

Energy law 'stacked against consumers'

Mark Ludlow

Energy laws should be changed to stop electricity distribution companies "cherry-picking" determinations by the Australian Energy Regulator, which allows them to pass on higher costs to consumers, a report says.

The report, commissioned by the Consumer Action Law Centre and Consumer Utilities Advocacy Centre (CUAC), found network companies had an "extraordinary advantage" in the appeals process.

It recommended limiting the scope of appeals by network companies from a merit to a judicial review to "minimise the distributor's opportunity to game the regulatory framework to the cost of end users".

"The significant increases in distribution costs and the number of appeals made to the tribunal since the AER became the economic regulator

KEY POINTS

■ The number of appeals made to the Australian Energy Regulator shows the system is biased in favour of providers, a consumer report says. ■ It recommends limiting the scope of appeals.

... are clear signals the arrangements are not working in the interest of consumers," the report said.

"Rather, they [result in] network costs hundreds of millions of dollars higher than they would have been, based on AER determinations."

The report by Aiviss Consulting, to be released today, found that although consumer organisations were able to be a party to the appeals process to the Australian Competition Tribunal, arrangements were stacked against them.

"Indeed, Consumer Action and CUAC's experience suggests the apparent 'right' is little more than window dressing", the report said.

It explored several solutions, including tweaking the arrangements to boost the representation of consumer organisations to intervene in merit reviews. But it found the most workable solution was to ensure distribution companies did not have access to a merit review of the AER's electricity price distributions.

"The risk of significant regulatory error is adequately managed by replacing the right to a merits review of the AER's electricity price determination with a right to judicial review."

After double-digit power rises in recent years, the AER — which regulates the prices transmission and distribution companies can charge in the electricity market — announced in June it would review its rules.

AER chairman Andrew Reeves admitted network charges — which account for about 40 per cent of the average household bill — were responsible for rising power prices.

But while the AER review is aiming to strike a better balance between power companies and consumers, it will not cover the appeals mechanism.

Energy Users Association of Australia chief executive Roman Domanski has long called for an overhaul of the regulatory system. He points to the arrangements in the UK, where an "all or nothing" system has ensured appeals are not the first response of power companies.

The new report compares the AER and the UK's regulator, the Office of the Gas and Electricity Markets. It found that in the UK, there had been one appeal in 25 years, whereas Australia's review system provided companies with an incentive to appeal

against the regulator's price determinations. Consumer Action chief executive Catriona Lowe said distribution companies had nothing to lose by challenging AER determinations.

"The process... allows distributors to only challenge the parts of an AER decision they think they can win and the costs of doing so are ultimately paid by consumers," Ms Lowe said.

"Consumers have every right to expect a process that is fair, balanced and transparent. Unfortunately, that is not what the current laws require."

CUAC executive officer Jo Benvenuti said the barriers against consumer intervention in the current arrangements were "impossibly high". "These companies have significant resources to assist their case to the tribunal, but the current rules give them a free kick by silencing voices which would provide balance and help to keep energy prices down."

Struggling travel groups slash prices

Lisa Allen

Thinking of chartering a yacht around the waters off Thailand, cruising the Nile or touring Cairo's teeming bazaars?

You're in luck. Travel agents and tour operators are reporting such dire retail conditions that they are being forced to discount heavily.

"I thought 9/11 was bad but that is nothing compared with what is happening now," says Sydney travel agent Ron Girgis, owner of United Travel.

Girgis has resorted to selling five-star group tours of Egypt at three-star prices.

"I have never had discounts this low before," he says.

The German-owned Sunsail group, which charters 800 yachts throughout the world, is offering 20 per cent discounts in Asia until mid-December.

Sunsail's head of distribution, Australia and Asia-Pacific, Mark Windsor, says the "tactical discounts" are being offered to stimulate bookings in Thailand, Malaysia, Tahiti and the Seychelles. In the Whitsundays and Tonga, the discounts are closer to 30 per cent.

"Normally at this time of the year you will find early-bird offers to Europe because the airlines will come out and try and get early-bird offers, but from a domestic and international market we have probably not seen something like this for some time," says Windsor.

