



# Productivity Commission Inquiry into Australia's productivity performance

ACCC Submission

April 2022

# 1. Introduction

The Australian Competition and Consumer Commission (ACCC) appreciates the opportunity to make a submission to the Productivity Commission's inquiry into Australia's productivity performance.

The ACCC is an independent Commonwealth statutory agency that promotes competition, fair trading and product safety for the benefit of consumers, businesses and the Australian community. The primary responsibilities of the ACCC are to enforce compliance with the competition, consumer protection, fair trading and product safety provisions of the *Competition and Consumer Act 2010* (Cth) (CCA), regulate national infrastructure and undertake market studies.

The ACCC believes that effective competition and productivity growth are inherently linked in a market-based economy. Through our work as Australia's competition, fair trading and product safety regulator, we have identified a number of important reforms that would improve productivity and the prosperity of all Australians.

## 2. Competition and productivity

Productivity growth is central to the economic prosperity of all Australians and provides the means to pursue broader social and environmental goals.<sup>1</sup>

Properly functioning markets are critical to productivity growth. They provide signals that encourage resources to be devoted to their most highly valued uses. Properly functioning markets also drive innovation and reduce waste by encouraging firms to employ efficient production processes and to pursue better ways of doing things. However, markets don't always work as effectively as they could.

Competition is essential for markets to function well. Competition engineers a process of creative destruction where more productive firms replace less productive firms. It also drives innovation and the adoption of cutting-edge technologies and processes.<sup>2</sup> Firms that fail to innovate, adopt productivity-enhancing technologies, or adapt to the changing demands of consumers, are replaced by those that do. This dynamic process underpins productivity growth.

Fostering competition remains an imperative in the digital age. Attention needs to be given to ensuring that digital platforms do not reduce competition in markets, and that these technology and platform markets themselves remain competitive. Scale, network effects and access to data confer significant competitive advantage and benefits to consumers, but can also create significant structural barriers to new entrants.

Competition drives national productivity. A recent Australian Treasury Working Paper<sup>3</sup> found that price-cost mark-ups in the Australian economy (an indicator of market power) have increased by 5 per cent since the mid-2000s, and links this increase to the slowdown in productivity growth over the same period. Another recent study in Germany<sup>4</sup> considered whether an increase in market power among 12,000 German firms could explain declining

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<sup>1</sup> Productivity Commission, *Australia's Productivity Performance*, Call for Submissions, February 2022.

<sup>2</sup> For recent analysis of the impact of competition on technology diffusion by Australian firms see Andrews, D., J. Hambur, D. Hansell & A. Wheeler, *Reaching for the Stars: Australian Firms and the Global Productivity Frontier*, Treasury Working Paper 2022-01, January 2022.

<sup>3</sup> Hambur, Jonathan, Treasury Working Paper 2021-03: [Product market power and its implications for the Australian Economy](#), 2021.

<sup>4</sup> Stühmeier et al (The Bertelsmann Foundation), [Price Markups, Innovation, and Productivity: Evidence from Germany](#), 2020.

German productivity growth. The study found a significant negative effect of price markups on both the productivity of a company and the whole economy.<sup>5</sup>

The ACCC considers it important that the process of competition in Australia is not unnecessarily impeded or interfered with. While the pursuit of profits can encourage firms to out-compete their rivals by making customers a better offer, it can also provide strong incentives for firms to engage in conduct that restricts competition or protects their market power. It is important that our competition laws and their enforcement, are effective in ensuring market power is not created, entrenched or extended through acquisitions or through conduct that limits the ability of rivals to compete on their merits.

It is also important that government policies or actions do not impose unintended or unnecessary impediments to competition. Particularly during times of economic stress, there can be a temptation to implement policies or weaken our competition law to protect firms from competition. Policies to create or protect national champions in the pursuit of economic growth, whilst well-intentioned, have rarely been successful. It is well recognised that such policies are far more likely to reduce productivity growth than enhance it.<sup>6</sup>

### 3. Productivity-enhancing reforms

#### 3.1. Regulation of essential monopoly infrastructure

Ineffective regulation of essential monopoly infrastructure undermines productivity growth. Nearly thirty years have passed since the 1993 National Competition Policy Review (the Hilmer Review) wrote at length on essential infrastructure. It is now generally accepted that the National Access Regime has little relevance to most of our ports, airports, and other monopolies that are not vertically integrated. Part IIIA of the CCA will not act as a constraint where monopoly pricing, rather than denial of access, is the problem access seekers face.

