Tasmania

1999

National Competition Policy Progress Report

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April 1999

GLOSSARY

AAV	Assessed annual value
ACCC	Australian Competition and Consumer Commission
ATC	Australian Transport Council
ARMCANZ	Agricultural Resource Management Council of Australia and New Zealand
ARR	Australian Road Rules
CCA	Conduct Code Agreement
COAG	Council of Australian Governments
CPA	Competition Principles Agreement
CSO	Community Service Obligation
CTP	Compulsory Third Party (Insurance)
DPIWE	Department of Primary Industries, Water and Environment
EMB	Egg Marketing Board
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
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
NEM	National Electricity Market
NEVDIS	National Exchange of Vehicle and Driver Information System
NRTC	National Road Transport Commission
NWQMS	National Water Quality Management Strategy
NWRWA	North West Regional Water Authority
PEVs	Protected Environmental Values
PFEs	Public Financial Enterprises
PTEs	Public Trading Enterprises
RIS	Regulatory Impact Statement
RMPS	Resource Management and Planning System
RRU	Regulation Review Unit
RWSC	Rivers and Water Supply Commission
SCOT	Standing Committee on Transport
TPA	*Trade Practices Act 1974* (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 third public NCP Progress Report released by the Tasmanian Government and details progress with the implementation of NCP and sector specific reforms in the areas of electricity, water, gas and transport. Specifically, this Report details the State's compliance to date with its second tranche obligations.

Through the Government's NCP program, the major reforms implemented by 31 December 1998, or later in cases where significant progress has been made, are listed below.

- A number of major reviews of legislation which restrict competition have been undertaken through the Tasmanian 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 *Apple and Pear Industry (Crop Insurance) Act 1982*, the *Motor Accidents (Liabilities and Compensation) Act 1973*, the *Egg Industry Act 1988* and the *Apiaries Act 1978*. It is expected that all reviews will have been undertaken by the 31 December 2000 deadline.

- 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 is continuing to apply the competitive neutrality principles to Government business activities in Tasmania, including all significant business activities undertaken by inner budget agencies.

- The *Government Prices Oversight Amendment Act 1997* was enacted which extended the coverage of the *Government Prices Oversight Act 1995* to local government monopoly services. The Act also provided 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. A formal complaints mechanism has now been established.

- GPOC has completed investigations into the pricing policies of the Hydro-Electric Corporation, Metro Tasmania Pty Ltd, the Motor Accidents Insurance Board and, most recently, the three bulk water supply authorities.

- The Government is continuing to ensure that the principles contained in the Competition Principles Agreement (CPA) are applied to local government. These principles are being adopted at a faster pace than was initially envisaged under the previous Government's policy statement. This is demonstrated 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"). In July 1998, a revised implementation timetable for the application of NCP to local government was agreed between the State Government and the Local Government Association of Tasmania.

- While the National Competition Council has confirmed that Tasmania is not a "relevant jurisdiction" for the purposes of the Council of Australian Governments and NCP Agreements relating to electricity reform, the State has nevertheless made significant progress in implementing arrangements consistent with the national requirements. In addition, the State is meeting its obligations under clause 4 of the CPA in relation to structural reform of Tasmania's electricity supply industry.

- 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 early 1999, the Government approved the introduction of Tasmania's gas pipelines access legislation and the repeal of any conflicting legislation.

- The Government has progressed the efficient and sustainable water industry reforms required to meet its second tranche NCP obligations. Progress in this reform area includes:

  - a final round of public consultation in respect of a draft Water Management Bill to replace the *Water Act 1957* and associated water management legislation. The Bill is to be introduced into Parliament in late April 1999;

  - the development of a new method for licensing water users, including the Hydro-Electric Corporation;

  - the implementation of the Council of Australian Governments' bulk water pricing principles (including maximum revenues and two-part pricing) arising from an investigation into the pricing policies of the State's bulk water authorities by GPOC;

  - the progression of a GPOC study to assist local councils examine the cost-effectiveness of implementing two-part pricing; and

  - the development of a State Policy on Integrated Catchment Management under the *State Policies and Projects Act 1993*.

- 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 was deferred as a consequence of the August 1998 State election. However, the new Government has since developed and signed a Memorandum of Understanding with transport industry associations which commits the parties to finalise the details of the legislation necessary to replace the public vehicle licensing system.

- The Government is implementing the NCP road transport reforms developed by the Standing Committee on Transport Working Group, which will form part of the second tranche assessment. A significant component of these reforms is the development of legislation to introduce nationally consistent vehicle registration and driver licensing systems as part of the National Road Transport Commission road transport reforms.

Despite the August 1998 State election and the unsuccessful council amalgamation program, Tasmania has made major progress in key areas, especially water reform, and has demonstrated its on-going commitment to NCP.

7. INTRODUCTION

At its April 1995 meeting, the Council of Australian Governments (COAG) signed a number of Agreements designed to boost the competitiveness and growth prospects of the national economy into the future. The Agreements give effect to a package of micro-economic reform measures that represent the National Competition Policy (NCP).

Under the Competition Principles Agreement (CPA), the Tasmanian Government is required to publish an annual report on its progress in implementing the competitive neutrality and legislation review principles. The NCP Progress Reports also outline progress with the remaining NCP reform principles and NCP sector specific reforms relating to electricity, water, gas and transport.

The Tasmanian Government's first public Progress Report was released in August 1997, along with the handing down of the 1997-98 State Budget. That report covered the period from 11 April 1995 to 31 July 1997. The second public Progress Report was released in November 1998. It outlined the Government's progress in implementing NCP and related reforms in Tasmania from 1 August 1997 to 31 August 1998.

This Report outlines the Government's continued progress in implementing NCP reforms to 31 December 1998, or later in cases where significant progress has been made. The history of reform achievements has been included, where appropriate, to demonstrate Tasmania's compliance to date with its second tranche obligations.

8. THE NATIONAL COMPETITION COUNCIL'S ASSESSMENT OF TASMANIA'S IMPLEMENTATION OF NCP AND RELATED REFORMS

As outlined in the previous NCP Progress Report, Tasmania received a positive assessment in June 1997 in the National Competition Council's (NCC) recommendations to the Commonwealth Treasurer on whether the State has successfully qualified for the first tranche of NCP payments, which were payable in 1997-98. The Commonwealth Treasurer confirmed in early July 1997 that Tasmania would receive first tranche payments. These totalled $12.3 million in 1997-98. Payments were received on a quarterly basis commencing in July 1997.

As also reported previously, the NCC deferred consideration of the 1998-99 component of Tasmania's first tranche assessment (along with those of all other jurisdictions), pending greater evidence that Tasmania was on target with the application of the competitive neutrality principles to local government. The background to this decision is provided in detail in section 5 of this Report.

Based on the previous Tasmanian Government's commitment in May 1998 to seek the agreement of councils to reinvigorate the application of NCP to local government, the NCC recommended to the Commonwealth Treasurer that Tasmania receive the 1998-99 component of the first tranche assessment (worth approximately $20 million). This was subsequently confirmed by the Treasurer. However, the NCC noted that progress in line with the timetable Tasmania has set itself will be important for the second tranche assessment.

8.1 SECOND TRANCHE OBLIGATIONS

In order to qualify for its share of the second tranche payments in 1999-2000, Tasmania must:

- meet all its obligations under the CPA and the Conduct Code Agreement (CCA);
- demonstrate progress in line with the revised timetable for the application of NCP to local government;
- take steps, where relevant, to complete the transition to a fully competitive National Electricity Market by 1 July 1999;
    - At this stage, Tasmania is not a "relevant jurisdiction" for the purposes of these reforms to the electricity supply industry, due to the absence of any physical interconnection with the national electricity grid. Tasmania's commitment is limited to participating in the national electricity market in the event that Basslink is constructed.
- continue with the effective implementation of all COAG agreements on the national framework for free and fair trade in gas;
    - As with the electricity reforms, Tasmania is currently exempt from having to comply with COAG gas industry reforms due to the absence of an established natural gas industry and therefore any gas infrastructure to which third party access is to be provided.
- implement the strategic framework for the efficient and sustainable reform of the Australian water industry, as endorsed at the February 1994 COAG meeting; and
- demonstrate continued effective observance of the agreed package of road transport reforms.

9. REFORMS UNDER THE COMPETITION PRINCIPLES AGREEMENT

9.1 LEGISLATION REVIEW

In June 1996, the Tasmanian Government published, in accordance with the CPA requirements, a policy statement entitled *Legislation Review Program:*

1996-2000 – Tasmanian Timetable for the Review of Legislation that Restricts Competition, which established the Legislation Review Program (LRP). The LRP provides impetus to the Government's regulatory reform agenda and demonstrates its commitment to reducing the regulatory burden which, in many cases, needlessly restricts the operation of the Tasmanian economy.

Specifically, the LRP will see the review, by the year 2000, of all State legislation that restricts competition to ensure that the Government only retains those restrictions that are fully justified in the public benefit. Many existing legislative restrictions on competition impose substantial costs on consumers and society, through either cross subsidies, barriers to market entry by new businesses, unnecessary business costs or reduced incentives for firms to innovate and improve their efficiency.

9.1.1 Review Processes

In assessing a jurisdiction's performance for the second tranche of competition payments, the NCC has indicated that it will place considerable emphasis on review processes and the timely implementation of reforms which have regard to review recommendations. In particular, the NCC expects legislation review processes to:

- have terms of reference that address the competition issues, supported by publicly available documentation;
- ensure independence of the review process and objective consideration of the evidence;
- have in place processes for public participation;
- identify all costs and benefits of existing restrictions on competition and those contained in any proposals for reform, clearly demonstrating that there is a net public benefit associated with the retention of restrictions on competition; and
- make the final report and recommendations publicly available.

The review processes for the LRP are outlined in detail in the document, *Legislation Review Program: 1996-2000 – Tasmanian Timetable for the Review of Legislation that Restricts Competition.* A key feature of these processes is the determination of whether an identified restriction is classified as a major or minor restriction on competition. The resulting review process is then tailored to the level of the restriction on competition in the relevant legislation. Where legislation contains major restrictions on competition (those that have economy-wide implications or significantly affect a sector of the economy), the need to have an independent, open, rigorous and transparent justification process is a paramount consideration when establishing the review. To date, there has been a public consultation process in all reviews of this type.

9.1.2 Progress with the LRP Timetable

Since the development of the LRP timetable in 1996, a significant number of reviews have commenced in line with the review timetable.

The initial timetable, however, has been regularly updated to reflect changes in the legislation review priorities or legislative programs of agencies. There has also been a rescheduling of a large number of reviews due to the failure of other jurisdictions to support national reviews of legislation. As previously reported, the rescheduling of legislation originally nominated for national review has resulted in a large number of reviews being scheduled in the latter half of the timetable. It is considered, however, that a significant number of these reviews will be of a minor nature or the legislation will be repealed or replaced with new legislation, which will obviate the need for a LRP review. In the latter case any new legislation will be assessed through the LRP "gatekeeper" arrangements which are discussed in section 3.1.5 of this Report.

It is expected that all reviews will have been undertaken by the 31 December 2000 deadline. If, subsequently, it is anticipated that a review may extend past this deadline, the NCC's early advice will be sought. In some cases, review groups have recommended that implementation of reforms extend beyond the 31 December 2000 deadline and have justified this in the public benefit. For example, this was the case for the review of the *Financial Management and Audit Act 1990*.

A revised timetable, complete with the status of any reviews that have been undertaken, is outlined in Appendix A. This Appendix also highlights where restrictions contained in an Act have been justified in the public benefit and retained.

Progress with the LRP Review Timetable
as at 31 December 1998

Status of Reviews	**1996**	**1997**	**1998**	**1999**
Acts repealed or expected to be repealed	25	30	21	31*
Acts removed from the LRP timetable	2	0	2	0
Reviews deferred	0	0	9	0
Reviews in progress	0	4	29	3
Reviews not yet commenced	0	0	5	37
National Reviews	0	0	0	9
Reviews completed	0	5	12	1
Total	**27**	**39**	**78**	**81**

* Includes Acts originally proposed for national review

The majority of reviews commenced in 1996, 1997 and 1998 are nearing completion and are either in the process of being implemented, considered by the Government or involve legislative changes which are pending.

