



ACCC INQUIRY INTO RETAIL ELECTRICITY

SUBMISSION FROM THE PRINTING INDUSTRIES ASSOCIATION OF AUSTRALIA

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ABOUT US

About the Printing Industries Association of Australia

1. The Printing Industries Association of Australia ("*Printing Industries*") is the peak industry body for the print, visual communications and media technologies sector.
2. *Printing Industries* is a not-for-profit, membership-based association, and is registered as an industrial organisation under the *Fair Work Act*.
3. Formerly the *Printing and Allied Trades Association of Australia*, *Printing Industries* has been the peak industry association representing print industry companies for over 200 years.
4. Traditionally, *Printing Industries* represented what would now be regarded as the print sector trades. However, as print, visual communications and media technologies continue to evolve, so does *Printing Industries*' membership. Membership now extends as far as peripheral service providers for the print media technologies sector.
5. In terms of traditional print, *Printing Industries* represents about 80% of the volume of print production capacity in Australia.
6. We believe that absent the car industry, print and its allied industries form the biggest employer in Australia's manufacturing sector.

About our industry

7. Most of the industry is comprised of businesses which employ 1 – 19 people.
8. The industry is an exemplar of innovation and adaptation. The environment for print remains under pressure, both from alternative communication channels and operational challenges.
9. Participating in a truly free international market, the industry is the most significant employer in the Australian manufacturing sector.
10. Yet the sector operates without any Government assistance or protection, in an environment in which it is directly exposed to the vicissitudes of global market forces and competitors.
11. Amidst all this, the industry is justly proud of its agility and ability to adapt, together with the efficiency it continues to gain through its ongoing innovation.

EXECUTIVE SUMMARY

Introduction

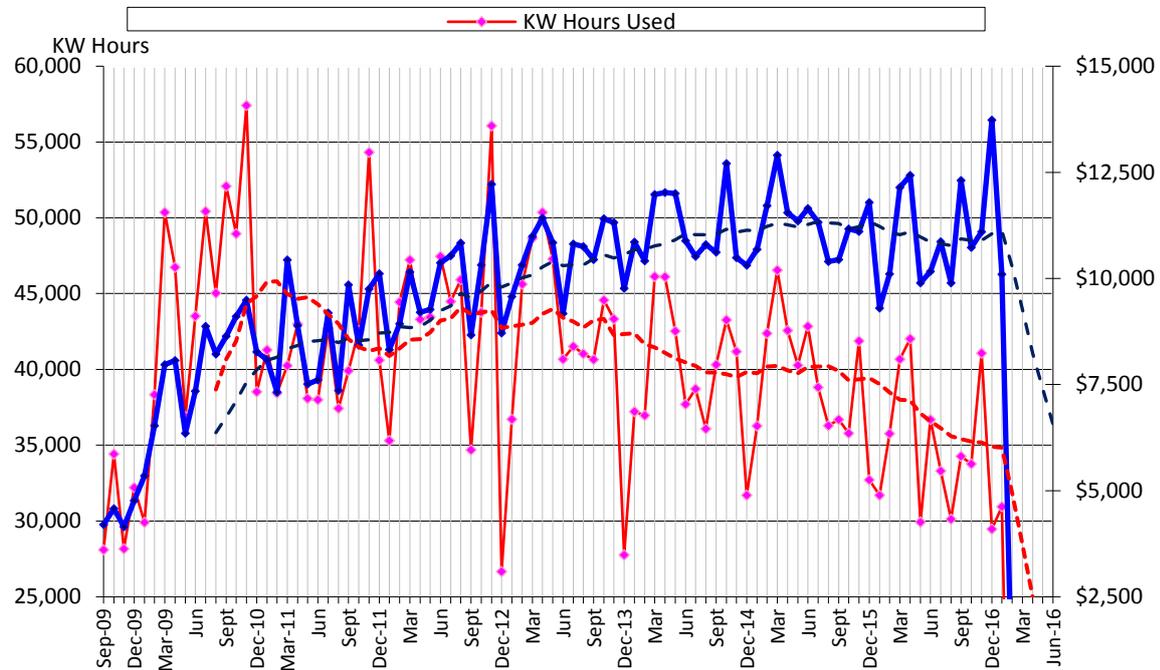
12. *Printing Industries* understands that in establishing this inquiry, Federal Treasurer Scott Morrison directed that its focus be on the retail supply of electricity in the national electricity market. This means that this inquiry will not cover energy supplies such as gas and renewables; nor will it cover electricity markets in Western Australia and the Northern Territory.
13. *Printing Industries* also understands the ACCC's 'reach' in this inquiry. We accept that the ACCC cannot intervene in a dispute between an individual consumer and a retail provider. We understand that the ACCC can prosecute an entity which it suspects of breaching trade and consumer laws; and that it can make recommendations for change to the Federal Government.
14. Clearly, our members are consumers of electricity.
15. Within these contexts, this submission focusses on:
 - The impediments that print and associated businesses face when engaging with the electricity market;
 - Providing the ACCC with evidence which might assist the ACCC in making findings and recommendations to improve outcomes for any print and associated business who is trying to choose and buy electricity services.
16. We also comment upon the damage that increasing prices and unreliable supply of electricity causes to print and associated businesses and to their employees.