The effect of this is already felt across Australia's domestic and export industries. Most trade in these industries necessarily passes through Australia's ports and airports, where bottleneck infrastructure providers face no credible threat of regulation and are able to extract monopoly rents. The ACCC considers that this undermines incentives for investment and innovation and creates a drag on productivity.

This concern will endure as privatisations of existing registries and platforms continue, and forms of digital infrastructure emerge. For example, the ACCC has previously expressed the view that the privatisation of e-conveyancing services established a monopolist with the incentive and ability to exercise market power to the detriment of consumers and innovation.<sup>7</sup>

Without credible and effective competition laws and policies in place up-front to provide a regulatory constraint on monopolists, these new privatisations risk setting up these markets for unimpeded rent extraction and foregone productivity benefits for decades to come. This will leave the Australian economy vulnerable to unnecessary restraints on productivity growth created by the monopoly pricing of essential infrastructure.

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<sup>5</sup> The paper states (at p. 30) "Our estimation results show a negative relationship between price markups and firm-level productivity, confirming our descriptive analysis from above. When considering the data for the total economy (i.e., manufacturing, trade, and services), a 1 percent increase in price markups is associated with a 1.3 percent (pooled OLS specification) to 0.2 percent (panel specification) decrease in productivity. These results are statistically significant and robust for both productivity measures."

<sup>6</sup> OECD Competition Policy, Industrial Policy and National Champions, Policy Roundtable, 2009, p 14.

<sup>7</sup> ACCC, [ACCC report on E-conveyancing market reform](#), 2 December 2019, p 5.

For these reasons, the ACCC supports a detailed, national debate on monopoly infrastructure reform and privatisations to properly air these issues and ensure these crucial parts of the economy can function more efficiently.

To inform any such debate, the Productivity Commission should outline a national approach to updating our competition policy framework as it pertains to privatisations and regulating monopoly infrastructure. There should be a framework to ensure governments can consider necessary regulatory or other constraints - both prior to and after privatisation - so that ex-government monopolies cannot engage in monopoly pricing and other behaviour that can undermine national productivity. These issues are discussed further below.

## Dealing with monopoly

The ACCC remains concerned about the unconstrained ability of infrastructure monopolies to transfer rents between parties causing 'hold-up'. The threat of hold-up creates a disincentive to invest and has a chilling effect on future investment upstream and downstream of the monopoly.

For a business, knowing that the monopoly it must deal with can appropriate economic rents from prospective investments reduces the incentive to make marginal investments which might otherwise increase productivity.

The ACCC acknowledges that well-resourced access seekers can reach long-term contracts with monopoly infrastructure providers. However, it is not realistic for small business access seekers to negotiate a contract that would fully address the risk of hold-up in a relatively costless way. For all access seekers, large or small, a long-term contract will not protect the value of past investments - those made before privatisation of a facility.

Countervailing power is also regularly put as an argument against the need for reform because large access seekers (e.g., large airlines and mining companies) are said to be big enough to 'fend for themselves'. But size does not in itself ensure an ability to negotiate fair and reasonable access prices.

Even if a large access seeker had a degree of market power, smaller access seekers (such as smaller airlines or non - "anchor" port users and tenants) remain price takers without an ability to negotiate fair and reasonable charges with a large monopoly.

Industry participants have regularly stated that monopoly infrastructure firms adopt a "take it or leave it approach" to commercial negotiations. This reflects the "must have" nature of these bottleneck services.<sup>8</sup> Without a credible threat of regulation, monopoly firms will generate rents and will deter efficient future investment in, and use of, essential infrastructure.

In consumer-facing industries, such as the energy and water sectors, industry-specific price regulation measures have been in place for many years. With gas pipelines, reform is currently underway to provide recourse to commercial arbitration when an access dispute arises on issues of monopoly pricing of infrastructure that is not vertically integrated.

This is something the National Access Regime does not currently provide across the economy. Pursuing industry-based regulation can be effective but may leave monopolies in

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<sup>8</sup> See for example Aurizon's submission to the *Issues Paper - The regulatory framework for ARTC's Interstate Network* <<https://www.accc.gov.au/regulated-infrastructure/rail/artc-interstate-access-undertaking/the-regulatory-framework-for-artcs-interstate-network/issues-paper-and-submissions>>.

less public-facing parts of the supply chain without adequate regulation. This imposes an unnecessary handbrake on productivity and the broader economy.