During 1998, major reviews were commenced and/or significant review progress was made for the following Acts:

- *Dairy Industry Act 1994;*
- *Egg Industry Act 1988;*
- *Environmental Management and Pollution Control Act 1994;*
- *Hospitals Act 1918;*
- *Inland Fisheries Act 1995;*
- *Land Surveyors Act 1909;*
- *Meat Hygiene Act 1985;* and
- *Plumbers and Gasfitters Act 1951.*

The Department of Treasury and Finance's Regulation Review Unit (RRU) is continuing to work with relevant agencies to ensure that the remaining reviews are undertaken in accordance with the timeframes established by those agencies. In February 1999, the RRU conducted Regulatory Impact Statement (RIS) training for all agencies (delivered by Dr David Cousins of the Competition Policy Group within KPMG Consulting) to assist them in the timely preparation of high quality review papers.

Major reviews of the following Acts (and their associated subordinate legislation) are scheduled to commence in 1999:

- *Land Use Planning and Approvals Act 1993;*
- *Building and Construction Industry Training Fund Act 1990;*
- *Education Act 1994;*
- *Electricity Supply Industry Act 1995;*
- *Liquor and Accommodation Act 1990;*
- *Living Marine Resources Management Act 1995;*
- *Mineral Resources Development Act 1995;*
- *Racing and Gaming Act 1952* in so far as it relates to totalizator betting;
- *Shop Trading Hours Act 1984;*
- *Taxi Industry Act 1995;* and
- *Vocational Education and Training Act 1994.*

9.1.3 Major Reviews Conducted

As mentioned previously, a review of existing legislation is considered to be major where it has economy-wide implications, or where it significantly affects a sector

of the economy (including consumers). Details of a number of these major reviews are listed below.

9.1.3.1 Traffic Act 1925

The *Traffic Act 1925* contains two major components. Part III of the Traffic Act regulates vehicles used to carry goods or passengers for reward through the public vehicle licensing system. The balance of the Act provides for the registration of vehicles, the regulation of drivers, vehicle standards and the operation of vehicles.

In October 1995, the Tasmanian Government established an independent committee of review into Tasmania's public vehicle licensing. The Committee, chaired by Mr David Burton, undertook a comprehensive investigation (the "Burton Review") into the need for transport reform, which included widespread consultation, before handing its report to the then Minister for Transport in October 1996.

This investigation incorporated a substantial review of the restrictive provisions of Part III of the Traffic Act. The review found that there was a need to overhaul the archaic controls imposed on the transport industry by Part III of the Traffic Act, which are the most onerous in Australia. The restrictive, anti-competitive and protectionist nature of these controls was found to stifle innovation and increase costs to consumers.

The current Government had indicated, while in opposition prior to the State election in August 1998, that it generally supported the legislative package that had been developed but was concerned about the adequacy of measures to guarantee minimum quality standards within the transport industry. As part of its election platform, the current Government indicated that it would proceed to adopt the reform of the public vehicle licensing system subject to the introduction of an appropriate operator accreditation system, similar to those existing in other States.

Since the election, the Government has developed and signed a Memorandum of Understanding with transport industry associations which commits the parties to finalise the details of the legislation necessary to replace the public vehicle licensing system. A joint industry-Government working group has been established to recommend these legislative changes, consistent with the Government's commitments.

Priority attention is now being given to completing the review of the remainder of the Traffic Act as well as the *Motor Vehicles Taxation Act 1981*, the *Transport Act 1981* and their associated regulations. To this end, new traffic and vehicle legislation will be developed during 1999 based on national road transport laws (other than dangerous goods) from the National Road Transport Commission process.

9.1.3.2 Apple and Pear Industry (Crop Insurance) Act 1982

In early 1997, an independent review group was established to examine the restriction on competition imposed by the *Apple and Pear Industry (Crop Insurance) Act 1982*. The Act requires that all apple and pear growers in the State that market more than 20 tonnes of fruit are obliged to insure their crop with the Fruit Crop Insurance Board (FCIB). Participation is compulsory, with the FCIB being able to recover the amount of the premium if the grower fails to apply for an insurance policy, or fails to pay or tender payment of a premium. This has the effect of putting in place what is, in essence, a statutory monopoly. It also restricts the ability of Tasmanian apple and pear growers to manage their crop-related business risks independently.

Following its assessment of the costs and benefits to the community as a whole from this restriction on competition, the review group concluded that the continuation of the Act and its compulsory powers cannot be justified in the public benefit. The reasons for this conclusion included:

- no other stone fruit industry or general crop industry in Tasmania is subject to compulsory membership of an insurance scheme of the nature imposed by the FCIB on apple and pear growers in the State;
- other States do not legislate to provide for compulsory insurance of their apple and pear industries and it is difficult to argue that Tasmania's apple and pear industry is significantly different or subject to any additional risk to warrant the need for a compulsory insurance scheme;
- the diversity of approaches taken in relation to insurance by growers in other industries with similar risk profiles suggests that mandatory insurance is not necessary for the apple and pear industry to operate efficiently and effectively; and
- the review group considered that insurance choice should be a market decision and growers in the apple and pear industry should be able to manage their risks associated with potential crop damage in a manner they consider optimal.

In December 1998, the Government accepted the recommendations of this review and:

- authorised the preparation of a repeal Bill, under which the Fruit Crop Insurance Scheme should operate for one further season (1998-99), with no claims to be accepted beyond 30 June 1999; and
- agreed that the distribution of any remaining assets of the FCIB is to be decided by the Government following appropriate industry consultation.

9.1.3.3 Motor Accidents (Liabilities and Compensation) Act 1973

As reported previously, this review was undertaken during 1997 and focussed on the impact of the monopoly role of the Motor Accidents Insurance Board (MAIB) on the delivery of compulsory third party personal (CTP) insurance and assessed

the net community benefit associated with retaining the monopoly delivery of such insurance. The review group found that:

- the statutory monopoly for the provision of CTP insurance is justified in the public benefit and therefore should be maintained; and
- the power of the Board to enter into arrangements or agreements with other insurers is not justified and should be replaced with a provision which only provides the Board with a power to reinsure.

Reasons for the finding to retain a monopoly provider of CTP insurance included:

- premia were expected to be higher under a competitive model due to new costs to be faced by participants, such as expenditure on marketing and a requirement to fund an industry regulator and a scheme which covers uninsured or unidentified motor vehicles;
- a comparison of the cost of claims processed by the MAIB and by participants in the New South Wales market did not provide support to suggestions that competition in the Tasmanian market would lead to increased efficiency and lower premia;
- while higher premia as a result of competition may be acceptable if there is also product innovation, this is not possible in this situation as the product in question is defined by statute; and
- both New South Wales and Queensland recognise that economies of scale exist in the provision of CTP insurance and the minimum market size would only allow for two participants in the Tasmanian market, which could lead to potentially undesirable oligopolistic pricing outcomes.

Furthermore, under a competitive model, the current market would be split between the MAIB and new service providers. The review group anticipated that this would result in an increase in operational costs for all service providers and ultimately increased premia.

The recommendations of this review were accepted by the Government in December 1998 and a minor legislative change, in relation to the reinsurance powers, will be made during 1999 to put these recommendations into effect.

Some concern has been raised about the outcomes of this review and that the review group was not sufficiently independent. The inclusion of a representative of the MAIB on this review is clearly contrary to the NCC's view that review groups should not include industry members. However, the terms of reference for the review and the composition of the review body were approved in February 1997 – prior to the NCC notifying jurisdictions of its views on the membership of review groups.

Further, the review was conducted in accordance with the LRP guidelines with a number of opportunities for public consultation. The review involved the release of an issues paper for public comment in May 1997, in addition to the RIS which was released in October 1997. The review group also utilised data provided by

GPOC which was concurrently conducting an investigation into the pricing policies of the MAIB.

Stakeholders were given a number of opportunities to participate in the review. In early May 1997, the review group visited Brisbane and Sydney to investigate the operation of competitive CTP markets and undertake discussions with market participants. The review group met with the Insurance Council of Australia in both Brisbane and Sydney, providing them with an overview of the purpose of the review and the issues to be addressed. In mid-May 1997, the review group released an issues paper which was sent to key stakeholders and advertised in Tasmanian newspapers. Similarly, a copy of the RIS was sent to stakeholders. Submissions were still being received some months after the closing date.

The consultation opportunities provided to stakeholders were in excess of those required under the LRP and it appears that some failed to take full advantage of these opportunities. Some submissions provided to the review group:

- focussed on the advantages of a competitive CTP market in New South Wales, a number of which did not translate to Tasmania;
- recommended that the type of CTP scheme offered in Tasmania be changed when this was beyond the scope of the review;
- discussed the MAIB being privatised or becoming the industry regulator when both issues were beyond the scope of the review; and
- failed to justify the benefits of competition in the Tasmanian market beyond stating that "competition is good and premia will fall" or counter the claims in the RIS that competition would deliver higher premia.

On all occasions, the review group attempted to outline the scope of the review and asked stakeholders who preferred the MAIB's monopoly role to cease to provide justification for any claims of the benefits of a competitive market. This latter point was stressed as the RIS contained considerable evidence that a competitive market could not be justified in the public benefit.

It should be noted that the review group looked very carefully at the issue of the impact of competition on costs. However, evidence gathered by the review group on relative claims processing efficiency of the MAIB as well as the likely increase in regulatory costs under a competitive environment indicated that the introduction of competition would increase costs and therefore premia. The review group concluded that increased premia for a statutory defined product was not justified in the public benefit.

9.1.3.4 Egg Industry Act 1988

In August 1998, an independent review group was established to examine the restrictions on competition imposed by the *Egg Industry Act 1988* and its subordinate legislation. The Egg Industry Act imposes restrictions on competition through:

- a licensing/quota system for egg producers;
- a vesting/exemption system entered into between the Egg Marketing Board (EMB) and licensed egg producers; and
- the prohibition on the sale of eggs from unlicensed producers which have not been assessed as suitable by the EMB.

Following an assessment of the costs and benefits to the community as a whole from these restrictions on competition, the review group concluded that these restrictions cannot be justified in the public benefit. Accordingly, it recommended that:

- the legislative arrangements for the licensing/quota system for egg producers be abolished;
- the legislative arrangements for the vesting/exemption system entered into between the EMB and licensed egg producers be abolished; and
- the legislative arrangements for the prohibition on the sale of eggs from unlicensed producers who have not been assessed as suitable by the EMB be abolished.

As part of its investigations, the review group released an issues paper and a RIS. It is currently preparing a Final Review Report to present its recommendations to the Government.

9.1.3.5 Apiaries Act 1978

A minor review of the *Apiaries Act 1978* was conducted under the LRP during 1997. The Act requires the registration of beekeepers and prevents the introduction of certain bee species into reserves areas in order to protect other species of scientific value.

The review group concluded that certain anti-competitive aspects of the Apiaries Act could not be justified in the public benefit and that many other parts of the Act were superseded by the *Animal Health Act 1995*.

Notwithstanding this, the review group noted that certain conditions relating to bee hive construction and identification, the registration of bee keepers and the preservation of the State's black bee population are important issues. The review group recognised, however, that these issues can be appropriately addressed through a number of mechanisms outside the Apiaries Act.

The review group therefore concluded that the regulatory provisions of the Apiaries Act are no longer required in their present form.

In February 1999, the Government agreed to the review group's recommendations which require that the Act be repealed following amendment to the regulations under the Animal Health Act to fully incorporate necessary disease prevention mechanisms.

9.1.4 National Reviews

Clause 5 of the CPA specifies that where legislation has a national dimension or effect on competition (or both), consideration may be given to conducting a national review. If a national review is determined to be appropriate, the Tasmanian Government is required to consult with other jurisdictions that have an interest in the matter before determining terms of reference or appropriate review bodies.

