



Tasmania

1998

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# National Competition Policy Progress Report

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A summary for the period  
1 August 1997 to 31 August 1998

November 1998



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Government of Tasmania

November 1998

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# National Competition Policy Progress Report

1 August 1997 to 31 August 1998

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## GLOSSARY OF TERMS

ACCC	Australian Competition and Consumer Commission
ATC	Australian Transport Council
ARMCANZ	Agricultural Resource Management Council of Australia and New Zealand
ARRs	Australian Road Rules
CCA	Conduct Code Agreement
COAG	Council of Australian Governments
CPA	Competition Principles Agreement
CTC	Competitive Tendering and Contracting
CTP	Compulsory Third Party (Insurance)
ESI	Electricity Supply Industry
EWA	Esk Water Authority
FAGs	Financial Assistance Grants
FCA	Full Cost Attribution
GBE	Government Business Enterprise
GPOC	Government Prices Oversight Commission
HEC	Hydro-Electric Corporation
HRWA	Hobart Regional Water Authority
ICM	Integrated Catchment Management
IDC	Interdepartmental Committee
LGAT	Local Government Association of Tasmania
LGO	Local Government Office
LRP	Legislation Review Program
MAIB	Motor Accidents Insurance Board
MAST	Marine and Safety Authority of Tasmania
MCRT	Ministerial Council for Road Transport
NCC	National Competition Council
NCP	National Competition Policy
NEC	National Electricity Code
NEM	National Electricity Market
NGMC	National Grid Management Council
NRTC	National Road Transport Commission
NWRWA	North West Regional Water Authority
PEVs	Protected Environmental Values
PFEs	Public Financial Enterprises
PTEs	Public Trading Enterprises
RIS	Regulatory Impact Statement
SPC	Special Premiers' Conference
TACE	Transport Agency Chief Executives
TPA	<i>Trade Practices Act 1974</i> (Commonwealth)
TEC	Tasmanian Electricity Code
VFI	Vertical Fiscal Imbalance
WSAA	Water Services Association of Australia

## EXECUTIVE SUMMARY

The Tasmanian Government is strongly committed to the principles contained in the National Competition Policy (NCP) Agreements signed by all Australian Governments in April 1995.

This is the second public NCP Progress Report released by the Tasmanian Government which details progress with the implementation of NCP and sector specific reforms in the areas of electricity, water, gas and transport.

Through the Government's NCP implementation program, the following work has been undertaken in the period between 1 August 1997 and 31 August 1998:

- the Tasmanian Government has provided advice to the ACCC, as required by the Conduct Code Agreement, regarding the existence of any legislative exemptions from the restrictive trade practices provisions contained in Part IV of the *Trade Practices Act 1974* ("section 51 exemptions"), which were in existence in Tasmanian legislation prior to 11 April 1995;
- the Government is continuing to apply the competitive neutrality principles to Government business activities in Tasmania in accordance with the June 1996 policy statement. To this end, Agencies have identified their significant business activities and are developing implementation timetables for reforms;

Other recent reforms in this area include the following:

- the document entitled *Guidelines for Implementing Full Cost Attribution Principles in Government Agencies* was completed and released to Agencies in September 1997;
  - the *North West Water Amendment Act 1998* was passed by Parliament in December 1997. Once proclaimed, this Act will enable the transfer of the North West Regional Water Authority (NWRWA) to a local government joint authority; and
  - in January 1998, the *Metro Tasmania Act 1997* and *Metro Tasmania (Transitional and Consequential Provisions) Act 1997* received Royal Assent, thereby effecting the transition of the former Government Business Enterprise, the Metropolitan Transport Trust, to a State-owned company.
- the *Government Prices Oversight Amendment Act 1997* has been enacted. This Act extends the coverage of the *Government Prices Oversight Act 1995* to include local government monopoly services. The Act also provides for the Government Prices Oversight Commission (GPOC) to hear complaints regarding the application of NCP competitive neutrality principles to both State and local government business activities;