"The travel and leisure retail market is depressed from an economic viewpoint. We have seen some unprecedented retail sales."

After the discount, the cost of hir-

ing a six-berth yacht through Sunsail from the Thai island of Koh Chang is down to \$3050 for five days, while hiring a similar yacht in Langkawi costs \$2250, also for five days.

Australians are certainly taking up the hugely discounted offers. Short-term resident departures are increasing at double-digit rates, up 11 per cent in July 2011 and 10 per cent for January to July 2011, compared with the previous year.

There's no shortage of options. In Egypt, the head of Bunnik Tours, Dennis Bunnik, is offering massive discounts to counter the political turmoil that cast this once-lucrative Middle Eastern tourism business into turmoil in February.

Bunnik, who is a 20-year veteran of the travel industry, is hoping that from January there will be a pick-up in demand for Egypt, but at present he is offering \$500 discounts for his tours. A 17-day tour of Egypt, including all taxes, tipping and international air fares, is down to \$4893 per person.

What's good news for the budget-conscious traveller is grim news for the industry, according to Gavin Tollman, the Geneva-based president and chief executive of international group Trafalgar Tours.

"The discounting in Europe is ridiculous," says Tollman. "It is not sustainable."

"It's a total enigma to me as to why people discount. With discounting all those elements you start alienating the guests who paid the full price."

"I see that as something that is extremely short-sighted."

Global travel companies in the UK are experiencing major turmoil

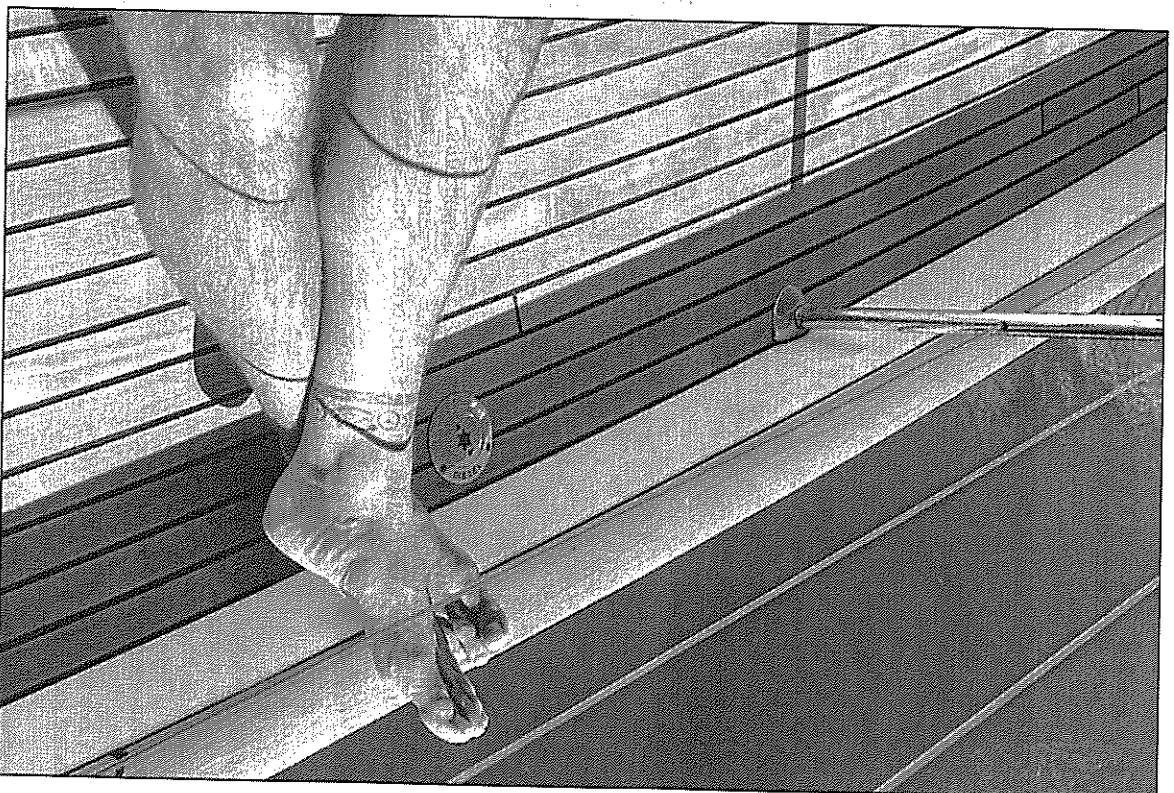


Photo: MICHELE MOSSOP

Yacht charters are the cheapest in many years.