Arguments that the problem of monopoly does not require regulation rely on very specific circumstances that rarely occur in the real world. These economic “what ifs” should not be used to impede reforms that would provide a more effective regulatory backstop and constraint on the fundamental market power of monopolies.

## **Privatisation of government infrastructure**

The Productivity Commission’s previous report, *Shifting the Dial*, raised the importance of the settings that should be in place where monopoly infrastructure is privatised.

*Observation 5.4: Privatisation has the potential to deliver considerable improvements in the quality of service delivery and lower prices for consumers. However, the regulatory arrangements that govern the market are critical for a privatised entity to deliver on these benefits. Nowhere is this more important than in infrastructure and considerably more effort is needed in developing guidance on how to regulate in anticipation of privatisation.<sup>9</sup>*

The ACCC considers that the framework for privatising monopoly infrastructure is in need of detailed review and reform.

The inconsistency of Australia’s approach to privatisations is demonstrated by the fact that current merger law would not allow two essential infrastructure facilities with no substitutes and high entry barriers to merge and create a monopoly. Accordingly, the fact that monopoly infrastructure firms are often privatised with no regulatory constraints represents a fundamental inconsistency in our current competition policy framework.

Many recent privatisations have seen governments maximise sale proceeds by selling assets without the application of adequate regulatory controls. This is economically harmful for all industries upstream and downstream that must commercially deal with the monopoly. More recently privatisations are occurring in relation to various digital infrastructure.

In some cases, privatisations come not only with a lack of appropriate regulatory constraint but also with anti-competitive arrangements to protect an incumbent in a related market.

The privatisation of the Port of Newcastle is an example of this. The port has unconstrained monopoly power over setting port charges for miners in the Hunter Valley<sup>10</sup>, yet in another market it is required to effectively compensate its competitors, Port Botany and Port Kembla (both of which were sold to the same owner and so have no incentive to compete with each other), if it expands container traffic at the port. The fact that Australia’s competition laws and policy have failed to address these clear problems, despite detailed court and Australian Competition Tribunal consideration on multiple fronts, provides a clear indication that reform is needed.

While it is important to avoid unnecessarily intrusive regulation, it is essential that appropriate regulatory arrangements are in place before assets with monopoly characteristics are privatised. This could include incorporating mechanisms such as a negotiate-arbitrate framework to resolve disputes. An agreed set of privatisation principles, or an agreement to conduct an arms-length review of the regulatory regime before privatising, could better inform governments on ways to ensure that a privatisation results in

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<sup>9</sup> Productivity Commission, [Shifting the Dial: 5 year productivity review](#), 2017, p.175.

<sup>10</sup> Since the Part IIIA declaration was revoked.

efficiency and productivity gains, instead of embedding long-standing monopolies with unconstrained market power.

Ideally, the existence of effective fall-back regulatory arrangements would enable more balanced commercial negotiations and the regulatory dispute resolution mechanisms would not need to be enlivened by the parties or result in long-running and costly disputes in court. We encourage these factors to be considered in any debate or Productivity Commission proposal as recommended above.

## **Key frontiers – road reform and National Broadband Network regulation**

It is well established that governments influence the productivity of firms and organisations through several key channels, including by putting in place the right incentive structures and by contributing to enabling capabilities.

The national road network and the National Broadband Network (NBN) represent significant nationwide enabling infrastructure relied on by consumers and businesses. They require prudent and sustainable long-term frameworks for their funding and regulation. An opportunity exists for improvements in road pricing and NBN regulation that can drive improvements in service delivery and productivity across the Australian economy.

Current road funding and the pricing of roads bears little direct relationship to use. A more efficient road pricing framework would move away from registration and fuel excise-based charges toward visible, direct road user charges that differ based on the weight of the vehicle, distance travelled, time of day, and the location of the road. These types of charges would better reflect the true costs imposed by vehicles on the road network and provide meaningful pricing signals to road users. The ACCC has been a consistent advocate of the need for reform of both road pricing and road funding arrangements for more than a decade and will continue to advocate for change in this space.

The current road funding model will become increasingly unsustainable as Australia progressively moves to more fuel efficient and electric vehicles. This creates a pressing need for reforms to improve road pricing efficiency. Introducing hypothecation, whereby road-related revenues are dedicated to spending on roads, could provide road bodies with greater certainty over future road funding and enhance long-term decision making.

