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TREASURER

Tasmania

Mr Herb Plunkett  
Assistant Commissioner  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616  
Dear Mr Plunkett

- 2 AUG 1999

**INQUIRY INTO THE IMPACT OF COMPETITION POLICY REFORMS ON  
RURAL AND REGIONAL AUSTRALIA - DRAFT REPORT**

I refer to the above Inquiry currently being conducted by the Productivity Commission and the related Draft Report recently made available for public comment.

Further to the Tasmanian Government's earlier submission to the Inquiry, the attached document briefly outlines the Government's response to each of the key recommendations contained in the Draft Report.

Thank you for the opportunity to comment further on the Inquiry.

Yours sincerely

David Crean  
**Treasurer**

Encl

## **Impact of Competition Policy Reforms on Rural and Regional Australia**

### **- Response to the Draft Report from the Tasmanian Government**

#### **RECOMMENDATION 1**

*All governments should review in the year 2000 the information they provide about their National Competition Policy (NCP) undertakings with a view to ensuring that it is:*

- . accurate in terms of both its content and relationship to other policies; and*
- . publicly available and is provided to those implementing NCP reforms in a readily accessible form.*

It is agreed that the guidelines on NCP provided by governments should be accurate as described above and available in formats that are readily accessible. The Tasmanian Government has made information available in hard copy and documents are available on the Government's Internet site.

Given that the NCP agreements are due to be reviewed in the year 2000, it is timely and efficient to reconsider NCP documentation such as these guidelines in detail once this review is finalised.

#### **RECOMMENDATION 2**

*All governments should publish and publicise guidelines which:*

- outline the purpose and scope of the 'public interest provisions of the Competition Principles Agreement; and*
- provide guidance on how the provisions should be interpreted and applied.*

*In the event that a common set of basic principles for application of the public interest test is developed jointly by governments, these also should be published and disseminated widely.*

It is agreed that governments should provide guidance to assist in the interpretation and assessment of the public interest. In March 1997, the Tasmanian Department of Treasury and Finance published guidelines, entitled *Guidelines for Considering the Public Benefit under the National Competition Policy*. These provide broad guidance on what is meant by the term 'public benefit' in the context of NCP and how it might be assessed. More recently in September 1998, a brochure was widely distributed to agencies and authorities which outlines the application of the public benefit test specifically in relation to legislation review.

The Tasmanian Government understands that this issue will be addressed from a national perspective in the forthcoming review of the NCP agreements. Tasmania is strongly of the view that any guidelines will need to be sufficiently flexible to allow governments to take into account the individual circumstances of their jurisdictions.

### **RECOMMENDATION 3**

*Governments should require major legislation review panels to ensure that their reports go further than simply determining compliance or otherwise with NCP principles. Reviews should be based on genuine public input, be conducted in a transparent manner and inform interested parties why and how reform, or maintenance of the status quo, will lead to superior outcomes and performance.*

It is agreed that NCP legislation reviews should be undertaken in a rigorous and transparent manner, and involve genuine public input. Tasmania recognises the view of the National Competition Council (NCC) that the following issues are important elements of the NCP legislation review process:

- terms of reference that address the competition issues, including examining non-regulatory alternatives;
- independence of the review process and objective consideration of the arguments and evidence;
- processes in place for public participation;
- implementation of reform outcomes having regard for review recommendations; and
- completion of the program by the end of the year 2000.

Tasmania's legislation review process is consistent with this approach.

### **RECOMMENDATION 4**

*In the case of reviews of anti-competitive legislation which may have significant impacts extending across jurisdictions, the benefits and costs should be weighed in terms of the interests of Australians as a whole.*

The Tasmanian Government agrees, in principle, with this recommendation. Nevertheless, the Government recognises that regional impacts should be taken into account when reviewing anti-competitive legislation.

### **RECOMMENDATION 5**

*The NCC should no longer be asked to conduct legislation reviews.*

It is agreed that given the NCCs role in monitoring each jurisdiction's compliance with its NCP commitments, it is more appropriate for other bodies more removed from this assessment process to review Commonwealth legislation and undertake national legislation reviews.

The Tasmanian Government understands that the operation of the NCC will be addressed as part of the forthcoming review of the NCP agreements.

## **RECOMMENDATION 6**

*There should be no across-the-board extension of the NCP target dates.*

The Government agrees, in-principle, with this recommendation on the basis that the NCC and the Council of Australian Governments (COAG) continue to take a flexible approach to the timeframes for the implementation of competition reforms as opposed to imposing rigid schedules on jurisdictions.

## **RECOMMENDATION 7**

*COAG should give consideration to the formal extension of the rural water reform timetable for implementation of the water property rights and water allocation requirements.*

The Tasmanian Government supports this recommendation. Tasmania also recognises the importance of continued bilateral discussions with the NCC, where necessary, in relation to the timetable for the implementation of any water reform measures.

## **RECOMMENDATION 8**

*If governments consider that specific adjustment assistance is warranted to address any large regionally concentrated costs, such assistance should.*

- *facilitate, rather than hinder, the necessary change;*
- *be targeted to those groups where adjustment pressures are most acutely felt,*
- *be transparent, simple and of limited duration; and*
- *be compatible with general safety net arrangements.*

This recommendation is accepted. However, it needs to be recognised that where there are adverse regional effects, these are the result of the application of a national policy and may have effects of varying magnitude in different States. Tasmania would have a very limited financial capacity for providing specific adjustment assistance, and the Commonwealth has an obligation to provide adequate assistance either to States or directly for these purposes. If assistance measures are required, Tasmania would actively pursue the Commonwealth Government for receipt of the range of specific assistance measures outlined in the Draft Report. It is important that the Commission note that the NCP payments were designed to compensate the States for the fact that the States are required to implement reforms that impact much more favourably on the Commonwealth's tax base than the States. The NCP payments do not compensate for the costs that are incurred in implementing the reforms, including adjustment costs, and it is for this reason also inappropriate that the States be required to find any adjustment assistance packages.

## **RECOMMENDATION 9**

*Governments should rely principally on generally available assistance measures to help people adversely affected by NCP reforms.*

The Tasmanian Government would agree in principle with this recommendation if it is acknowledged that extra funding may be needed than is currently provided for under the current assistance measures. Given the range of factors that have had negative effects on rural and regional areas throughout Australia in recent years, such as the emergence of 'globalisation' and rapid technological change, the Government is committed to rigorously applying the NCP public benefit test before proceeding with any competition reform to ensure that these communities are not further disadvantaged. However, adverse effects in one jurisdiction can be consequential on actions taken in other jurisdictions, a point which provides further justification for adjustment assistance being funded centrally.