As noted in previous Progress Reports, Tasmania initially scheduled a large number of Acts for national or joint jurisdictional review. This legislation generally fell within the following three areas:

- uniform, complementary, application, template or mirror legislation (including national codes and standards);
- State legislation where reforms have "spillover" effects to other jurisdictions; and
- legislation where a joint or national approach to the review would be beneficial to all relevant jurisdictions.

However, several other jurisdictions did not support national or joint jurisdictional reviews for a large number of these Acts.

Accordingly, the majority of the Acts originally scheduled for national review have now been listed for State-based review. This has resulted in the number of Acts listed for review in the latter half of the timetable being considerably greater than originally proposed.

Notwithstanding this, national reviews are currently being progressed, or are scheduled, in the following areas:

- Agricultural, veterinary and industrial chemicals;
- Air navigation;
- Architects;
- Drugs, poisons and controlled substances;
- Financial legislation (companies, securities, futures and consumer credit);
- Food standards;
- Legal profession (including an assessment of the requirements for legal professional indemnity insurance);
- Pharmacy;
- Trade measurement;
- Travel agents; and
- Trustee companies.

9.1.5 LRP Gatekeeper Arrangements

Over 270 legislative proposals have been assessed under the "gatekeeper" provisions of the LRP since its inception in June 1996. Several new Acts introduced have resulted in significant reform in areas which have previously been highly regulated.

There is a number of proposals to repeal existing Acts and replace them with new legislation to be assessed under the LRP "gatekeeper" requirements. A example is the *Weights and Measures Act 1934* which the Government intends to repeal and replace with new State-based nationally uniform trade measurement legislation during 1999.

The objective of this legislation is to ensure fair market place practices in relation to the sale of goods by reference to measurement (ie, quantity). Amongst other things, it will introduce a new practice of service companies certifying that measuring instruments comply with legislative requirements (currently this can only be done by Government inspectors) and will require these companies to be licensed. It will also remove the current requirement for individual operators of public weighbridges to be licensed and instead require only owners of weighbridges to be licensed. The RIS was released for public consultation in January 1999 and the new legislation is expected to be considered by the Tasmanian Government later this year. This legislation is also listed for national review.

A further example is in the area of water management. The *Water Management Bill 1999*, which will repeal and replace the *Water Act 1957* and some 10 other Acts covering the allocation of water resources in the State, will be introduced in the Autumn 1999 session of Parliament. The new legislation will reform the manner in which access to, and use of, the State's water resources are regulated to provide for long-term sustainability while implementing a number of the State's COAG water requirements. The RIS was recently released for public comment. The State's progress in implementing the agreed water industry reforms is provided in section 6.3 of this Report.

Other proposals for existing Acts to be repealed and replaced with new legislation assessed under the LRP "gatekeeper" requirements include the childcare provisions of the *Child Welfare Act 1960* and the *Auctioneers and Real Estate Agents Act 1991*.

The regulation of the health professions is an area which has seen significant reforms in recent years through the introduction of new Acts regulating these professions. As reported in the last Progress Report, a major legislative program has been undertaken by the Department of Health and Human Services which has resulted in the reform of legislation governing the practice of the majority of the health professions. In each case, the new legislation is based on a template established by the *Optometrists Registration Act 1994*. A number of improvements have been made to this template over time, such as removing the

restrictions on advertising historically included in legislation regulating the health professions.

The major restrictions in the health professions relate to the protection of title and a requirement for professional indemnity insurance. These restrictions have been demonstrated to be in the public benefit to ensure that public health and safety is not compromised in areas which generally involve high levels of information asymmetry between the professionals and their patients. The consequences of any misuse or misrepresentation are considered to be too great to either remove the restriction or rely on other forms of regulation such as negative licensing.

9.2 COMPETITIVE NEUTRALITY

The primary objective of the competitive neutrality principles is to promote the efficient use of resources in public sector business activities. In particular, the competitive neutrality principles aim to eliminate resource allocation distortions arising out of the public ownership of entities engaged in significant business activities. That is, government businesses should not enjoy any net competitive advantage simply as a result of their public ownership and should compete on fair and equal terms with private sector businesses.

In applying the competitive neutrality principles, the CPA places Government businesses in two categories:

- significant Government Business Enterprises (GBEs), which are classified as Public Trading Enterprises (PTEs) and Public Financial Enterprises (PFEs) under the Australian Bureau of Statistics' (ABS) Government Financial Statistics Classification; and
- significant business activities undertaken by a Government agency (other than an agency classified as a PTE or PFE above) as part of a broader range of functions.

In June 1996, the previous Tasmanian Government published a policy statement and implementation timetable in accordance with the CPA requirements, entitled *Application of the Competitive Neutrality Principles under National Competition Policy*. This statement outlined the manner in which the competitive neutrality principles were to be applied to State Government business activities in Tasmania and set out an implementation timetable. The principal components of the policy statement and progress with its implementation are outlined below.

The application of the competitive neutrality principles to local government business activities in Tasmania is discussed in section 5.1.

9.2.1 Government Business Enterprises

The CPA competitive neutrality principles are entirely consistent with the reform directions which were already in place in Tasmania in relation to GBEs. These directions are embodied in the *Government Business Enterprises Act 1995* (GBE Act). This Act places GBEs on a more competitive footing through the processes

of both commercialisation and corporatisation. The Act fulfils Tasmania's competitive neutrality commitments in relation to significant GBEs by subjecting them to:

- tax equivalent regimes;
- debt guarantee fees directed at offsetting the advantage of Government guarantees on borrowings;
- dividend requirements; and
- all regulations normally applying to the private sector.

Since 1 July 1997, all Tasmanian GBEs have been subject to the full tax equivalent regime, dividend regime and guarantee fees through the *Government Business Enterprises (Amendment of Act's Schedules) Order 1997*. The only exception to this arrangement is the Port Arthur Historic Site Management Authority (PAHSMA), reasons for which were fully detailed in the previous Progress Report.

In line with the Government's policy of community consultation, a discussion paper on the future of Port Arthur has been released for public comment. The outcome of this consultation process, which is still underway, will then be taken into account in the future plans for the PAHSMA.

9.2.1.1 Community Service Obligations

The implementation of the Government's Community Service Obligation (CSO) policy is integral to the enhanced performance and accountability of GBEs under the GBE Act. GBEs are expected to improve performance by focusing on commercial goals. Non-commercial activities can be recognised by the Government as CSOs, providing strict criteria are met. These are:

- a specific directive from the Government must exist;
- there is a net cost to the GBE from providing the function, service or concession; and
- the function, service or concession must be one which would not be performed under normal commercial circumstances.

CSOs are purchased by the Government from the GBE so that the provision of CSOs by the GBE will no longer compromise the achievement of the commercial objectives of the GBE. Accordingly, non-commercial activities and functions, not all of which may qualify as CSOs, are clearly identified, justified, and separately accounted for.

The CSO policy ensures that the Government's social and other objectives are achieved without impacting on the commercial performance of a GBE. It also improves the transparency, equity and efficiency of the delivery of non-commercial activities.

Since July 1997, CSO contracts detailing funding for the provision of non-commercial activities to an agreed level have been signed with the Hydro-Electric Corporation (HEC), Metro Tasmania Pty Ltd (Metro Tasmania), the Public Trustee and Aurora Energy Pty Ltd.

9.2.2 Recent Reforms to GBEs

The Tasmanian Government has reviewed and reformed a number of government businesses since the signing of the CPA. These reforms are detailed below.

9.2.2.1 Bulk water suppliers

As outlined in previous Progress Reports, in late 1996 the Hobart Regional Water Board was transferred to local government and re-established as a joint authority under the *Local Government Act 1993*. The joint authority services the southern region and has been subject to a full tax equivalent and guarantee fee regime since 1 January 1997.

In July 1997, the State Government's North Esk Regional and West Tamar Water Supply Schemes were transferred to local government and, together with Launceston City Council's water supply scheme, re-established under the Local Government Act as a joint authority entitled the Esk Water Authority (EWA). This joint authority services the greater Launceston area and is subject to a full tax equivalent and guarantee fee regime.

In 1998, the *North West Water Amendment Act 1998* was passed by Parliament. This Act enables the transfer of the North West Regional Water Authority (NWRWA) to a local government joint authority. However, this legislation has not yet been proclaimed. Consequently, the transfer has not yet taken place and is expected to occur during 1999.

Once the transfer of the bulk water schemes to local government is successfully complete, future arrangements for the Rivers and Water Supply Commission (RWSC) will be considered. The RWSC is responsible for the management of the Prosser River Bulk Water Supply Scheme, various irrigation and drainage schemes throughout the State and ensuring the management of Tasmania's water resources is conducted on a sustainable and ecologically sound basis, whilst recognising the needs of industry, agriculture and the Tasmanian community.

9.2.2.2 Port Reform

Competitive transport costs utilising Tasmania's ports is vital for Tasmania's overall prosperity. Corporatisation of the port authorities, with a view to improving their commercial performance, was completed in July 1997 with the commencement of the *Port Companies Act 1997,* which established four wholly State-owned companies and two subsidiary companies under the Corporations Law. The new companies commenced operations on 30 July 1997.

In addition, from 30 July 1997 the GBE Act tax equivalent and guarantee fee regimes replaced the partial competitive neutrality regimes which previously applied to the port authorities. The port companies are also expected to make dividend payments to the Government as shareholder, in accordance with the requirements of the Corporations Law.

The Marine and Safety Authority of Tasmania (MAST) was also established on 30 July 1997. In addition to performing the regulatory and non-commercial functions previously undertaken by the port authorities, MAST undertakes the functions of the former Navigation and Survey Authority of Tasmania and is responsible for the safe operation of vessels within Tasmanian waters.

9.2.2.3 Metro Tasmania

Metro Tasmania provides public urban road transport services in the metropolitan areas of Hobart, Launceston and Burnie. As indicated in the previous Progress Report, on 14 January 1998 the *Metro Tasmania Act 1997* and the *Metro Tasmania (Transitional and Consequential Provisions) Act 1997* received Royal Assent, thereby effecting the transition of the former GBE, the Metropolitan Transport Trust (MTT), to a State-owned company. As a result, Metro Tasmania is subject to Corporations Law obligations as well as the full tax equivalent and dividend regimes and guarantee fee obligations.

9.2.2.4 Housing Division of the Department of Health and Human Services (DHHS)

As previously reported, in November 1996 the former Government agreed to commence the commercialisation of the Housing Division of DHHS, with a view to its eventual corporatisation at some future time. The commercialisation process commenced with the establishment of a separate advisory board and the identification and separation of housing assets and liabilities from the rest of the Department.

However, since the appointment of the advisory board, the commercialisation focus has been more on benchmarking services and seeking other opportunities for efficiency gains through process improvements. Where appropriate, competitive tendering and contracting are also being undertaken.

9.2.3 Other Significant Government Business Activities

The Government's policy statement on the implementation of competitive neutrality principles required all significant business activities undertaken by budget sector agencies to be identified by 30 June 1997. At the same time, each agency was required to submit to the Department of Treasury and Finance a timetable for the application of the competitive neutrality principles to these activities. Each agency is required to report to Treasury at six-monthly intervals on progress in implementing the competitive neutrality principles. A table detailing the current status of implementation of competitive neutrality principles across agencies is included in Appendix B.

In supporting Government agencies in the implementation of the competitive neutrality reforms, a number of guidelines have been published including:

- *The Application of Competitive Neutrality Principles to the State Government Sector* (July 1996);
- *Guidelines for Considering the Public Benefit under the National Competition Policy* (March 1997); and
- *Guidelines for Implementing Full Cost Attribution Principles in Government Agencie*s (September 1997).

A draft paper entitled *Commercialisation and Corporatisation Principles for Government Agencies* has been prepared with the intention of forwarding it to agencies for comment in the near future.