Within the telecommunications sector, a range of issues have arisen under the NBN Co special access undertaking (SAU), established in 2013, which governs the terms and conditions, including pricing of the national broadband network. There are concerns that regulatory arrangements have not promoted efficient outcomes for NBN users. The ACCC has recently engaged stakeholders in a process to consider proposals for a revised regulatory framework under the NBN Co SAU.

The ACCC recognises that it is important that NBN Co should be able to earn sufficient revenue to operate and invest efficiently and to have the opportunity to achieve an investment grade credit rating. However, if the regulatory framework allows NBN Co to recover significantly more than this, including by recovering all of its historical losses, prices would be higher than necessary and would mean less than efficient use of the NBN.

NBN Co should be incentivised to operate and invest efficiently, provide cost certainty for access seekers, avoid future price shocks, and provide robust service quality commitments to NBN users. This will allow the NBN to meet its purpose of “lifting the digital capability of Australia, allowing Australians to have access to a fast, reliable broadband network, at least

possible cost to the taxpayer”.<sup>11</sup> Consultation on the NBN’s future regulatory framework is expected to continue throughout 2022.

## 3.2. Australia’s merger regime

Merger control is an important lever to help promote productivity through a competitive economy.

It is important to recognise that many mergers are not anti-competitive and can be beneficial, for example by allowing firms to achieve efficiencies, diversify risk or enter new markets. But some mergers can effect material changes in the structure of a market, sometimes with significant detriments to competition.

This can occur across a range of sectors. For example, as technological developments and network effects drive structural changes and convergence between sectors, we can expect to see mergers as a means by which some firms enter and establish market power in adjacent markets. There are also potential competition impacts arising from large firms acquiring nascent firms that have the potential to exert strong competitive constraint in the future.

Effective merger laws are needed to prevent increases in concentration that could lead to anti-competitive practices. Once a firm attains market power by acquiring its rivals, it is difficult to deal with the adverse effects of the exercise of that power via ex-post enforcement. It is preferable to prevent anti-competitive mergers that lead to increased market power or concentration before they occur.

Australia’s merger review process must be both current and effective, and be attuned both to international best practice, as well as the evolving nature and technological transformation of Australia’s economy. In August 2021 the ACCC started a debate on the adequacy of Australia’s merger control regime and whether it remains fit for purpose. It is important that this discussion continues.

## 3.3 Digital platform markets

The nature of competition, and the challenges in protecting competition, have changed with the growth of the digital economy. A growing share of online activity and commerce is occurring through multi-sided digital platforms.

These platforms have generated significant benefits for Australians and have developed products that have substantially increased productivity. Many digital platforms exhibit significant economies of scale, vertical integration, and strong network effects. These characteristics, which are underpinned by the collection and use of data, can make digital platform markets prone to tipping, leaving one or two large providers.<sup>12</sup> Once a firm achieves a monopoly position in these markets they can be difficult to displace, resulting in entrenched market power.

The ACCC has found that Google has market power in relation to general search, search advertising and ad tech, Meta has market power in relation to social media and display advertising, and both Apple and Google have market power in relation to mobile operating systems and mobile app distribution. The ACCC is concerned that this market power is becoming increasingly entrenched and is expanding to related services, with significant consequences for actual and potential rivals, business users and consumers. In many key

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<sup>11</sup> NBN Co, <https://www.nbnco.com.au/corporate-information/about-nbn-co/our-purpose>, April 2022.

<sup>12</sup> ACCC, [Digital Platforms Inquiry Final Report](#), 26 July 2019; ACCC, [Digital Advertising Services Inquiry Final Report](#), 28 September 2021; ACCC, [Digital platform services inquiry 2020-2025](#).

markets, large digital platforms occupy a “gatekeeper” position, effectively regulating the terms on which businesses can reach Australian consumers.<sup>13</sup>

The harms associated with entrenched market power of large platforms can be:

- harms to the competitive process, whereby a platform’s market power increases both its ability and incentive to engage in anti-competitive conduct. For example, a vertically integrated platform could favour its own services at the expense of third-party users, potentially impacting competition in downstream markets, or
- harms that are a direct consequence of the market power. When a firm does not have a competitive constraint, it will have less incentives to innovate, have a greater ability to increase price and offer reduced quality services and/or terms and conditions which do not meet the desires of their business users and consumers. For example, the ACCC has found that the 15-30 per cent commission charged by Google and Apple for in-app purchases is likely inflated by their market power.<sup>14</sup> Similarly, the lack of fair and transparent terms and conditions for access to Google and Apple’s app marketplaces can lead to inefficient business decisions and unduly restrict the emergence of disruptive business models.<sup>15</sup>

The ACCC recognises that competition in digital platform markets largely occurs through innovation. This includes innovation by incumbents to gain and protect strong market positions and, importantly, innovation by potential rivals to displace the incumbents. It has been widely recognised in the past that innovation can be a powerful counterforce to scale based concentration effects.