Increases in the cost of electricity

17. Feedback from our members shows individual increases in electricity prices which include '\$20 - \$30K a month'; increases over the previous 12 months (or a comparable period) of 25%; of 35%; of 48%; of 67%.
18. One large-sized Melbourne-based print member will face an electricity bill increasing 3-fold (from \$120K per annum to \$360K per annum), once its existing contract expires on 31 December 2017.
19. Many of our members have incurred these increases despite decreasing the amount of electricity they use. Just one compelling example follows.

Lotsa Print and Signage – Port Douglas, Queensland – in business for 22 years: employs 32 people

20. The graph below shows Lotsa Print and Signage’s consumption of electricity versus the costs, over a 7-year period.



21. The graph shows that over the 7+ years, power costs have increased from about \$7,500 to about \$11,000 per month.

22. At the same time power, Lotsa Print and Signage’s consumption of electricity has dropped from about 45,000 KW hours, to about 35,000 KW hours.

The Bigger Picture

23. It is very clear that the major electricity suppliers and distribution networks have witnessed their customers’ reduced power consumption and have consequently adjusted their prices to maintain and increase their revenue against the trendline of decreasing power use.

24. At this stage, the scenario looks set to continue. If so, it will inevitably lead to a “crash” scenario, where the owners of power and distribution assets will have to write down the value of those assets so that they can stay in business. To not do so would lead to continued increases in power costs with the consequence of otherwise-viable industries (ie their customers) going to the wall, or substantially reduce in number and size.

25. In other words, either power companies take the hit in value and revenue, or the industries who are their customers will have to do so.

26. If the current scenario continues to play out, the consequences for employment will be dire. The sooner that Governments can force or encourage a readjustment to this conduct, the less damage will be done to the industries that rely on competitive power prices.

The reliability of electricity supply

27. We will draw upon our South Australian members for our evidence as to the damage caused to business by blackouts/brownouts and the unreliability of the supply of electricity.
28. Feedback from our South Australian members shows that the damaging impact on their businesses is not only immediate, but also short and long-term. Those impacts include:
- Immediate damage to machinery
 - Immediate cessation of production
 - Significant costs to repair damaged machinery
 - Delay in producing products / services for customers
 - Potential loss of local, national and international customers, who feel that when compared with print and associated suppliers in other states and overseas, they can rely less on a South Australian supplier.

The combined effect of price increases and unreliable supply

29. The clear flow-on from these increases in electricity prices and unreliable supply is **a serious and immediate threat to business survival and the jobs of Australian workers.**

What print and associated businesses say about the issues at hand in this Inquiry

The ease of comparing retail electricity prices

30. In the main, most find comparison difficult. Those who engage a broker don't experience any difficulty, because the broker (for a fee) does that job for them.

