

The ACCC and prices

CONSUMERS (INCLUDING BUSINESSES) ARE RIGHTLY VERY CONCERNED ABOUT THE PRICES THEY PAY FOR GOODS AND SERVICES. THEY WANT TO FEEL THAT WHEN THEY BUY SOMETHING THEY ARE GETTING VALUE FOR MONEY.

GENERALLY CONSUMERS WILL GET VALUE FOR MONEY BECAUSE THE PRICES THEY PAY HAVE BEEN DETERMINED IN COMPETITIVE MARKETS AND BECAUSE THEY HAVE BEEN GIVEN ENOUGH CLEAR, ACCURATE INFORMATION ON THE PRICES OF THE GOODS AND SERVICES THAT THEY ARE INTERESTED IN.

When is the ACCC interested in pricing issues?

Broadly, the ACCC becomes involved when prices have not been determined through a competitive process and when they have been misrepresented. Prices are not likely to have been determined by a competitive process if the firm supplying a good or service is a monopoly provider (or has significant market power) or when firms engage in anti-competitive practices, such as price fixing, predatory pricing and resale price maintenance. Advertised prices may be misleading if, for example, a retailer doesn't state the full cash price or advertises a was/now price but the 'was' price never existed.

The ACCC is involved in pricing issues because of its responsibilities under the *Trade Practices Act 1974*. It has a role in regulating prices for some specific services provided under monopoly, or near monopoly, conditions, such as electricity, gas, telecommunications, rail, postal and air traffic control. Its involvement relates to parts of the Act that deal with access to essential facilities (Parts IIIA and XIC) and prices surveillance (Part VIIA).

The ACCC's regulatory role mainly relates to national organisations and industries supplying national services. State governments also have independent agencies, such as the Essential Services Commission Victoria, the New South Wales Independent Pricing and Regulatory Tribunal, and the Queensland Competition Authority that regulate prices for monopoly infrastructure services in certain state-based industries, such as port services, rail, gas, electricity and water.

How does the ACCC become involved in pricing issues?

The ACCC monitors prices in particular markets when directed to do so by the Australian Government. However, this happens infrequently and monitoring is usually restricted to markets that are newly deregulated, subject to micro-economic reforms or where consumers are significantly concerned about the effect of competition on pricing. Aeronautical prices at Australia's major airports, container stevedore prices, public liability and professional indemnity insurance premiums, medical indemnity insurance premiums and petrol prices are currently being monitored by the ACCC.





More generally, the ACCC makes sure businesses comply with the provisions of the Trade Practices Act that relate to anti-competitive pricing practices. It also has a national consumer protection role in its administration of the law, which covers misleading and deceptive representations on pricing.

State governments also have some roles in this area through their fair trading agencies. The ACCC is more likely to be involved in national and international issues, whereas the state government fair trading agencies are involved in state-based issues.

While the ACCC is the only Commonwealth Government agency that has these roles, individuals or companies can also take private actions in some circumstances.

What does the ACCC do about prices?

When the ACCC has the role of regulating prices, either by setting price levels (such as for electricity transmission, gas pipeline charges and telecommunication charges) or by reviewing pricing proposals (such as postal charges, air navigation charges and charges for interstate rail access), the broad approaches and objectives are similar.

The ACCC publicises its processes, provides information, seeks submissions from interested parties and will usually issue a draft decision for comment before making a final decision. It aims to set prices at levels that encourage efficient services and provide a reasonable rate of return for investment.

In monitoring prices the ACCC will collect information on the costs, profits and prices of the goods or services. It then reports either directly to the Australian Government or to the public. Price monitoring provides information on price levels and price movements to identify unacceptable pricing practices or structural market problems. If these are identified it is up to the government to consider what action to take.

In the case of petrol prices the ACCC took on an informal monitoring role after petrol and diesel prices were deregulated in 1998. Information on petrol price cycles in Sydney, Melbourne, Brisbane, Adelaide and Perth, available on the ACCC's website, can be used by consumers to help them decide when to buy petrol. The site explains what determines the price of petrol generally; and has information on country prices and provides links to other internet sites that provide petrol price data. During the past couple of years the Australian Government has asked the ACCC to report on various petrol pricing issues.

The ACCC also investigates pricing complaints relating to the anti-competitive and consumer protection provisions of the Trade Practices Act. If it believes the Act has been breached, the ACCC will take some form of enforcement action depending on the nature of the breach involved. Any firms engaging in pricing practices that breach the Act are likely to be penalised by the courts. In some cases consumers will benefit directly through corrective advertising measures or monetary compensation.