More recently, there is evidence that some firms, having gained a strong market position in a digital platform market, have engaged in conduct to protect or extend that position, including potentially anti-competitive conduct by eliminating potential rivals and handicapping rivals in adjacent markets. The ACCC is currently considering whether there is need for sector-specific policies, including stronger merger laws, to protect the process of competition in many digital platform markets. These views and recommendations will be provided to the Treasurer in September 2022 in the ACCC’s Digital Platform Services Inquiry Fifth Interim Report.

### 3.4 ACCC market studies

The ACCC’s objective of achieving compliance with the CCA and other legislation to protect, strengthen and supplement the way competition works in Australian markets requires ongoing assessment of market factors and sector conditions.

Market studies and price inquiries provide an important avenue for improving competition and consumer outcomes beyond enforcement of breaches of the law.

ACCC studies and inquiries are distinct in purpose and effect from broader reviews by policy agencies such as Treasury and inquiries by the Productivity Commission.

Since 2015, the ACCC has undertaken 14 Government directed price inquiries and 6 self-initiated market studies. These price inquiries and market studies have contributed to the promotion of competition and consumer outcomes across a diverse range of sectors and markets. They have also materially enhanced the ACCC’s capability and expertise with respect to studied sectors.

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<sup>13</sup> ACCC, [Digital Platform Services Inquiry Discussion Paper for Interim Report No. 5: Updating competition and consumer law for digital platform services](#), 28 February 2022, pp 23-24.

<sup>14</sup> ACCC, [Digital Platform Services Inquiry Discussion Paper for Interim Report No. 5: Updating competition and consumer law for digital platform services](#), 28 February 2022, p 42.

<sup>15</sup> ACCC, [Digital Platform Services Inquiry - March 2021 interim report](#), 28 April 2021, pp 5-6.

For example, the ACCC's work in relation to its digital platforms inquiry provided the basis for Australian policymakers to develop and implement innovative policy responses to emerging issues in digital markets. This included the review of Australia's privacy law and implementation of the News Media and Digital Platforms Mandatory Bargaining Code.

By publishing its findings, analysis and supporting evidence, ACCC price inquiries and market studies inform the work of policymakers, other regulators, industry, academia and the wider public. The ACCC applies transparency to these activities, which provides stakeholders the opportunity to test analysis and engage in policy debate. The identification of important problems and appropriate responses ensures Australians receive maximum benefit from the ACCC's resources.

Several examples of these outcomes are set out below.

- The ACCC's *Retail Electricity Pricing Inquiry: Final Report* recommended abolishing and replacing retail electricity standing offers with a default market offer to be set by the Australian Energy Regulator. The Australian Government adopted the recommendation, and in April 2019 the AER made its final determination on default market offer prices. The determination applied from 1 July 2019 for standing offer customers in regions not subject to state-based price regulation. Victoria separately adopted a similar model.
- In 2018 the ACCC recommended the government prescribe mandatory industry codes following completion of price inquiries in the dairy and retail electricity sectors. Similarly, in 2019 we recommended that designated digital platforms be required to sign on to a code of conduct governing commercial relationships with news media businesses. The Australian Government adopted each of these recommendations.
- Following its wine grape market study in September 2019, the ACCC recommended a substantial strengthening of the voluntary Australian Wine Industry Code of Conduct after finding the Code had not been effective in addressing industry problems, primarily due to a low number of signatories. In December 2021 the ACCC reviewed the industry's progress in implementing the recommendations and found there had been significant efforts made to improve the coverage and strength of the voluntary code.

It is important that the ACCC's price inquiry and market study frameworks are fit for purpose and deliver their productivity-enhancing role of promoting competition, improving consumer outcomes, and undertaking effective economic regulation.

### 3.5 Consumer law reform

Consumer law plays an important role in fostering effective competition and enabling the confident participation of consumers in markets, recognising that engaged, empowered consumers improve competition, productivity, and innovation.<sup>16</sup>

The passage of the Australian Consumer Law (ACL) in 2010 (which replaced nine separate pieces of territory, state, and federal legislation with one cohesive law) has demonstrated benefits of principle-based legislation and the value of clear, universal laws that apply across the economy. The ACL has allowed businesses, particularly those operating nationally, to more easily know and comply with their obligations, and regulators to educate consumers and businesses about their rights and obligations.

