

Application of Competitive Neutrality Principles to public camping in Tasmania

This fact sheet outlines the key points from the Policy Statement titled *National Competition Policy: Applying Competitive Neutrality Principles to public camping in Tasmania*. The Policy Statement assists public entities to apply the National Competition Policy competitive neutrality principles when providing public facilities that can be used for overnight camping.

Competitive neutrality principles

Competitive neutrality principles are designed to prevent unfair competition between government and privately-owned businesses by ensuring that all public entities compete with private operators on fair and equal terms, where it is in the public benefit to do so.

Competitive neutrality principles apply to the significant business activities of public entities. In Tasmania, public entities who undertake significant business activities are required to either adopt a corporatisation model or apply full cost attribution pricing principles. Full cost attribution pricing means that prices for goods or services provided by public entities should reflect all direct and indirect costs of supplying the goods or services, including any costs that the entity would incur if it were privately owned, such as taxes and higher borrowing costs.

The Policy Statement sets out how these principles apply to the provision of public camping facilities by public entities.

Purpose of the public camping Policy Statement

As part of the National Competition Policy, councils and other government entities who provide public camping facilities in competition with private sector businesses are required to compete on fair terms.

The Policy Statement provides the framework under which these entities ensure that the provision of public camping options is done on a fair competitive basis.

Public entity

A public entity includes local government and any Tasmanian Government agency, business or authority.

Public camping

The Policy Statement defines public camping to be a business activity for the purposes of competitive neutrality principles. Public camping involves the provision of a combination of facilities by the public entity, which may include:

- public toilets;
- car parking;
- waste disposal and black/grey water dump points;
- highway rest stops; or
- public parks and recreation grounds.

The Policy Statement does not set a minimum number of facilities that would constitute a public camping facility and a degree of judgement is required. If the facilities provide more benefit or convenience to overnight campers than to the local population, the facilities are likely to constitute a public camping facility.

Public camping may still be offered by councils and other government entities for free or below cost, where those facilities do not have a significant impact on competition or where there are clear public benefits. The Policy Statement is designed to ensure that a range of camping and accommodation options are available in Tasmania, including some free and low-cost options. The policy recognises that not all tourists require extensive services, particularly those travelling in fully self-contained recreational vehicles.

Significant business activities

The Policy Statement provides that public camping facilities are significant business activities where the number of public camping spaces facilitated by the public entity is more than 10 per cent of the total number of non-powered camping spaces (public and private), within a 60 kilometre drive from the public camping facility.

Full cost attribution or a public benefit assessment

If a public entity is providing free or below cost public camping above the 10 per cent market share threshold, the public entity can either choose to apply full cost attribution pricing principles, or conduct a public benefit assessment.

The application of the market share threshold is intended to allow the availability of free and low cost options without unfairly impacting existing or potential competitors in the market.

If the public benefit assessment demonstrates that there are net benefits to the community in providing free or below cost public camping above the 10 per cent market share threshold, the public entity may choose to operate the public camping facility without applying full cost attribution pricing principles.

A public benefit assessment provides an opportunity for public entities to consult with their communities to test whether there are net public benefits in providing public camping without applying full cost attribution to the public camping facilities.

Ministerial Statement

A public entity may seek a Ministerial Statement from the Treasurer if a public benefit assessment concludes that there is a net public benefit from providing public camping in a certain location without applying full cost attribution principles.

If the Treasurer is satisfied that the public benefit case is made, the Treasurer may issue a Ministerial Statement. The public entity will then have certainty that it can provide free or below cost public camping in that location, subject to the terms of the Ministerial Statement.

Requirement to apply competitive neutrality principles

The Policy Statement has been developed to assist public entities comply with competitive neutrality principles. While not compulsory, if a public entity does not correctly apply competitive neutrality principles nor has a Ministerial Statement in effect and a commercial provider who believes it is adversely affected by a public camping facility lodges a complaint with the Tasmanian Economic Regulator, the Economic Regulator may find that the complaint is justified. If a complaint is justified, the Treasurer has the option of making a direction to the public entity to comply with the Economic Regulator's recommendations.

Tools to assist public entities

The Policy Statement contains a checklist for applying full cost attribution principles and a guideline for undertaking a public benefit assessment.

The Department of Treasury and Finance can provide assistance and support, upon request, to public entities who wish to undertake a public benefit assessment under the Policy Statement.

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