In addition, a seminar was conducted by the Department of Treasury and Finance in December 1997 for State Government agencies to facilitate a better understanding of the concepts of competitive neutrality and full cost attribution.

Since the seminar, individual meetings between agencies and Treasury officers have provided an additional forum for the clarification of the competitive neutrality principles, where required, to ensure that the implementation of reforms progresses on a timely basis and is consistent with NCP requirements.

9.2.4 Competitive Neutrality Complaints Mechanism

Clause 3(8) of the CPA requires the State Government to implement a complaints mechanism in relation to competitive neutrality matters.

As reported previously, in its policy statement on competitive neutrality, the Government indicated that it will be utilising the Government Prices Oversight Commission (GPOC) to receive and investigate complaints against State and local government business activities in relation to the application of the competitive neutrality principles. The role of GPOC has been outlined in previous Progress Reports and is also addressed in section 3.4 of this Report.

The *Government Prices Oversight Amendment Act 1997* was enacted in September 1997. The Act extends the role of GPOC to include the investigation of complaints against the failure of a Government body to comply with the competitive neutrality principles and associated implementation guidelines.

In 1998, the *Government Prices Oversight Regulations 1998* were made which provide for the making, investigation and determination of complaints to GPOC in respect of a contravention of any competitive neutrality principles.

Under the *Government Prices Oversight Act 1995* (GPOC Act) and regulations, complaints may be lodged against a Government body when an individual believes that the Government body has contravened any of the principles and considers that he or she is adversely affected by such a contravention. The individual must have

first attempted to resolve the matter with the Government body informally, prior to lodging a formal complaint. The scope of the complaints mechanism includes Government agencies, local government businesses, statutory authorities, Government Business Enterprises and State-owned companies.

Prior to the formal commencement of the GPOC complaints mechanism, an informal mechanism was put in place to ensure that any complaints received appropriate attention. Three informal complaints against the application of the competitive neutrality principles at both State and local government level were received by the Department of Treasury and Finance in late 1997. These were referred to GPOC for its consideration and action.

GPOC wrote to the complainants offering advice and assistance in relation to the matters raised. However, the complainants chose not to proceed with their complaints at that stage. No further matters have been raised informally with either GPOC or Treasury since these initial matters were raised and as at March 1999, GPOC had received no formal complaints in relation to the application of the competitive neutrality principles.

In early 1999, GPOC issued guidelines, entitled *National Competition Policy Competitive Neutrality Principles Complaints Mechanism*, which outline the processes and procedures required to be followed under the regulations as well as each party's obligations in the event of a complaint being received. These guidelines and an information brochure have been distributed to all major stakeholders to raise the awareness of the complaints mechanism policy and procedures. A media statement was also issued to raise the wider community's awareness of the mechanism. An article was also published in April 1999 in the *Tasmanian Business Reporter*, the Tasmanian Chamber of Commerce and Industry's publication

9.3 STRUCTURAL REFORM OF PUBLIC MONOPOLIES

In October 1997, the previous Tasmanian Government initiated a structural review of the HEC's distribution and retailing businesses, given its intention, at that time, to privatise these businesses. In March 1999, the Government commenced a structural review of the HEC's generation activities and the system control function in light of the competition that will arise in Tasmania's electricity generation sector when Tasmania enters the National Electricity Market (NEM) with the commissioning of Basslink. These matters are discussed in detail in section 6.1.

9.4 MONOPOLY PRICES OVERSIGHT

The CPA requires the State to consider establishing an independent source of prices oversight advice in relation to monopoly, or near monopoly, suppliers of goods and services. Such a mechanism is necessary to ensure that monopoly providers charge prices that are "fair and reasonable" and which do not result in the exercise of monopoly market power to the detriment of consumers and businesses.

To meet this requirement, the Tasmanian Government introduced the GPOC Act which came into effect on 1 January 1996. The GPOC Act established GPOC as an independent body charged with the responsibility of conducting investigations into, and reporting on, the pricing policies of both GBEs and Government agencies that are monopoly, or near monopoly, suppliers of goods and services in Tasmania. The *Government Prices Oversight Amendment Act 1997* further extended the coverage of the GPOC Act to enable GPOC to conduct investigations into local government monopoly services.

The GPOC Act provides for the prices and pricing policies of the most significant public sector monopolies in Tasmania to be investigated at least once in every three years. Five GBEs were originally scheduled in the Act (the HEC, MTT, MAIB, Hobart Regional Water Authority (HRWA) and NWRWA). In addition, the Act provides a mechanism under which other monopoly services can be declared and therefore subject to a GPOC inquiry.

GPOC has completed investigations into the pricing policies of the HEC, the MTT, the MAIB, and, most recently, the three bulk water supply authorities (HRWA, NWRWA and the EWA). Details of the bulk water prices investigation and the revised prices oversight arrangements for the electricity supply industry are provided below.

9.4.1 Bulk Water Prices Investigation

The State's obligations under the *Strategic Framework for the Efficient and Sustainable Reform of the Australian Water Industry* (Strategic Framework) require metropolitan bulk water suppliers to charge on a volumetric basis to recover all costs. Metropolitan bulk water suppliers are to also earn a positive real rate of return on the written-down replacement cost of their assets.

Against this background, in January 1998 GPOC was requested to undertake an investigation into the pricing policies associated with the provision of bulk water by the HRWA, the NWRWA and the EWA. In doing so, GPOC was to have regard to the COAG water reform principles, as embodied within the Strategic Framework.

As part of its investigation requirements, GPOC released a Pricing Principles Paper in late September 1998 followed by a Draft Report in November 1998 and its Final Report in late December 1998.

In its Final Report, GPOC recommended maximum prices (in the form of maximum revenues and pricing principles) to be charged by each of the State's three bulk water authorities for a three year period commencing from 1 July 1999. In particular, GPOC has specified maximum revenues to be charged by each of the State's three bulk water authorities over the three year regulatory period. Additional pricing principles in the Final Report included:

- the use of optimised deprival value methodology for asset valuation in the Tasmanian bulk water supply industry;

- implementation of a number of programs in support of the renewals annuity approach by January 2001;
- all activities which are performed as community service obligations be separately costed and these activities and costs be made transparent in the financial reporting of each bulk water authority;
- all cross subsidies which occur in the commercial operations of each bulk water authority be made transparent in its financial reports; and
- where a bulk water authority is not already applying a two-part tariff structure, that it has a two-part tariff structure in place as soon as practicable, but not later than for the application for the 2001-02 financial year. This pricing structure is based upon a volumetric component which reflects long-run marginal costs with any revenue shortfall being recovered in a fixed component.

The Government has endorsed GPOC's pricing principles for bulk water.

9.4.2 Price Regulation of the Electricity Supply Industry

As noted above, GPOC completed an investigation into the pricing policies of the HEC in 1996. Following the completion of this investigation, the Government set maximum price paths for retail tariffs in the *Government Prices Oversight (Electricity Prices) Order 1996* for the period January 1997 to December 1999.

Since the Order was passed, substantial reform has taken place in the Tasmanian electricity supply industry (see Section 6.1). A key feature of the reform program is the enhancement of the regulatory framework applying to the industry. To ensure that the regulatory framework is transparent, independent of Government and coordinated within a single regulatory body, responsibility for the regulation of electricity prices has been transferred to the Electricity Regulator under amendments to the *Electricity Supply Industry Act 1995* (ESI Act). As a consequence, the GPOC Act has been amended to remove all references to the HEC and electricity.

Under section 5 of the ESI Act, which came into effect on 1 July 1998, the Government Prices Oversight Commissioner was appointed as the Electricity Regulator. The ESI Act provides the Regulator with the power to 'declare' services where an electricity entity has substantial market power in the provision of such services and to impose maximum prices for such services for periods of three to five years. This contrasts with the previous arrangements where GPOC made recommendations to Government on maximum prices.

The *Electricity Supply Industry (Price Control) Regulations 1998* (Price Control Regulations) establish the procedural framework to be followed by the Regulator in conducting pricing investigations and resembles, to a large extent, the framework contained within the GPOC Act.

In April 1998, the Government initiated a second GPOC investigation into the pricing policies of the HEC. This investigation was transferred to the Electricity Regulator under the Price Control Regulations on 1 July 1998. However, the

investigation was suspended following the calling of the State election in August 1998. New terms of reference for the investigation are due to be issued in April 1999. The investigation is due to be completed by 30 September 1999 and will determine bundled tariffs for retail customers together with price controls for transmission and distribution network services and system control functions for the period 1 January 2000 to 31 December 2002.

9.5 THIRD PARTY ACCESS

As a central element of the reform process in the electricity supply industry, the Government introduced the *Tasmanian Electricity Code* (TEC) from 1 July 1998. This Code provides for third party access to the Tasmanian transmission and distribution network in a similar way in which the *National Electricity Code* (NEC) provides for the access regime in the NEM. In December 1998 Transend Networks Pty Ltd was issued with a transmission licence and Aurora Energy Pty Ltd was issued with a distribution licence under the ESI Act. It is a condition of both licences that the network businesses comply with the TEC and its third party access provisions.

10. REFORMS UNDER THE CONDUCT CODE AGREEMENT

10.1 EXTENSION OF PART IV OF THE TRADE PRACTICES ACT 1974

The CCA sets out the agreed basis for extending the coverage of Part IV of the Commonwealth's *Trade Practices Act 1974* (TPA) to all businesses, regardless of their form of ownership.

This extended coverage arises by virtue of the Commonwealth's *Competition Policy Reform Act 1995* and Tasmania's *Competition Policy Reform (Tasmania) Act 1996*. This latter Act, which was enacted in July 1996, extends the coverage of Part IV of the TPA to all business activities in Tasmania, whether they are incorporated or unincorporated, or publicly or privately owned.

10.2 REPORTING OBLIGATIONS UNDER THE CCA

Under the CCA, the Commonwealth, States and Territories are required to report to the Australian Competition and Consumer Commission (ACCC) on legislation reliant on section 51(1) of the TPA. These obligations are:

- to notify the ACCC of legislation that relies on section 51(1) within 30 days of the legislation being enacted or made (clause 2(1)); and
- to have notified the ACCC by 20 July 1998 of legislation relying on the version of section 51(1) in force at 11 April 1995 that will continue pursuant to the current section 51(1) (clause 2(3)).

In accordance with clause 2(1) of the CCA, the Tasmanian Government has notified the Commonwealth Government and the ACCC regarding new legislation

(within 30 days of being enacted) which relied on section 51(1) of the TPA. These Acts and their relevant sections are outlined below:

Act	Relevant Section
Electricity Supply Industry Act 1995	section 44
Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act 1995	section 7
Electricity Supply Industry Amendment Act 1998	section 49F(2)

Notice of the section 51(1) references contained in the Electricity Supply Industry Act and the Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act was provided to the Commonwealth Treasurer in late 1996, in accordance with the CCA. This was because the ACCC had not been established at the time the legislative reform package was passed. The Commonwealth has accepted these exemptions by not exercising its option of over-riding them by regulations under the TPA in accordance with the agreed timeframe and procedures set out in the CCA. The Electricity Supply Industry Amendment Act was proclaimed on 19 June 1998. Notification in respect of this Act was provided to the Commonwealth Treasurer and the ACCC on 16 July 1998.

The Electricity Supply Industry Act is scheduled for review in 1999 under Tasmania's LRP and the Electricity Supply Industry Amendment Act will be reviewed in conjunction with the review of this Act. The Electricity Supply Industry Restructuring (Savings and Transitional Provisions) is currently being reviewed as part of the implementation of the COAG reform agenda for the Australian water industry.

In June 1998, in accordance with clause 2(3) of the CCA, the Tasmanian Government advised the ACCC that Tasmania had no legislation which relied on exemptions which were in operation prior to 11 April 1995 and which fell within the terms of section 51(1)(b) of the TPA as that provision stood prior to amendment by the Commonwealth's Competition Policy Reform Act.

