

# Competitive Markets

Australian Infrastructure Plan

February 2016

The Australian Infrastructure Plan outlines a program of reforms to deliver more efficient, customer-focused and cost-effective energy, telecommunications, water and transport services.



## Challenges

Infrastructure provides better outcomes when it is delivered within robust and well-regulated market structures. The introduction of market reforms to Australia's infrastructure sectors has encouraged innovation, delivered lower costs and provided Australians with more choice.

Despite these improvements, more needs to be done.

- The energy and telecommunications sectors have developed the right market frameworks to deliver efficient and responsive services, but these market structures need to be continually refined over time.
- In contrast, the water and transport sectors need significant reform.
- There is scope for considerable improvements to the efficiency and service quality of metropolitan and regional water providers.
- Our road and public transport sectors face funding shortages which left unaddressed will lead to lower quality services due to a growing gap between what users pay and what services cost.

The market reforms identified in the Plan are complex, but necessary. Modelling by international accounting and economics firm PwC shows that if we implemented the major infrastructure market reforms recommended in the Plan, each household would be almost \$3000 better off each year by 2040.



There is scope to considerably improve the efficiency and service quality of metropolitan and regional water providers.



In our road and public transport sectors, there is a gap between what users pay and what the services cost, resulting in funding shortages and declining service quality.



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# Actions



## Transport

- All state and territory governments should transition to a regulated asset base approach to managing road transport, consistent with other utility networks.
- Governments should consider franchising options for public transport services.
- The Australian Government should initiate a public inquiry into replacing current road charging approaches with a fairer, more efficient and more sustainable model.
- All governments should commit to road user charging for heavy vehicles in the next five years and light vehicles within ten years.



## Telecommunications

- The Australian Government should privatise NBN Co following its full rollout.
- The Australian Government should ensure that community service obligations deliver quality data services in regional and remote areas as efficiently as possible.
- The Australian Government should remove barriers to entry for mobile network providers in regional Australia. For example, co-location of mobile infrastructure should be encouraged by making National Broadband Network backhaul and towers available to mobile providers.



## Energy

- All governments should transfer remaining publicly-owned energy assets to private ownership.
- Australia's electricity and gas markets should move to full retail price deregulation as soon as possible, drawing on advice from the Australian Energy Market Commission.
- States and territories should introduce more flexible network tariffs to manage peak demand, supported by the competitive rollout of new metering technologies.
- All governments should update regulations to better suit new opportunities of a rapidly changing renewable energy market.



## Water

- States and territories should strengthen independent regulation and move to transfer state-owned metropolitan water utility businesses to private ownership.
- The Australian Government and relevant states should assess the functioning of markets in the Murray Darling Basin.
- All governments should recommit to establishing water entitlements where they do not exist, particularly in the north.
- All governments should commit to a national body to deliver a National Water Reform Plan to drive actions across all water sectors.