- GPOC completed a review of the pricing policies of the Motor Accidents Insurance Board in August 1997. GPOC has recently been involved in the following investigations:
  - in January 1998, GPOC was requested to investigate the pricing policies associated with the provision of bulk water by the Hobart Regional Water Authority, the Esk Water Authority and the North West Regional Water Authority. GPOC released its report on general water pricing principles to key stakeholders on 31 August 1998. The Commission's final report on this matter is due by 30 November 1998; and
  - in April 1998, GPOC was requested to undertake an investigation into the appropriate maximum price controls for electricity generation, transmission, distribution and retailing as well as maximum charges for system control functions for the period 2000 to around 2003. The investigation was subsequently transferred to the Electricity Regulator under the *Electricity Supply Industry (Price Control) Regulations 1998* from 1 July 1998. The Regulator is required to complete the investigation and publish a final report by 29 January 1999;
- a number of major reviews of legislation which restrict competition have been undertaken through the Government's Legislation Review Program (LRP) and a very large number of reviews are currently in progress. Acts recently reviewed include the *Traffic Act 1925*, the *Motor Accidents (Liabilities and Compensation) Act 1973* and the *Apple and Pear Industry (Crop Insurance) Act 1982*;
- a number of new Acts have been assessed under the "gatekeeper" provisions of the LRP and subsequently introduced, resulting in significant reforms in a number of areas such as the health professions, which were previously highly regulated;
- the Government has made notable progress in applying the CPA principles to local government. This has been achieved through:
  - the enactment of the *Government Prices Oversight Amendment Act 1997*;
  - the release of the *By-Law Making Procedures Manual* in August 1997 which outlines procedures for the review of all proposed or existing by-laws in accordance with NCP legislation review requirements; and
  - the adoption by Tasmanian councils of the competitive neutrality principles at a faster pace than envisaged under the Government's policy statement. This was evidenced by the decision by 18 of the 29 councils to apply full cost attribution to all of their business activities (rather than just those regarded as "significant"). The combination of the August 1998 State election and the recent Supreme Court decision regarding local government elections, however, has temporarily stalled progress in this area;

- Tasmania currently does not have any NCP obligations with regard to electricity reform. The proposal to join the National Electricity Market (via Basslink), however, requires the Government to comply with COAG requirements for Tasmania's entry to the NEM and observe the NCP structural review principles. Progress in relation to complying with the COAG requirements for entry to the NEM include:

- the completion of a NCP structural review of the HEC's distribution/retail business. The recommendations arising from the review were taken into account in relation to the separation of the HEC's businesses and have played a significant role in the design of the new regulatory arrangements for the electricity supply industry in Tasmania; and
- the separation of the Hydro Electric Corporation's transmission, distribution and retail businesses into Government-owned companies through the *Electricity Companies Act 1997*.

Tasmania has also introduced the *Tasmanian Electricity Code* (TEC) which provides for, *inter alia*, third party access to the Tasmanian transmission and distribution network in a similar way in which the National Electricity Code sets out the access arrangements for the NEM;

- Tasmania has signed the national Natural Gas Pipeline Access Agreement. Through the Agreement, jurisdictions have agreed that certain principles are to apply to access negotiations and that the National Third Party Access Code for Natural Gas Pipelines will be given legal effect by a uniform Gas Pipelines Access Law. In light of this, the Government has decided to implement new gas access legislation and repeal a number of existing gas Acts which are no longer relevant or potentially conflict with the national gas reform initiatives;
- the Government is continuing to progress efficient and sustainable water industry reforms required to meet its second tranche NCP obligations. Progress in this reform area includes:
  - the continuation of public consultation in respect of a draft Water Management Bill to replace the *Water Act 1957* and associated water management legislation;
  - the development of a new method for licensing water users which provides a uniform and consistent licensing system for all water users in Tasmania;
  - the enactment of the *Irrigation Clauses Amendment Act 1997* to provide for the separation of water rights from land titles for all irrigation schemes covered by the Act; and
  - the development of a State Policy on Integrated Catchment Management (ICM) under the *State Policies and Projects Act 1993*. It is proposed that under the ICM Policy, all public and private natural resource managers and planning authorities will be required to meet agreed catchment management objectives for soil, water, vegetation and biodiversity;



- the Government is in the process of developing legislation to introduce nationally consistent vehicle registration and driver licensing systems as part of the National Road Transport Commission (NRTC) road transport reforms. The Government is also implementing a further package of road transport reforms which have been developed by the Committee of Transport Agency Chief Executives (TACE) but which lie outside the State's NCP obligations; and
- In November 1997, Parliament passed new, pro-competitive passenger transport legislation to replace the existing restrictive public vehicle licensing system contained in Part III of the *Traffic Act 1925*. Proclamation of the new suite of passenger transport legislation has been deferred, however, as a consequence of the August 1998 State election.