The structure and content of retail electricity bills

31. In the main, most find the structure confusing and the content hard to decipher.

The importance of price and other contract terms to decision-making

32. Price is the compelling factor, with contract terms close behind.

33. Members say that contract terms can be so disadvantageous that those terms threaten what they regard as the security of their supply.

34. Many South Australian members rank reliability of supply an equal 'number one' with price.

The understanding of "time-limited discount offers"

35. Our members' feedback on this issue was wide-ranging. That said, the 'lowest common denominator' was that our members do not trust these 'offers' and view them with deep suspicion.

The main reason for switching (or not) electricity suppliers in the last 12 months

36. For those members who changed suppliers, price was their main reason. This sits alongside contract terms as the major factor in decision-making.

37. For some, no supplier is trustworthy and none is better than the others.

Any experiences of misleading or deceptive conduct or other unfair trading practices in the retail electricity market

38. In the main, members who are happy with their current contract or use a broker answered 'no' to this question. But for those members not in this situation, they had little (if any) 'trust'.

The use of electricity price comparison tools in the past 12 months

39. Many members have not used electricity price comparison tools. Amongst this group of members are those who use a broker, and/or those who (until now) have not been overly concerned by power prices.

40. Others have used comparison tools. A number have used '*Make It Cheaper*', an organisation which *Printing Industries* promotes to its members and which will compare prices for any *Printing Industries*' member.

OBTAINING THE EVIDENCE FROM PRINT AND ASSOCIATED BUSINESSES

41. Several months ago, we asked our members for some feedback about:
 - Energy prices
 - Energy supply.

42. Whilst our questions were about energy 'in the broad', the nature of the feedback suggests that our members were addressing issues relating to electricity.

43. We attach:
 - Feedback from some of our South Australian members (see **Attachment A**).
 - Feedback from some of our members elsewhere (see **Attachment B**).

44. We also draw upon information we have gleaned from talking with many of our members.

THE ISSUES ADDRESSED BY EVIDENCE FROM PRINT AND ASSOCIATED BUSINESSES

45. This submission is based on some of the evidence provided to *Printing Industries* by print and associated businesses about the following issues upon which the ACCC sought feedback from electricity customers:
 - The ease of comparing retail electricity prices
 - The structure and content of retail electricity bills
 - The importance of price and other contract terms
 - "Time-limited discount offers"
 - The main reason for (or for not) switching electricity suppliers in the last 12 months
 - Any experiences of misleading or deceptive conduct or other unfair trading practices in the retail electricity market
 - The use of electricity price comparison tools in the past 12 months.

46. In providing this evidence, some members of *Printing Industries* have consented to their business names (and other details which would enable them to be identified) being included on any publicly available information; others have not. We have drafted this submission to sit within those limits. In other words, the ACCC is able to publicly refer to anything in this submission.

47. Please contact the writer if the ACCC would like to publicly attribute any of the information in this submission to an individual business.

THE SUBSTANCE OF THE EVIDENCE PROVIDED BY PRINT AND ASSOCIATED BUSINESSES

48. We set out below (issue by issue) our observations resulting from the feedback that members provided to *Printing Industries*, together with some samples of individual feedback.
49. These members include metropolitan and regional businesses; those who have been in business for periods ranging from 17 years to 52 years; together with those who employ workers ranging in number from 8 workers to 130 workers.

Have you experienced any difficulties in comparing retail electricity prices?

50. In the main, most find comparison difficult. Those who engage a broker don't experience any difficulty, because the broker (for a fee) does that job for them.

51. Here are some responses from our members:

"Yes, each retailer lays out the bill differently."

A print franchisee member

"Yes. We are not under contract at present due to duplicitous conduct by previous contracted supplier."

"Yes. Bills do not necessarily compare 'apples with apples'."

Two members in Sydney

"No, we have a broker that handles negotiations / quotes etc."

A member in Melbourne

How do you find the structure and content of retail electricity bills?

52. In the main, most find the structure confusing and the content hard to decipher.

53. Here are some responses from our members:

“Not easy to compare.”