11. LOCAL GOVERNMENT AND NCP REFORMS

In June 1996, the Tasmanian Government published a policy statement, entitled *Application of the National Competition Policy to Local Government* (the Application Statement), on the application of the CPA principles to particular local government activities and functions. This statement was developed in close consultation with local government and there is ongoing consultation with local government regarding its implementation.

Progress in relation to the application of competitive neutrality, legislation review and monopoly prices oversight since the previous NCP Progress Report is outlined below.

11.1 COMPETITIVE NEUTRALITY

As outlined in the previous NCP Progress Report, application of the competitive neutrality principles to local government was temporarily suspended in May 1997 pending the outcome of the former Government's proposed council amalgamations. It was recognised that there was little benefit to local government in proceeding with the timetable until the proposed new structure for Tasmanian councils was finalised, given that many of the NCP issues would have been different following the proposed amalgamation exercise.

As a result of this action, the NCC deferred consideration of the 1998-99 component of Tasmania's first tranche assessment, pending greater evidence that Tasmania was on target with the application of the competitive neutrality principles to local government.

In May 1998, Tasmania reported to the NCC that it would negotiate with local government to seek the agreement of the new councils to reinvigorate the application of NCP to local government. Based on this commitment, the NCC recommended to the Commonwealth Treasurer that Tasmania receive the 1998-99 component of the first tranche assessment (worth approximately $20 million). This was subsequently confirmed by the Treasurer. However, the NCC noted that progress in line with the timetable Tasmania has set itself will be important for the second tranche assessment.

The Department of Treasury and Finance recommenced negotiations with local government in mid-1998 in relation to an updated agreement on the application of NCP to local government, incorporating a revised implementation timetable pending the finalisation of the proposed council amalgamations. A revised timetable was approved by the Local Government Association of Tasmania General Management Committee in July 1998. A copy of this agreement, which replaces the timetable in the Application Statement, is included in Appendix C.

Notwithstanding the current Government's decision not to proceed with the council amalgamations process, the revised timetable is still appropriate, especially in relation to the assessment of the corporatisation of PTEs.

In accordance with the Application Statement, councils are required to:

- undertake public benefit assessments of the corporatisation of those business activities which are classified as PTEs under the ABS Government Financial Statistics Classification as outlined in the Application Statement (generally water and sewerage); and
- corporatise those PTEs where a public benefit assessment indicates that the benefits outweigh the costs of doing so.

Councils have been advised that they may consider business activities other than PTEs for corporatisation, such as waste collection and disposal and road maintenance, if they choose. Also, where a council has already identified that it wishes to corporatise a business activity, whether or not it is classified as a PTE,

the corporatisation process may start immediately without the need for a public benefit assessment.

For other significant business activities, councils are required to implement full cost attribution by 1 January 1999. As previously reported, 18 of the 29 councils decided in 1997 to apply full cost attribution to all their business activities, rather than just those regarded as "significant". Progress with the application of full cost attribution is summarised in the following table.

Progress with the application of full cost attribution (FCA) to local government as at 31 December 1998

	Significant Business Activities (SBA)			**All Business Activities (BA)**			
Council	FCA applied	FCA partially applied (to be backdated)	FCA not applied	FCA applied	FCA partially applied (to be backdated)	FCA not applied	Total
Large	1	0	0	4	1	0	6
Medium	4	3	0	1	1	2	11
Small	4	3	3*	2	0	0	12
Total	**9**	**6**	**3***	**7**	**2**	**2**	**29**

* Includes two councils where FCA has been partially applied.

Generally, the larger councils have applied the full cost attribution principles to their significant business activities, as required by the Application Statement. In a number of cases, it is proposed to finalise full cost attribution before 30 June 1999 and backdate the application of these principles to 1 January 1999. Where councils have not applied full cost attribution, Treasury will work with these councils to ensure compliance once the outcome of the public benefit tests for corporatisation have been finalised.

As set out in the revised implementation timetable, public benefit assessments of the corporatisation of PTEs are to be finalised by 30 March 1999. If the public benefit assessment indicates that corporatisation is not in the public interest, councils will be required to submit these assessments to a peer group for review. This process will be similar to that undertaken in 1997 in relation to the list of councils' significant business activities. Where a public benefit assessment is to be undertaken and corporatisation is ultimately found to be in the public benefit implementation of the corporatisation process is to commence by 1 July 1999, with these entities to be fully corporatised by 1 July 2000.

Where a council has previously decided to corporatise a PTE without undertaking a public benefit assessment, councils were required to commence the corporatisation process in late 1998 with full corporatisation to be effected by 1 July 1999. It is understood that no councils intend to adopt this approach.

To assist councils in undertaking those public benefit tests, the Department of Treasury and Finance prepared two documents, entitled *The Public Benefit Test for the Corporatisation of Local Government Public Trading Enterprises* and *Corporatisation Principles for Local Government Business Activities.* In December 1998, a one day workshop was conducted by KPMG Consulting to assist councils in undertaking public benefit assessments. All local government councils were represented at this seminar. It is understood that KPMG Consulting is continuing to assist a large number of councils in undertaking their public benefit assessments.

As reported in the *National Competition Policy Progress Report April 1995 to 31 July 1997*, a general review of the Local Government Act has been undertaken. This review considered the legislative framework within which local government will apply the competitive neutrality principles to its business operations. At that time, it was envisaged that the legislative changes would be in place during 1997 to allow the application of the corporatisation model to all types of local government activities. However, the introduction of amending legislation was deferred, pending the outcome of the previous Government's proposed amalgamations.

Legislation has now been drafted and was recently circulated to all councils for their comment. It is expected that the *Local Government Amendment Bill 1999* will be introduced during the forthcoming session of Parliament to ensure that it is in place prior to the 1 July 1999 deadline that applies to councils that have already decided to corporatise their PTEs.

As noted in section 3.2.4 of this Report, the Government Prices Oversight Regulations were made in 1998. These regulations detail the procedures for handling competitive neutrality complaints and are applicable to local government. The majority of Tasmanian councils have mechanisms in place to address any complaints in relation to this issue.

11.2 PRICES OVERSIGHT

As outlined in previous Progress Reports, the Government Prices Oversight Amendment Act, which commenced on 3 September 1997, extended the coverage of the Government Prices Oversight Act to include local government monopoly services. The Application Statement states that local government monopoly providers were to be brought under the prices oversight jurisdiction of GPOC.

GPOC was requested to undertake an investigation into the pricing policies associated with the provision of bulk water by the HRWA, the NWRWA and the EWA, as discussed above.

11.3 TREATMENT OF LOCAL GOVERNMENT BY-LAWS UNDER THE LRP

As outlined in the previous Progress Report, all by-laws made under the former *Local Government Act 1962* remained in force under the current Local Government Act (to the extent that they are consistent with the new Act) for a period of 5 years, expiring on 17 January 1999. As there is no provision to amend

these existing by-laws, changes made to by-laws under the former Act can only be made by making new by-laws under the current Local Government Act.

A proposal to obtain local government's agreement to not adopt any by-laws made under the former Local Government Act as part of the proposed restructuring of local government was outlined in the previous Progress Report. However, with the Government's decision not to proceed with amalgamations, a significant number of councils were not prepared for the statutory expiry of all these by-laws on 17 January 1999. In December 1998, the Government therefore introduced the *Local Government (Savings and Transitional) Amendment Act 1998* to extend the expiry date until 31 March 1999. This will result in the automatic expiry of approximately 600 by-laws made under the 1962 Act at the end of March 1999.

All of the 93 new by-laws gazetted under the current Local Government Act since the commencement of that Act in January 1994 have been subjected to the legislation review processes. Councils are carefully now considering the subject matter which they wish to deal with through by-laws, such that new by-laws are generally made to deal solely with matters of broad governance rather than relating to commercial operations.

12. SECTOR SPECIFIC REFORMS

12.1 ELECTRICITY INDUSTRY REFORMS

The Tasmanian electricity supply industry (ESI) has undergone significant reform since August 1997. In implementing these reforms, the Tasmanian Government has worked to ensure that it has complied with all the relevant NCP requirements. It should be noted that the NCC has confirmed that before Tasmania is interconnected with the national grid, it is not regarded as a "relevant jurisdiction" for the purposes of the COAG and NCP Agreements relating to the development of the NEM.

12.1.1 Basslink

Basslink is a key plank of the Tasmanian Government's energy strategy and is a critical factor in the State's future economic development. The Basslink Development Board has been appointed to facilitate Basslink as a commercial opportunity in the NEM. The Board is acting as the notional proponent to progress key issues prior to the selection of a preferred proponent in February 2000. Two key issues are the NEC rules for non-regulated interconnectors and the environmental and developmental approvals process. The Government's objective is to have Basslink commissioned in around October 2002.

In facilitating Basslink, the goals of the Government include:

- improving the security of electricity supply and reducing the exposure to drought conditions in Tasmania;

- providing Tasmania with access to electricity at prices determined competitively in the NEM;
- providing a means by which electricity generated in Tasmania can be sold into the NEM and providing a new source of peak generating capacity in the NEM; and
- ensuring that through a competitive selection process the cost of Basslink to users in minimised.

While Basslink is a commercial build, own and operate project, the Government has set a minimum link capacity of 200 MW. Other issues, such as the route and whether the link is to be developed as a regulated, non-regulated or hybrid interconnector under the NEC, are to be determined by proponents.

In considering Tasmania's entry to the national market, the Government has made it clear to Basslink proponents and other jurisdictions that it will only do so on an appropriate basis. Over the coming months, the Government will be working with other jurisdictions and the NEM regulatory bodies to progress a number of market structural and regulatory issues, including derogations and/or changes to the NEC associated with the State's entry to the NEM.

Nevertheless, as a demonstration of the Government's commitment to join the NEM, the *Electricity - National Scheme (Tasmania) Act 1999* has been enacted. This Act is the legislative vehicle for the adoption of National Electricity Law in Tasmania (a precondition for Tasmania's entry to the NEM). The Government will proclaim this legislation once the arrangements required for Tasmania's entry to the NEM are finalised.

Further information regarding the project is available from the Basslink internet site at http://www.basslink.tas.gov.au.

12.1.2 Structural Reform in Tasmania's Electricity Supply Industry

Until July 1998, Tasmanian's ESI consisted of a single vertically integrated public utility - the HEC. On 1 July 1998, the HEC was structurally separated into three businesses:

- the HEC, which remains a GBE with responsibility for electricity generation and system control (ring fenced) on mainland Tasmania as well as generation, distribution and retailing on the Bass Strait islands;
- Transend Networks Pty Ltd (Transend), a State-owned company operating under Corporations Law with responsibility for electricity transmission through the extra high voltage transmission network; and
- Aurora Energy Pty Ltd (Aurora), a State-owned company operating under Corporations Law with responsibility for electricity distribution through the lower voltage networks and for retailing. Aurora currently has an exclusive retail licence for all of Tasmania, excluding the Bass Strait Islands.

The structural separation of the HEC meets two of the major requirements of the COAG Agreements of electricity reform, namely the full separation of generation and transmission and the ring-fencing and separate accounting for distribution and retailing for integrated distribution/retail businesses.

12.1.2.1 Structural Review of the Distribution/Retail Business

Prior to the establishment of Aurora, a structural review of the HEC's distribution/retail business was undertaken pursuant to clause 4 of the CPA, as the previous Government intended to privatise this part of the HEC.

The review was undertaken by a Committee consisting of Mr Andrew Reeves (Government Prices Oversight Commissioner) and Mr Paul Breslin (Director, ACIL Economics). The Committee's report, submitted in December 1997, contained recommendations relating to:

- the form of separation of distribution and retail businesses (including recommendations regarding ring-fencing);
- the nature of pricing and third-party access regulation required for the distribution business;
- the powers of the pricing regulator;
- the consolidation of regulatory functions relating to the Tasmanian ESI;
- the regulation of retail prices; and
- the payment of CSOs.

The majority of the recommendations of the review were accepted, particularly in relation to establishing appropriate regulatory arrangements for the distribution/retail business. These are now reflected in the ESI Act, the regulations under that Act and in the TEC.