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<sup>16</sup> Productivity Commission, [Consumer Policy Framework Inquiry Report Volume 1](#), 8 May 2008.

However, the ACCC has observed an increase in new, state-based legislation targeted at unfair practices that fall within perceived gaps in the ACL. These reforms, such as state-based legislation and regulations aimed at requiring upfront disclosure of pricing and terms and conditions in various sectors, would likely be unnecessary if there was a prohibition on unfair trade practices in the CCA.

Some of the gaps identified by the ACCC include conduct that:

- is harsh but not sufficiently severe that it constitutes unconscionable conduct
- is not misleading or deceptive, but distorts consumer choice by creating confusion or hiding or omitting relevant information, or
- is harmful but not captured by the unfair contract term provisions, such as terms in non-standard form contracts or actions around such terms, rather than their content.

The ACCC has identified such harms arising from the use of clickwrap agreements, nudge practices and other harmful conduct in the digital space.<sup>17</sup> The ACCC has also identified unfair practices targeting farmers, limiting their ability to manage risk and make long term investment decisions about their farms.<sup>18</sup> In light of these developments, in November 2020 the Consumer Affairs Forum recommended a regulation impact assessment process to consider unfair business practices unlikely to currently be covered by the ACL, such as business practices that are arguably oppressive, exploitative, or contrary to standards of professional diligence or fair dealing. A Consultation Regulation Impact Statement will be released as part of this process.

The ACCC strongly supports an economy-wide, principles-based prohibition on unfair trade practices to better protect consumers and small businesses and support Australia's economic recovery following the COVID-19 pandemic. The benefit of an economy-wide principles-based reform over minor or incremental reforms to existing provisions, or industry- or behaviour-specific regulation, is it will:

- establish a norm of behaviour that applies across different sets of circumstances
- keep pace with evolving practices
- in the case of industry codes, include penalties sufficient to encourage compliance, and
- reduce regulatory complexity and association inefficiency.

### 3.6 Financial Services

Through its program of financial services work, the ACCC has observed the benefits of competition driving productivity and innovation for consumers in financial markets.

There are some signs of increasing competition in the banking sector, most notably in home loans and international money transfers (IMT). There has also been new entry by a range of neobanks and fintechs, who are play an increasingly important role in the market, often with innovative technology and business models and a move to a more customer-centric platform-based models. We have also observed innovation in the provision of payments services, through new technologies and use of services such as the New Payments

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<sup>17</sup> ACCC, [Digital Platforms Inquiry Final Report](#), 26 July 2019.

<sup>18</sup> ACCC, [Perishable Agricultural Goods Inquiry Report](#), 10 December 2020.

Platform. These innovations continue to enhance productivity of the financial services delivered to Australian consumers.

The ACCC recognises the importance of competition in fostering product and service innovation in the Australian payment system and thereby improving the productivity of Australian businesses who rely on that system. The ACCC views the least cost routing initiative as an important pro-competitive initiative and has taken steps, through accepting a court enforceable undertaking from certain market participants, to ensure that its pro-competitive benefits are not compromised.

Similarly, the continued rollout of, and investment in, the Consumer Data Right (CDR) will improve consumers' access to and use of their data. As the CDR is extended to more sectors, it will continue to promote the interests of consumers, and drive competition and data-driven innovation across the economy.

The ACCC has observed the stifling effects on innovation and productivity where competition is limited in the provision of some financial services. The ACCC's 2019 Foreign Currency Conversion Service Inquiry identified concerns about competitor IMT suppliers being unable to get and maintain access to required banking services, and the resultant limiting effect on competition.<sup>19</sup> The final report recommended a scheme to assist those IMT suppliers to address the due diligence requirement of banks. Furthermore, the ACCC's 2020 Home Loan Price Inquiry identified barriers to switching home loan providers that could limit the potential demand-side pressure on lenders and limit the benefits of competition.<sup>20</sup> This report recommended possible interventions that could help resolve these impediments. The ACCC considers opportunities remain to implement these recommendations that will enhance competition, encourage innovation and improve consumer outcomes in Australia's financial markets.

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<sup>19</sup> ACCC, [Foreign Currency Conversation Service Inquiry Final Report](#), 2 September 2019

<sup>20</sup> ACCC, [Home Loan Price Inquiry Final Report](#), 5 December 2020