A print franchisee member

“We have two factories. 1 home account and another tenant account on a mobile home in a council supplied service. They are all now supporting middlemen supplier businesses and we are paying. No protection for consumers.”

A member in Sydney

“Confusing, unless a good deal of time is spent reading. Even then, because providers do not express the data in their bills in the same basis terms, it can be difficult to compare bills between providers.” quotes etc.”

A member in Sydney - in business for 17 years and employing 32 people

“Difficult to follow.”

A member in Melbourne

How important is price and other contract terms to your decision making?

55. Price is the compelling factor, with contract terms close behind.
56. Members say that contract terms can be so disadvantageous that those terms threaten what they regard as the security of their supply.
57. Many South Australian members rank reliability of supply an equal 'number one' with price.
58. Here are some responses from our members:

“Major.”

A member in regional Victoria – in business for 30 years and employing 17 people

“Price and terms are 99% of decision making. Provider is 1%.”

“Security is major concern. I am so cynical of the current 3rd parties that we over pay rather than be exploited by them with their deceitful and difficult to understand contracts. They all seem to have spent a lot of money on legal advice to allow them to exploit consumers.”

Two members in Sydney

“Most important.”

A member in Melbourne

How well do you feel you understand "time-limited discount offers"?

60. Our members' feedback on this issue was wide-ranging. That said, the 'lowest common denominator' was that our members do not trust these 'offers' and view them with deep suspicion.

61. Here are some responses from our members:

"Okay, but don't find them helpful."

A member in regional Victoria – in business for 30 years and employing 17 people

"Not well at all, rely on the salesperson to tell me the truth."

A print franchisee member

"Semantics and damn semantics."

A member in Sydney

"Somewhat."

A member in Sydney - in business for 17 years and employing 32 people

"As the system is similar to the stock exchange, I understand the volatility."

A member in Melbourne

If you have switched electricity suppliers in the last 12 months, what was your main reason? If not, why not?

63. For those members who changed suppliers, price was their main reason. This sits alongside contract terms as the major factor in decision-making.

64. For some, no supplier is trustworthy and none is better than the others.

65. Here are some responses from our members:

“We’ve had a solid contract in place for the last 2 years which has worked well for us.”

A member in regional Victoria – in business for 30 years and employing 17 people

“Lower price.”

A print franchisee member

“Not yet switched but contract signed to switch 31/12/17. Main reason was price.”

“Do not know anyone who recommends or trusts their supplier. Blue chip companies are now as bad as others. Do not trust them and you only speak to call centres.”

Two members in Sydney

“Current supplier offered the best pricing.”

A member in Melbourne

Have you experienced any misleading or deceptive conduct or other unfair trading practices from electricity suppliers?

67. In the main, members who are happy with their current contract or use a broker answered 'no' to this question. But for those members not in this situation, they had little (if any) 'trust'.

68. Here are some responses from our members:

"Have to keep switching to get the best price."

A print franchisee member

"Yes. Very wary of electrical and other service suppliers. When you have a problem, you can only speak to a call centre whose agenda is only to keep their desired statistics profitable to them."

A member in Sydney

"Yes. A multi-level marketing company that has a suite of products from phones to electricity use approached me. I asked the person representing me to contact my accounts section for a copy of our phone and electricity bills for comparison. I rang accounts staff to let them know. However, the representative also invited us to a marketing night but did not get back to me with the cost comparison details that would have been useful if I was to join in any aspect for business of privately. It was only then that I learnt that every person down line in the business was expected to pay \$500 upfront to join. This put me off joining and encouraging other people to join."

A member in Sydney - in business for 17 years and employing 32 people

Are you aware of, and have you used, electricity price comparison tools in the past 12 months?

70. Many members have not used electricity price comparison tools. Amongst this group of members are those who use a broker, or those who (until now) have not been overly concerned by power prices. Others have used comparison tools. A number have used “Make It Cheaper”, an organisation which Printing Industries promotes to its members and which will compare prices for any Printing Industries’ member.

71. Here are some responses from our members:

“Yes. Make It Cheaper recommended by the PIAA.”