In relation to structural issues, the review concluded that prior to the introduction of a fully competitive electricity market in Tasmania, the distribution business could be conducted as a ring-fenced business within an integrated distribution/retail business. The review further recommended that following the introduction of competition, distribution and retail should be carried out by separate legal entities.

The central issue with respect to the latter recommendation relates to the controls that are required to ensure that the existence of an integrated distribution/retail business does not inhibit the establishment of new retailers in Tasmania.

After careful consideration, the former Government decided not to accept the latter recommendation and, as noted above, Aurora was established as a single distribution/retail business.

The then Government formed the view that, on balance, it was not necessary to require the distribution and retail businesses to be legally separated once competition is introduced. Specifically:

- the separation of distribution and retail businesses was not consistent with the structure in other States. The major foundation members of the NEM had not required such separation, yet there is clear evidence of a high degree of retail competition emerging in the NEM (within the context of the contestability timetables);
- the current local and national requirements relating to the ring-fencing of distribution and retail activities within combined electricity business, together with the open access regime for transmission and distribution networks, were considered sufficient to ensure that other retailers are able to effectively compete with integrated distribution/retail businesses;
- separation would have resulted in the initial individual distribution and retail businesses in Tasmania being comparatively small relative to the firms against which they would have to compete, leaving them at a competitive disadvantage in the NEM;
- even if the distribution and retail businesses were disaggregated, there would be nothing to stop the distribution business, in the longer term, from seeking a retail licence in another NEM jurisdiction and then operating that retail business in Tasmania in conjunction with its distribution business; and
- the recommended separation would have imposed additional costs, which, in the context of the privatisation policy, was expected to lead to a lower sale price for the distribution and retail businesses.

It should be noted that the independent Electricity Regulator has responsibility for the ring-fencing arrangements under the TEC. One of the Regulator's key objectives under the ESI Act is to promote efficiency and competition in the ESI. The Regulator therefore has strong obligations to ensure that the ring-fencing arrangements are effective in facilitating competition.

Nevertheless, the then Government recognised that it is possible that a nationally agreed change could be made to the NEC requiring the legal separation of the distribution and retail businesses, similar to the requirements in the natural gas industry under COAG's gas reforms. If this were the case, the Government would need to ensure that Aurora is restructured to comply with such a requirement when Tasmania joins the NEM.

The NCC has previously expressed the view that the Government needs to establish a net public benefit case in instances where it does not follow the recommendations of a structural review. However, there is no such requirement in clause 4 of the CPA. Rather, the structural review principles outlined in clause 4 require the Government to consider, among other things, the merits of implementing particular reforms to public monopolies when they are either privatised or opened up to competition. In this case, the Government's decision not to require legal separation when competition is introduced was made after

assessing the full range of advantages and disadvantages of separation. The Government is firmly of the view that this decision represents sound public policy and that it has completely fulfilled its obligations under clause 4 of the CPA.

12.1.2.2 Structural Review of the HEC's generation activities and the system control function

The prospective development of Basslink and the State's entry to the NEM will facilitate the introduction of competition to what is currently the HEC's monopoly generation business. This provides a trigger under clause 4 of the CPA for a review of the HEC's generation activities and the system control function.

The review commenced in March 1999 and the Review Team is led by Mr Peter Garlick, a nationally recognised expert in the electricity supply industry and also includes Mr Ross Kelly, a well respected Tasmanian consultant with experience in the electricity sector. The Review Team released an Issues Paper on 29 March 1999 and is required to report to the Government by 30 April 1999.

12.2 GAS INDUSTRY REFORMS

Under the NCP gas reform arrangements, relevant jurisdictions are required to establish a national framework for fair and free trade in natural gas. In particular, the gas reforms require the establishment of third party access arrangements that apply to specified natural gas pipelines.

The National Third Party Access Code for Natural Gas Pipelines was finalised in late 1997. Although Tasmania does not have an established natural gas industry, it signed the Natural Gas Pipelines Access Agreement along with all other jurisdictions at the COAG meeting of 7 November 1997.

In the absence of any natural gas pipeline infrastructure in this State to which third party access can be provided, Tasmania has been treated as a special case within the Natural Gas Pipelines Access Agreement. In particular, Tasmania has been exempted from having to comply with the obligations of the Agreement until approval for the first natural gas pipeline in the State is granted or before a competitive tendering process for a natural gas pipeline in the State commences.

The NCC has acknowledged Tasmania's unique position under the Agreement and has indicated that it does not intend to assess Tasmania's progress in implementing gas reform arrangements for the purpose of competition payments until the advent of a natural gas industry in the State.

To facilitate the development of a natural gas industry in the State, the previous Tasmanian Government selected Duke Energy as it preferred gas developer in May 1998. Under this agreement, Duke Energy was to undertake a feasibility study of the potential to develop a natural gas industry in the State and to report back to the State Government in early 1999. In association with this initiative, the previous Tasmanian Government intended to introduce its third party access

legislation ahead of its commitments under the Natural Gas Pipelines Access Agreement.

While the Tasmanian Government had not announced its position on this issue by 31 December 1998, a separate initiative relating to the introduction of natural gas in Tasmania has altered the situation. In late 1998, the Government was presented with a firm proposal to construct a magnesium smelter in northern Tasmania. Due to the large energy and gas requirements of the proposed magnesium plant, the development of a natural gas industry in Tasmania became linked to the magnesium smelter proposal.

These initiatives could result in natural gas being brought to Tasmania by the year 2002. If that occurred, Tasmania would need to comply with the obligations of the Natural Gas Pipelines Agreement before that date.

In early 1999, the Government approved the introduction of Tasmania's gas pipelines access legislation and the repeal of any conflicting legislation. The Government's intention is to introduce this legislation during the 1999 Autumn Session of Parliament.

12.3 WATER INDUSTRY REFORMS

The Tasmanian Government is fully committed to implementing efficient and sustainable water industry reforms, agreed at the February 1994 COAG meeting and subsequently included in the package of NCP and related reforms agreed at the April 1995 meeting of COAG.

The COAG water reforms are embodied within the Strategic Framework and principally require the implementation of pricing reforms, with greater emphasis on user pays and cost recovery principles, clearer definition of water entitlements (including the allocation of water for the environment) and the development of trading in these entitlements. The Tasmanian Government recognises that the benefits of these reforms will extend beyond those derived from competition policy, with significant positive impacts on community welfare and the environment expected in the longer term.

While the State did not have to meet any specific requirements in relation to water reforms under NCP in order to qualify for the first tranche of NCP payments, a number of water reforms must be completed or, in some cases, substantially progressed in order to qualify for second and third tranche payments.

Two groups have been established to oversee and progress the State's water reform obligations required for the receipt of second tranche NCP payments. These are:

- the Ministerial Water Policy Committee: consisting of the Minister for Primary Industries, Water and Environment, the Minister for Infrastructure, Energy and Resources and the Treasurer. This Committee has been established to oversee the development of the new water management legislation and approve its public release; and

- the Inter-departmental Water Policy Committee: comprising representatives from the Department of Premier and Cabinet (Chair), the Department of Primary Industries, Water and Environment (DPIWE), Treasury and Finance and the Office of Local Government.

In June 1998, the Tasmanian Government accepted an invitation from the former SCARM Task Force on COAG Water Reform to undergo a "mock review" of the State's progress in implementing required water reforms. The six member review panel included representation from the NCC.

The review panel recognised Tasmania's progress in institutional separation of urban water service provision, its methodology for establishing environmental water allocations in consultation with catchment communities and its strong inter-agency co-operation. However, the review panel also acknowledged that full achievement of the COAG water reforms was greatly dependent on the implementation of the State's new water management legislation.

12.3.1 New Water Management Legislation

The Tasmanian Government has drafted new water management legislation, which will be introduced in the Autumn session of Parliament to replace the existing Water Act and some 10 other Acts covering the allocation of water resources in the State.

The new water management legislation will reform the manner in which access to, and use of, the State's water resources are regulated to provide for long-term sustainability while implementing a number of the State's COAG water requirements.

In particular, the new water management legislation, comprising the *Water Management Bill 1999:*

- establishes new institutional arrangements for water management in Tasmania;
- provides for water licensing arrangements, including the establishment of special licences for large generators of electricity, such as the HEC;
- requires the development of water management plans and a State Water Plan;
- facilitates trading in water entitlements;
- provides for formal allocations of water for the environment;
- requires permits for activities that will affect water; and
- creates water districts.

Delays in progressing the new water management legislation have occurred as a result of the August 1998 State election, the unsuccessful local council amalgamation program and resolution of all the sovereign risk issues associated with Basslink.

The Tasmanian Government signed off on all matters necessary to comply with the COAG water reform commitments prior to the end of 1998 and is committed to the priority introduction of the new water management legislation in the Autumn 1999 session of Parliament.

12.3.2 Progress in Implementing the COAG Water Reforms to 31 December 1998

The following information details Tasmania's progress to 31 December 1998 (including proposed future work where relevant) in its implementation of the COAG water reforms. It should be noted that some of the reported progress relates to the Water Management Bill which has been drafted and has recently been subject to a public consultation program that closed on 9 April 1999. The Bill will be introduced into Parliament in late April 1999.

12.3.2.1 Water Pricing

12.3.2.1.1 Urban water services

In Tasmania, all urban retail water services are provided by local government. For historical and other reasons, the current water prices set by many councils do not include separate access and volumetric components. The absence of full water metering in many municipalities precludes the immediate introduction of volumetric pricing in the form of two-part tariffs.

Currently, only Brighton Council applies two-part pricing for all urban water services, with two other councils imposing a two-part pricing regime for the major urban centres in their municipalities, namely Devonport (with 95 per cent of properties being metered) and Break O'Day (with the St Helens township being metered). At least five councils, including Derwent Valley, Launceston, Northern Midlands, Flinders Island and the Break O'Day councils, are considering proposals to move towards full two-part pricing across their municipalities.

Nineteen of the State's 29 councils have some coverage of water metering. Of these, ten councils are fully metered (including Brighton, Sorell, Southern Midlands, West Tamar, George Town, Circular Head, Central Coast, Latrobe, Kentish and Flinders Island). A further five councils located on the North-West Coast are more than 90 per cent metered.

Several councils are less than 30 per cent metered. Of these, five are in the Hobart area (including the Hobart council, Kingborough, Glenorchy, Derwent Valley and Glamorgan/Spring Bay councils). A study for the Hobart Regional Water Board[1] in 1995 recommended against universal metering on cost grounds. Currently, those five councils meter and apply excess water charges only to certain commercial and industrial users. However, all except one council require meters on new installations (although these are not read at present).

[1] *Investigation of the Benefits and Costs of Universal Water Metering*, CMPS&F Pty Ltd, May 1995.

In summary, almost 60 per cent of Tasmanian water installations are metered, with relatively low levels of metering in the three largest councils in the Hobart area.

Where councils are not imposing a two-part pricing policy, there is a tendency to use a rating system for water charges based on assessed annual value (AAV), with a minimum applying in most of these cases. Generally, those councils with low metering coverage use the AAV system. Ten councils use fixed charges (not based on AAV) together with a metered excess charge. At present, around $10.6 million is raised from excess or volumetric water charges in Tasmania, being around 17 per cent of total water revenues of $61.5 million. This may be compared with the fully operative two-part tariffs, for which volume charges account for 50 per cent of revenue (Brighton) and 91 per cent (Devonport).

In accordance with Strategic Framework requirements, to assess the cost-effectiveness of introducing two-part tariffs, the State Government initiated a review of this matter in December 1998. The review is being undertaken by GPOC.

This review, entitled "*Investigation into the Cost-Effectiveness of Local Councils Implementing Two-Part Pricing for Urban Water Services and the Implementation of Other Local Government Urban Water Reforms Required Under the COAG Water Reform Agenda"*, requires GPOC to develop a set of guidelines to establish measurable criteria which will assist each local council to assess whether the implementation of a two-part pricing structure for water in its jurisdiction is cost-effective. Without limiting the scope of the consultancy, these criteria may include issues such as:

- the extent of excess capacity of urban water schemes;
- the extent to which metering is currently in place;
- the quality of water;
- the charging arrangements applicable at the bulk water end (including the extent to which volumetric charging is imposed); and
- the projected future demand for urban water schemes.

