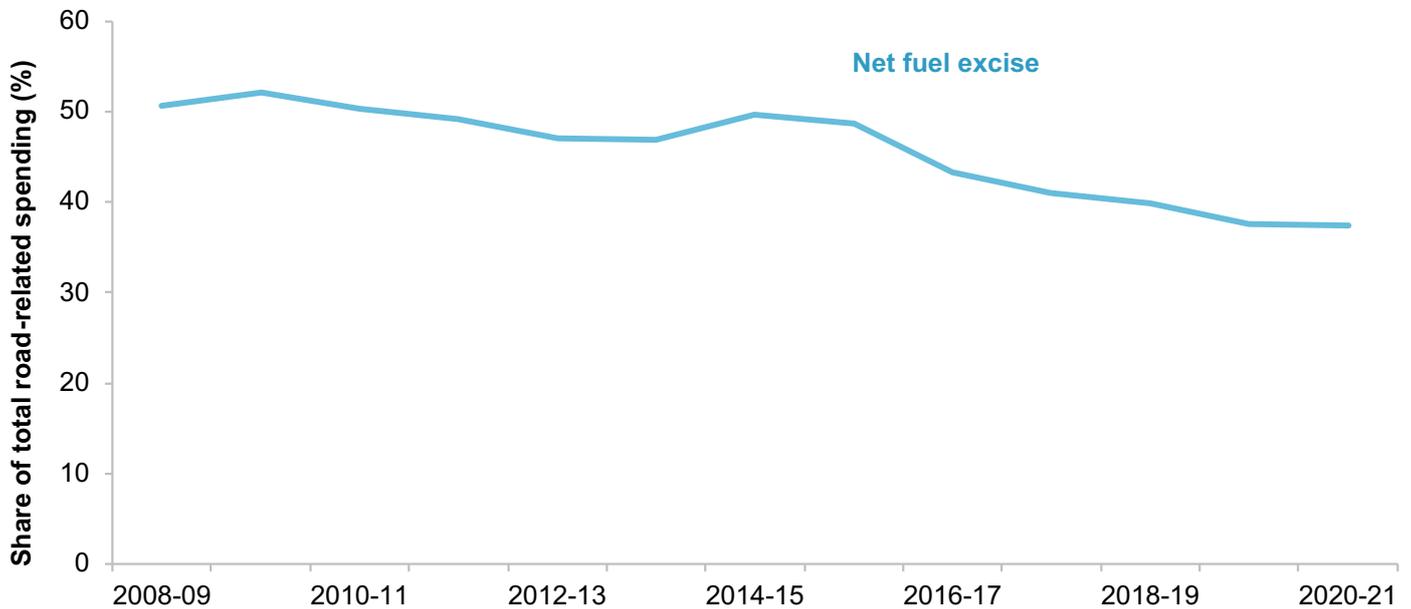


This chart shows between 2005-06 and 2021-22, business exits – which are a partial indicator of dynamism – trended down slightly. Business entries have been broadly unchanged over the same period, although they have increased somewhat in 2021-22. (Volume 3, p. 5)



Key figures continued

More efficient road funding and charging mechanisms would help better direct public investment: Fuel excise revenue has steadily declined as a proportion of road related revenue in the past decade, and this is expected to continue. (Volume 3, p. 55–57).



Addressing barriers to trade could stimulate competition and dynamism. While Australia has reduced its use of tariffs over time, it remains a prolific user of anti-dumping measures (including countervailing measures), with the number of products subject to such measures increasing over the past decade. (Volume 3, p. 81)