A print franchisee member

“We have two factories. 1 home account and another tenant account on a mobile home in a council supplied service. They are all now supporting middlemen supplier businesses and we are paying.”

“No. About to do it now as power prices escalate and due to our NSW Govt’s bad decisions.”

Two members in Sydney

ENERGY PRICES AND SECURITY OF SUPPLY – FEEDBACK FROM SA MEMBERS

We posed some questions to our SA members. (Grouped question-by-question), here are some of the responses.

Energy Prices

1. By how much have your bills gone up (\$/%) and over what period?

- 35% over 12-month period. This is after we have taken up initiatives to reduce consumption such as LED lighting in throughout the business.
- Up by 48% over previous period.
- We have just entered a new 3-year electricity contract with Origin. It is anticipated that the new contract will increase our power charges from \$20,000 a month to \$30,000 to keep the same lights on as last year.
- Our bills have not increased yet until our current contract expires at the end of the year, however our kWh charges will be increasing by over 125%. Overall this means an increase of around 45%.
- 40% / \$8,000 in 3 months.

2. How does this impact your business?

- We have to cover those costs and that makes our product uncompetitive when competing on a national stage.
- Increased overheads make it difficult to keep employing 15 people.
- \$120,000 out of the bottom line will either result in staff reductions or we borrow a further \$200,000 and invest in solar energy to save 20% of power consumption when the main energy requirement is in running printing equipment.
- Power was a large expense and rising all the time – we have just had 140 solar panels installed and we expect to cover the cost of solar in just over 1 year.
- The high costs of electricity impact our business negatively, as this is one of the factors (amongst others) that adds up to our high overhead costs. Reducing costs will always be an advantage, especially with manufacturing going overseas.
- Massive increases like this are unacceptable and will have an impact which we are analysing now. No doubt it will mean price increases which in turn will reduce our competitiveness nationally.
- Escalating power costs amongst other factors were major influencers in deciding not to continue trading.

Energy supply

1. How was your business impacted by the state-wide power shut-down?

- Lost production for the afternoon, wage loss paying employees that aren't present.
- Loss of business.
- Fortunately, 2 of our printing presses were idle performing a new job setup, which if those presses had been running at full speed would have had the potential to cause major mechanical damage, along with electronic circuit boards, when power is suddenly shut off. Overall, the power was out for 9 hours but we lost 115 man hours of production that equates to \$23,000 in cost.
- The last major power outage resulted in us having to shut down all production and send our staff home. We incurred losses on staff wages because they were paid for non-productive time and then they were paid overtime to catch up on the work. Most importantly we were put under enormous pressure trying to catch up on the work and meet deadlines for our customers. There are enough pressures associated with running a business – we should not have more pressure brought about by a weak power supply system.
- It impacts us a lot, as many people are either delayed / off work / unreachable as they are dealing with the problems associated with no power, either at home or at work.
- It costs us money and affects our cash flow. Loss of business, still pay staff & have no production.
- Our machines are sensitive to power spikes, even though we do have protection, if power surges are large, the protection we have make still not be able to offer the protection required.
- Any electronic damage, such as controller cards, are not quick and easy to replace. Repairing is not an option as the boards are all custom built by the machine suppliers and they generally just replace (too expensive to repair). We do have insurance, however, that does not cover long term loss of customers when they go to our opposition.

2. How does lack of confidence in continuity of supply impact your business?

- We have taken steps to open a branch in Perth to spread our risk.
- Because we have due deadlines to a schedule we run the risk of losing customer if we miss deadlines due to outages.
- Undermines our confidence in the political system that has allowed this reckless behaviour to evolve.
- This whole process of relying on non-base load power generation of wind and solar is a political inspired ideology that has put the whole business sector at risk. Those business who can relocate their operations outside of South Australia will do so. That means that the printing industry will have less customers to provide product and services that will impact on jobs, investment and intensive competition from our interstate printing competitors.
- We are very concerned about the losses that we may suffer as a result of future power outages that we feel are inevitable. We have no reason to have confidence that power outages won't happen again in the near future.
- It was not any issue for us prior to this year since we have had two major power outages in under 6 months. We have no simple alternative. Generators, for us, would be expensive to purchase or hire, expensive to run and noisy. This would not be an option for us.

