

AUSTRALIAN INDUSTRY
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21 March 2013

Queensland Competition Authority
GPO Box 2257
Brisbane, QLD, 4001

Dear Sir / Madam

Re: Queensland Competition Authority - Draft Determination – Regulated Retail Electricity Prices 2013-14

We refer to the Queensland Competition Authority's (QCA) *Draft Determination: Regulated Retail Electricity Prices 2013-14*, released for public comment in February 2013.

Ai Group is one of the largest national industry bodies in Australia representing employers in manufacturing, construction, automotive, food, transport, information technology, telecommunications, printing, on-hire and other industries. Ai Group and its affiliates represent the interests of more than 60,000 businesses, including thousands of Queensland organisations. As such we are well placed to provide the Queensland Competition Authority with an industry perspective on the discussion paper.

We welcome the QCA taking into consideration Ai Group's concerns, raised in its submission to the 2011/12 price review process, and its March 2012 pre-Election Statement, that removal of certain existing tariffs (e.g. Tariff 37), without a reasonable transition phase, would seriously impact the competitiveness of many QLD businesses. Accordingly, Ai Group supports the seven (7) year transition period proposed for most tariffs proposed in this year's price determination. Ai Group also supports the proposed one (1) year transition period for those tariffs where moving to a cost reflective tariff is not a big financial leap.

Whilst not opposing the removal of tariffs *per se*, Ai Group was concerned some individual enterprises had factored the tariff impacts into their business planning. These businesses' competitiveness was underpinned to a degree by existing tariffs during what has been an extremely turbulent period for QLD industry, particularly for manufacturing. Many of the businesses impacted are not only large employers, but are some of the larger employers in their respective regions. A number of these businesses had indicated tariff removal would significantly impact their short-term prospects, potentially impacting QLD regional economies as they recover from repeated natural disasters.

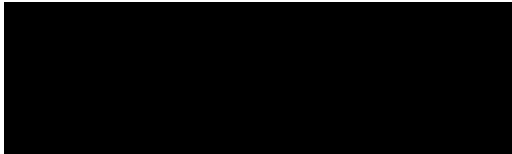
Energy costs have risen substantially for most businesses over the past five years. Ai Group research indicates Australian retail electricity prices have increased by an average of 30 per cent between 2006 and 2010, and by some estimates will have risen by at least 100 per cent from 2008 – 2015.

Under the proposed arrangements large non-domestic users disadvantaged by the move to market contracts will now have adequate time to prepare and negotiate future arrangements. Moving to market contracts, while optimal in a pure policy sense, will incur transitional costs, especially for firms with no previous experience negotiating energy contracts. Therefore, the proposed longer phase out will provide a longer and gentler transition.

Australia is not alone in confronting rising energy costs, but the challenge to industry here from rising energy prices is serious given our historic reliance on relatively inexpensive energy as a competitive advantage. Whilst it is acknowledged that industry needs to ensure it plans its business model around relatively higher energy prices, if individual enterprises are to remain competitive they require time to navigate a new and complex system.

Ai Group appreciates the QCA's efforts to engage with industry and consumers on electricity pricing and looks forward to continuing to work together on this important issue. Should you have any further queries regarding this matter please do not hesitate to contact me directly or Jemina Dunn, Ai Group's Manager of Policy and Public Affairs (Queensland), on telephone (07) 3244 4767.

Yours sincerely

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Matthew Martyn-Jones
Director (Queensland)