as consumers continue to tighten their belts. After a string of bad profit warnings, Thomas Cook has just replaced longtime chief executive Manny Fontana-Novoa.

But Tollman does not believe there will be much global consolidation of

travel groups as profits and margins continue to shrink.

"I don't think there is that much lending going on for travel. But you are seeing the acceleration of companies going out of business," he said.

Sydney housing market warms up for spring sales

Ben Hurley

Sydney's property market gathered pace at the weekend, signalling that demand could be holding up even though more home owners than usual will be trying to sell this spring.

There has also been a run of sales at Melbourne's more expensive end, defying a broad slowdown across the city's once-booming housing market. About 60 per cent of Sydney properties auctioned on Saturday sold on

the day — the highest number in two months — according to Australian Property Monitors. The week before it was just over 50 per cent.

"It's the general direction we expected property to head in, although one swallow doesn't make a summer," APM senior economist Andrew Wilson said.

The most expensive property sold was a five-bedroom weekenders at McMasters Beach north of Sydney. It fetched \$2.325 million.

Dr Wilson said one factor behind

the rise in activity could be the NSW government's decision to remove stamp duty exemptions for existing properties priced under \$600,000 from next year. The exemption can potentially save a buyer \$18,000.

"Maybe they thought let's get in here and now," Dr Wilson said. "It's no secret what happened 18 months ago at the end of the First-Home Owners Boost — it was very competitive for properties."

"They say if we are going to get into the market we perhaps should

do it now rather than wait."

Sydney auctioneer Damien Cooley said the strongest demand was for unrenovated two and three-bedroom homes on small inner-city blocks, which could be renovated and extended to fit a family with children.

In Melbourne, 55 per cent of properties sold at auction, according to the Real Estate Institute of Victoria — no improvement on the previous weekend and well below the 70 per cent achieved this time last year.

Shopping revival may be on cards

Adrian Rollins

Economics correspondent

Economists hope that stable interest rates and the strengthening dollar have boosted consumer spirits despite rising unemployment, helping to add momentum to the economy.

The Westpac-Melbourne Institute consumer sentiment index is expected to show an improvement in the mood of households early this month. The index, which is due out on Wednesday, fell sharply in the past four months, to below 90 points.

UBS economist Scott Haslem and CommSec chief economist Craig James think the Reserve Bank of Australia's decision last week to leave the official cash rate on hold for a 10th consecutive month, combined with evidence of a growth rebound in the June quarter and the decisions of several banks to cut fixed mortgage rates, will have encouraged a brighter outlook.

Such a result, coming a week after national accounts showed the household savings ratio eased last quarter from 11.7 per cent to 10.5 per cent and consumer spending grew a robust 1 per cent, could fuel hopes of a pick-up for retailers.

Australian Bureau of Statistics figures out today are expected to add to promising signs for growth. Markets tip them to show the trade surplus reached \$1.9 billion in July — a slight narrowing from \$2.05 billion in June — despite substantial falls in coal and from one exports. But a National Australia Bank survey due out tomorrow is likely to provide evidence of how subdued conditions for many businesses are, despite the commodities boom.

Mr Haslem said the survey assumed a heightened importance, given the degree of uncertainty about the economy.

Treasury secretary Martin Parkinson is expected to affirm government confidence in the nation's growth prospects when he addresses an Australian Industry Group conference in Canberra today. But sliding job advertisements and the rise last month in the unemployment rate to 5.3 per cent are stoking concerns that the economy will lose momentum despite huge mining investment.