- There seems to be no backup plan or even a solution to supplying South Australia with stable power.
- Our business is also moving more online, not being able to offer quick responses will negatively affect our business.
- Our concern is also that large contracts, like ship building does not come to SA as one factor would be the electricity supply. This will impact us, as well as other business in SA.
- The next election, both my wife and I (as new citizens) will be able to vote and this is going to be one of the major questions would be asking our politicians.
- Unreliable supply threatens our business reputation and customer base.

Attachment B

ENERGY PRICES – FEEDBACK FROM SOME OTHER MEMBERS

A member in Melbourne – in business for almost 40 years and employing 70 people

1. By how much have your bills gone up (\$/%) and over what period?

We are at contract stage and are advised our power cost p.a. will increase from approx. \$120,000 to \$360,000.

2. Has your power consumption moved in this period? No

3. How does this impact your business?

We will be forced to not employ more staff and look to reduce head count. Estimated 10% of work force.

We will look to avoid more capital equipment and reduce current equipment to reduce energy consumption.

A member in far north Queensland, in business for 25 years and employing 18 people

1. By how much have your bills gone up (\$/%) and over what period?

Comparing the last two full financial years, there has been a 15% increase in our power costs.

2. How does this impact your business?

The increase and everyday cost does put restraints on what we do in our business. We would not necessarily lay off workers but instead have to increase our costs to the end user Our clients. It also ties our hands to reinvest back into the business on new technology and equipment, hence stalling our growth.

A member in business in several states, employing some hundreds of workers

1. By how much have your bills gone up (\$/%) and over what period?

Peak hour rates have risen by 67%

2. Has your power consumption moved in this period?

Overall for the month of January, we used 10% less power and invoice \$ value increased by more than 25%.

Across our group we were spending approx. \$1.3m per annum on power, we believe this will increase to \$1.7m.

We don't want /expect free power, but would appreciate some subsidy/discount or assistance to reduce this cost.

If not this cost, could there be another cost which could be supported by the government.

3. How does this impact your business?

We cannot increase our pricing at the same rate as our energy bill or we will become less competitive.

There are fewer (in our sector of the industry) in Australia than ever before – once the industry disappears, there will be no coming back.

A member in regional Queensland, in business for more than 100 years

1. By how much have your bills gone up (\$/%) and over what period?

Compared to this time last year, our power bill has increased by 9%.

2. How does this impact your business?

We have not replaced retired staff members.

A print franchisee in Sydney, employing 5 people

1. By how much have your bills gone up (\$/%) and over what period?

Regular increases, particularly since July 2016. At least 5%. Consistent power usage over the past 3 years.

2. How does this impact your business?

Affects all aspects of business – cash flow, can't commit to hiring a full-time employee.

Lotsa Print and Signage, Port Douglas, Queensland; in business for 22 years; employing 32 people

1. By how much have your bills gone up (\$/%) and over what period?

*From 2010/11 year to 2015/16 up from \$102,431 to \$130,271 – up 27%
KW usage in 2010/11 was 531,492, in 2015/16 it was down to 438,928 – down 18%. ****

So, if we had not cut the guts out of our usage price hike would have been 40%.

Sales in that period did increase by \$600,000.

2. Has your power consumption moved in this period?

KW usage in 2010/11 was 531,492, in 2015/16 it was down to 438,928 – down 18%.

So, if we had not cut the guts out of our usage price hike would have been 40%.

3. How does this impact your business?

*It all came out of bottom line profit as market forced prices to stay at the same level or decrease
Market will not sustain price increases to operating costs.*

*Reduced profit = reduced investment = reduced employment = lower taxes = lower standard of living
= more jobs go offshore.*

4. Do you have competition from overseas, where there is cheaper power?

Yes, mainly China. Jobs worth \$10K are easily lost to China.

***** Also see the graph on page 5 of this submission**