Once the set of guidelines has been established, local councils will be required to rigorously apply them for each water supply scheme to assess whether it is cost-effective to implement two-part pricing. The application of these guidelines by local councils will be independently assessed by a joint local and State Government review group.

The Government has indicated to councils that implementation of a two-part tariff regime will be mandatory where an assessment reveals that this is cost-effective.

In addition, GPOC is required to establish a set of principles to ensure that local councils successfully meet the asset renewal and asset maintenance requirements of the ARMCANZ Water Pricing Guidelines. Currently, only five councils have demand forecasts covering 10 years or more.

Local councils will then be required to rigorously apply these principles to ensure that they are meeting the asset renewal and asset maintenance requirements, as specified in the Strategic Framework. The application of these principles by local councils will be independently assessed.

It is expected that the above guidelines and principles will be available for implementation in April 1999.

12.3.2.1.2 Metropolitan bulk-water suppliers

As noted above, the Tasmanian Government referred the prices charged by the three major Tasmanian regional water authorities to GPOC for investigation under the GPOC Act.

The State Government has endorsed GPOC's maximum prices (in the form of maximum revenues) and other pricing principles. An Order (for NWRWA) and a Determination (for HRWA and EWA) were issued at the end of February 1999 implementing GPOC's pricing principles.

The maximum revenues will apply for a three year regulatory period commencing from 1 July 1999.

In addition to maximum revenue recommendations, GPOC also recommends in relation to water pricing that:

- uniform pricing principles are applied for the three bulk water authorities;
- where an authority is not already applying a two-part tariff structure, that it has a two-part tariff structure in place by the 2001-02 financial year; and
- within this two-part tariff structure, the volumetric component reflects the long-run marginal costs of the authority, with any revenue shortfall to be recovered in the fixed component.

12.3.2.1.3 Rural water supply

Water Pricing for the Government Irrigation Schemes

Less than 10 per cent of irrigation water used in Tasmania is sourced from publicly-owned infrastructure. The vast majority of irrigation water is sourced from unregulated streams or private on-farm storages.

The three Government irrigation schemes, namely the Cressy-Longford, South-East and the Winnaleah schemes, are managed by the RWSC. As a GBE, the RWSC is required to include the payment of tax equivalents and a loan guarantee fee in the determination of its costs for operating its trading enterprise. Water pricing for the irrigation schemes is set through the business plans for each scheme which form part of the RWSC's Corporate Plan.

Water prices cover operational, management, maintenance, depreciation and finance costs. All schemes receive a subsidy from the Government to cover the costs of repayments and interest on loans which were established to provide the capital funding for construction of the schemes. These subsidies appear as separate, fully transparent items in the RWSC's annual financial statements for each scheme. These statements are tabled in Parliament and are public documents.

Current revenue from water sales for two of the schemes does not fully cover the other operating costs, although the water prices are cost-reflective to the greatest extent possible. The RWSC's business plan proposes that the schemes meet these costs by 2001-02, requiring 12-13 per cent annual increases in water prices.

In January 1998, the RWSC commissioned a consultancy through Stanton Associates/GHD Joint Venture to:

- provide a cost for asset consumption for each scheme to be used as a renewals annuity in setting water prices; and
- recommend strategies for reducing scheme operating costs, including a consideration of alternative management structures.

Due to the complexity of some of the issues involved, the consultancy has taken longer than anticipated and is expected to be completed in April 1999.

The RWSC will consult with scheme users on the recommendations of this report in reviewing scheme water prices for 1999-2000. A possible switch from the current mechanism of recouping asset consumption costs (straight line depreciation) to a renewals annuity approach is a major part of this review.

Raw Water Pricing

Current pricing for "raw water" (water taken directly from rivers, lakes and aquifers by commercial water users) varies widely, from a nil cost to $26 per megalitre.

The RWSC collects fees for Commissional Water Rights under the Water Act from around 2,400 users. However, the fees are not reflective of the direct costs, including licensing, monitoring and bailiffing incurred by the RWSC, and the RWSC does not recover a high proportion of these costs. Water users with other rights to take water generally do not contribute to the bailiffing and monitoring costs, although they generally benefit from these services.

In December 1998, the Government reconfirmed its commitment to introduce a new user-pays pricing policy within the new water management legislation.

To this end, the Water Management Bill provides that water licence fees can vary with the quantity of water taken, the source of water, the use to which the water will be put, when the water is taken, the degree of certainty of the water supply being available and the method by which the water is taken. This provides for a flexible pricing system for dealing with the wide variety of types of water takes throughout the State, from the Hydro-Electric Corporation's licensed take of

around 25 million megalitres to a take of 1 megalitre by landholders into a farm dam.

The proposed pricing structure for raw water taken from unregulated streams, lakes and groundwater will provide for:

a) clear separation of public and private costs incurred in water management;

b) the setting of licence fees to reflect the direct costs attributable to licensees (a standard 'administrative fee' to cover licence issue and a variable 'management fee' to cover bailiffing, compliance auditing, water quality monitoring etc.);

c) the creation of seven different pricing regions to reflect the variations in the cost of servicing users in different water management regions of the State;

d) a broader base for revenue collection to ensure that all beneficiaries contribute to the costs of the services provided;

e) a different pricing structure for different types of licences, for example, water taken into storage during winter compared to water taken directly from rivers during summer; and

f) opportunities for licensees to reduce their costs by changing the level of service received from the Government.

The new fee structure will be implemented on proclamation of the Water Management Act, anticipated in mid-1999, and will lead to significant licence fee increases relative to the current fees. Where appropriate, the increases will be phased in over several years.

The Government has also agreed to undertake an independent audit of the DPIWE's proposed fee structure.

12.3.2.1.4 Groundwater

Groundwater resource assessment work by Mineral Resources Tasmania indicates that current consumption of groundwater is around 20,000 ML per annum, compared to a sustainable yield of 500,000 ML per annum. Long-term monitoring indicates that current usage is having no adverse impact on groundwater quantity or quality.

Currently, the only significant Government activity in relation to groundwater management is in monitoring the impact of use. This is undertaken as a public good activity with no charge being directly levied on groundwater users.

Groundwater management is an integral part of freshwater management, to be undertaken by the DPIWE under the Water Management Bill. The Bill provides

that the costs of groundwater management services may be recouped from users where the services are provided as a direct result of the users' activities.

12.3.2.2 Water allocations and entitlements, including environmental requirements

12.3.2.2.1 Rights to take water

Under current legislation, water users have access rights to water through a wide range of statutory provisions, for example:

- owners of riparian tenements may take water for stock and domestic purposes under common law but the daily take is capped under regulations under the Water Act;
- the vast majority of commercial water users (around 2,400) are licensed under the Water Act;
- other specific groups (eg. holders of prescriptive rights and rights in fee and the HEC) have entitlements under separate provisions of the Water Act;
- water users in formal irrigation schemes have licences under the *Irrigation Clauses Act 1972*;
- other surface water users have rights under several specific pieces of legislation; and
- groundwater users may be licensed under the *Groundwater Act 1957*.

The new Water Management Bill provides that:

(i) All rights to surface and groundwater are vested in the State.

(ii) Specified people may take water without needing a licence; riparian or 'quasi-riparian' land owners, as well as casual users of land may take water from watercourses and lakes for human consumption, domestic purposes, stock watering and firefighting. In addition, electricity generation for private use is also permitted where this does not adversely affect other users or the environment. Occupiers of land may also take surface water (water not flowing in a watercourse) and groundwater from that land for any purpose. Common law rights to naturally occurring water are abolished and all water uses other than those outlined above are required to be licensed.

(iii) These entitlements to take water without a licence are subject to the taking of water not leading to material or serious environmental harm or being contrary to the provisions of an applicable water management plan. In addition, no-one may take water in excess of their reasonable requirements for the above purposes and maximum takes may be prescribed by regulation.

(iv) The Minister may deem it necessary to licence water users who would otherwise have a right to take water under (ii) above in order to ensure the equitable sharing of water or to avoid environmental harm.

(v) The Minister may grant a water licence to a person to take water from a water resource. Licensees are required to take water for a purpose, or in a manner, other than that listed above under paragraph (ii).

(vi) The details that must be specified in a water licence include the name of the water resource, the surety with which the water allocation can be expected to be available, the quantity of water that can be taken, the date on which the water licence expires and any special conditions.

(vii) A water licence is separate to a land title and is the property of the licensee.

(viii) A licence or all or part of the water allocation on a licence may be transferred to another water user.

The changeover arrangements from the current licensing system to the new system provide that existing legal entitlements to water will be preserved where they are sustainable. The DPIWE believes that the vast majority of current entitlements are sustainable but the Bill allows the Minister to vary the conditions or reduce the allocation of a licence as necessary to meet environmental requirements.

12.3.2.2.2 Environmental allocations

The *State Policy on Water Quality Management 1997* (State Water Policy) establishes the framework for the development and implementation of environmental water allocations.

Under the State Water Policy, environmental flows for specific water resources are determined in relation to the "Protected Environmental Values" (PEVs) and water quality objectives established for the resource. In effect, the environmental flow is the streamflow regime required to ensure that the agreed PEVs and water objectives are not compromised.

DPIWE is developing statutory Water Management Plans which integrate the PEVs and water objectives with other water values established through community consultation. These water values cover ecosystem values, consumptive and non-consumptive use values, recreation values, aesthetic values and physical landscape values.

Under this process, the identification of water values in terms of water quantity is integrated with the process to identify values for water quality being undertaken by the Environment and Planning Division of DPIWE as part of the implementation of the State Water Policy.

Progress in the identification of water values by the community

To date, specific community water values have been identified for the Meander, Mersey, Great Forester, Little Forester, Ringarooma, North Esk, Saint Patricks Mountain, Clyde and George River catchments. It is intended to hold community workshops to establish values for a further 10 priority catchments in mid to late 1999.

The workshops involve representation from different community groups (recreational fisheries, farming, irrigation, environmental etc) from within each catchment. These representatives are sent information prior to the workshop explaining the value setting approach and detailed description of specific water values. The water values identified through the workshop are then prioritised in each category.

The outcomes of these workshops will then be communicated to the wider community at a public meeting for each catchment in the form of a draft "Water Management Plan" required under the Water Management Bill.

Ecological values identified by the community are combined with those identified by State agencies as noted below.

Identification of values by State Agencies

A State Working Group was established in 1997 to oversee the development of Water Management Plans in conjunction with the implementation of the State Water Policy.

The Group is responsible for:

(a) setting priorities for the development of Water Management Plans (under an agreed process for quantitatively defining catchment priorities according to the stresses placed on their waters, or other special management requirements); and

(b) identifying water values for catchments from a technical and scientific perspective, including the non-negotiable environmental values which are implicit in various local, national and international agreements and legislation.

Environmental flow assessment - current and future work

The Group has established a list of priority river systems for environmental flow assessment. Considerable work on the determination of water requirements for river ecosystems has already been completed for some of Tasmania's major river basins.

A number of techniques for assessing environmental flow requirements have been developed to suit Tasmanian conditions. The assessment of each catchment for environmental flow requirements uses the most appropriate technique to address the ecosystem requirements of the particular river system.

Determination of environmental flow requirements for river ecosystems commenced in December 1997 and will be extended to up to 10 river systems annually for the next four years. This work involves the development of hydrological regionalisation models, expansion of the state biological database on habitat requirements of fauna and flora, and the development of additional monitoring tools to assess the long term environmental benefit of revised flow regimes in rivers.

DPIWE has adopted a regional approach for a suite of activities to address the flow requirements of rivers. Currently, the agency is involved in assessing environmental flow requirements for river systems in the northeastern, midland, and southern regions of the State using detailed methodologies for stressed river systems and rapid assessment desktop methodologies for lower priority systems.

In the northeastern areas, detailed environmental flow assessment is largely completed for the Little Forester, Great Forester, Lower Ringarooma, Georges, North Esk, Saint Patrick's and George Rivers. Desktop approaches are being used for the Ansons Rivulet, Boobyalla River, Little Musselroe and Great Musselroe river systems.

In the midland and southern areas, environmental flow assessment is proceeding for the Elizabeth, Macquarie, Tooms, Coal, Clyde, North West Bay, Mountain, Browns, Ouse, Lake and Jordan Rivers. A variety of techniques is being adopted for this assessment.

It is expected that environmental flow assessment and recommendations on appropriate flow regimes for streams for the northeastern, midland and most southern streams will be completed by the middle of 1999. Work on the Ouse and Lake River is expected to be ongoing into the year 2000. These recommendations will then form the basis of further community consultation and negotiation of broader water values.

In addition to ongoing work for the Ouse and Lake Rivers, the work will focus on rivers in the State's northwest in 1999-2000 and tackle the remainder of rivers in the State in 2001-02. The southwestern regional rivers are largely pristine and in the World Heritage Area. The majority of these rivers are subject to no abstraction of water and are of the lowest priority for environmental flow assessment.

As noted above, once environmental flow requirements have been established, they are incorporated into statutory Water Management Plans. The Act requires that the Plans are reviewed at least at five yearly intervals.

Biological Monitoring of Environmental flows

The Australian River Assessment System (AUSRIVAS) model of river health (based on aquatic macroinvertebrates) has been adopted as the principal biological protocol for assessment of the environmental benefit under new flow regimes. It has been developed by DPIWE under the National River Health Program.

AUSRIVAS models have been established for the northern and western areas of the State and models are currently being developed under the first National Assessment of River Health for the eastern, southeastern and midland regions.

The Victorian index of river condition is being used to assess catchments in the northeastern region. Elements of this index will be used for monitoring the benefit of environmental flows in this area.

12.3.2.2.3 Appropriate assessment of future water harvesting proposals

Water allocations

The RWSC imposed a moratorium on the issue of new water entitlements in 1995. The moratorium principally applies to applications for direct taking of water during summer. The moratorium has been lifted on particular water resources only when appropriate environmental flow regimes have been established. Only three rivers have been investigated sufficiently for allocation procedures to be established: Derwent, Huon and Leven Rivers.

The RWSC has provided temporary allocations to applicants for water rights on some streams where it expects the environmental flow requirements to be readily met within the current regime of licensed water entitlements. These temporary allocations apply for one season only and may be withdrawn if the streamflow reaches environmental risk levels at any time.

Under the draft Bill, in areas where a Water Management Plan does not exist, the Minister will be able to approve applications for new water allocations (including water taken into dams) only where he or she can do so in accordance with the objectives of the Bill. The principal objectives of the Bill in this regard are those in Tasmania's Resource Management and Planning System (RMPS), which establishes principles for sustainable development in the State.

Dams

The Tasmanian RMPS provides a mechanism for ensuring that appropriate environmental impact assessments are completed prior to approving the construction of dams.

Under the current Water Act, the RWSC is the principal body responsible for assessing applications for the construction of dams. The RWSC must consult with relevant agencies before considering applications.

This is carried out through the Interdepartmental "Farm Dam Working Group" which represents the Resource Management, Environment and Planning, and Conservation and Land Management Divisions of DPIWE and the Inland Fisheries Commission. The Group provides expert advice on water resource, environmental and cultural impact assessment requirements for applicants.

Proposals to construct dams which may have a significant impact at regional level are assessed by the Board of Environmental Management and Pollution Control,

established under the *Environmental Management and Pollution Control Act 1994*, in accordance with the environmental impact assessment principles set down in that Act.

Local Government can also have a role in assessing applications for dam construction under the *Land Use Planning and Approval Act 1993.* Local government has a statutory obligation to further the sustainable development objectives of the RMPS in any such assessments.

12.3.2.3 Trading arrangements for water allocations or entitlements

12.3.2.3.1 Unregulated water resources

Under current legislation, the majority of water entitlements, known as commissional water rights, are legally attached to land titles and hence are not transferable separately from the land.

The Water Management Bill establishes a new water entitlements system whereby water licences are not legally attached to land titles and are transferable.

The Bill provides that:

- A licensee may transfer all or part of the water allocation on that licensee's water licence to another person. The transfer may be absolute (ie. permanent sale of the water) or for a limited period (ie. temporary lease of the water).
- The transfer must be in accordance with any relevant Water Management Plan or, where there is no relevant Water Management Plan, in accordance with the objectives of the Bill.
- The Minister may modify or refuse to approve a proposed transfer if the transfer would have a significant adverse impact on other water users or the environment, or if, after the transfer, the quantity of water available to the transferee would be in excess of the quantity that could be sustainably used.
- The Minister may require an applicant for a transfer to pay for an assessment of the effect of granting that transfer.
- A transfer of an allocation on a licence can only be approved with the consent of any person noted on the register of water licences as having an interest in the licence (eg. a mortgagee).

It is expected that this system for the trade of water entitlements will come into effect on proclamation of the legislation.

12.3.2.3.2 Irrigation Schemes

A system of water rights trading has been operating in the Government-owned irrigation schemes since the 1994-95 season. Under these arrangements, owners of irrigation rights not wishing to use those rights in a particular season were, with the approval of the RWSC, able to transfer them to other users.

Recent amendments to legislation provide a more robust and "free-market" mechanism for transfers.

The *Irrigation Clauses Amendment Act 1997* provides that irrigation rights (entitlements to take water from the irrigation scheme) are separated from land titles and are transferable within the irrigation district, subject to any conditions imposed by the Minister. Rights can be leased or sold.

The transfer of irrigation rights commenced on the proclamation of the Act in December 1998, after the RWSC established transfer rules in consultation with scheme users. The transfer rules cover the physical restrictions imposed by scheme infrastructure, rights of third parties with an interest in the rights and environmental sustainability factors.

Twelve transfers were approved in the two months after transfers were permitted.

12.3.2.4 Integrated approach to natural resource management

Tasmania's RMPS, established in 1993, provides an integrated policy and a statutory and administrative framework for the pursuit of sustainable development in the State. Supported by a suite of complementary legislation (including the Water Management Bill), the system establishes a "whole of government, industry and community approach" to resource management and planning. The system is concerned with the use, development, conservation and protection of land, water and air.

Under the RMPS, strategic planning is to occur in an integrated way at State, regional and local levels. The system is designed to simplify and streamline the approvals process, create surety for land managers, users and owners, and improve the quality of resource management and planning decisions. Public involvement in resource management and planning is encouraged and the system includes opportunities for public consultation and participation.

The objectives of the RMPS are to:

a) promote the sustainable development of natural and physical resources and the maintenance of ecological processes and genetic diversity;

b) provide for the fair, orderly and sustainable use and development of air, land and water;

c) encourage public involvement in resource management and planning;

d) facilitate economic development in accordance with the objectives set out in paragraphs (a), (b) and (c); and

e) promote the sharing of responsibility for resource management and planning between the different spheres of Government, the community and industry in the State.

Under the RMPS, **"**sustainable development**"** means managing the use, development and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic and cultural well-being and for their health and safety while -

a) sustaining the potential of natural and physical resources to meet the reasonably foreseeable needs of future generations;

b) safeguarding the life-supporting capacity of air, water, soil and ecosystems; and

c) avoiding, remedying or mitigating any adverse effects of activities on the environment.

Within the RMPS Framework, the *State Policies and Projects Act 1993* provides for the making of State Policies. A State Policy is binding on any person and on State Government agencies, public authorities and planning authorities.

The State Water Policy was proclaimed in 1997. This provides that water managers must take account of the PEVs and water quality objectives established under the Policy. These parameters are to be used as the basis for establishing environmental flow regimes and environmental values for the Water Management Plans established under the new water management legislation. Further details of this policy are provided below in section 6.3.3.11.1.

A *State Policy on Integrated Catchment Management* is currently being developed. This Policy is expected to be proclaimed in 1999 and will establish statutory principles for catchment planning. Catchment planning will involve the setting of vegetation, land and water objectives for catchments, with catchment plans also providing strategies for achieving the objectives. Water Management Plans will provide statutory backing for the water management strategies needed to achieve the water quality objectives.

Catchment management plans are being developed in several areas of the State, largely through the independent work of community-based stakeholder groups, for example, the Meander Catchment Co-ordinating Group, the Huon Healthy Rivers Project Committee, and the Orielton/Pittwater Catchment Committee. These plans may become statutory plans under the proposed State Policy on Integrated Catchment Management.

12.3.2.5 Institutional arrangements

Currently in Tasmania, the Minister for Primary Industries, Water and Environment is formally responsible for both the regulation and the provision of water services. However, there is sufficient institutional separation to ensure that

this does not lead to inefficient outcomes. The following sections set out these institutional arrangements.

12.3.2.5.1 Water management

Under current legislation, there are several public and private bodies managing water resources in the State, for example, the RWSC, the HEC, Mineral Resources Tasmania, councils and private companies. Almost all of these bodies also have responsibilities for the provision of water services.

Under the Water Management Bill, the responsibility for management of all of the State's freshwater resources is vested in the Minister for Primary Industries, Water and Environment with DPIWE being responsible for the implementation of the provisions of the Act. All service providers, including the RWSC, councils and the HEC, will require licences to take water.

Service providers will be able to manage water resources as part of their licence conditions, in situations where an approved Water Management Plan is in place. In these situations, DPIWE will still be accountable to ensure that the agreed water management requirements of the Plan are met.

12.3.2.5.2 Service Provision

Under the new legislation, DPIWE will not have a role in the delivery of water services.

As indicated above, ownership and governance responsibility of the State Government's Hobart Regional Water Board and the North Esk and West Tamar Supply Schemes were transferred to local government through the establishment of the HRWA on 1 January 1997 and the EWA on 1 July 1997 under the Local Government Act.

Legislation to provide for a similar transfer of the State Government's NWRWA to local government was passed by Parliament in 1998 and is awaiting proclamation.

The proclamation of this legislation will leave the Prosser Water Supply Scheme, serving several small towns on the East Coast, as the only State Government owned urban water supply scheme. This Scheme is currently operated by Spring Bay/Glamorgan Council under contract to the RWSC.

12.3.2.5.3 Environmental regulation

Under current legislation, there is no mechanism through which water managers are directly accountable to an environmental regulator.

In undertaking its water management responsibilities under the new legislation, DPIWE will be required to maintain agreed environmental flows, to not compromise PEVs established under the State Water Policy, to abide by environmental protection measures and monitor the environmental impacts of its activities.

To facilitate the implementation and operation of this regulatory regime, an appropriate system of environmental regulation has been established, utilising the current arrangements under the Environmental Management and Pollution Control Act.

The Board of Environmental Management and Pollution Control established under the Act determines (i) a set of broad PEVs in consultation with stakeholders; and (ii) water quality objectives, in accordance with the State Water Policy. DPIWE will then prepare Water Management Plans based, as a minimum, on these PEVs and water quality objectives, including a process for monitoring, audit and review of each Plan. These Plans will then be approved by DPIWE's Director of Environmental Management before being approved under the provisions of the Water Management Bill.

In areas where there is no Water Management Plan, the Director of Environmental Management may issue an Environment Protection Notice under the Act to ensure protected environmental values and environmental objectives are met by DPIWE.

12.3.2.6 Efficient delivery of water services

In accordance with the GBE Act, the Department of Treasury and Finance, on behalf of the Government, continues to monitor the quarterly financial performance of GBEs (including the NWRWA and the RWSC) against planned performance targets.

To enhance public accountability, the published annual reports of GBEs include a Statement of Corporate Intent which details:

- the business definition, which outlines the core business, any major undertakings, key limitations and any CSOs required to be delivered;
- strategic directions, including the business directions for the GBE, the major goals, expected outcomes and key factors affecting the operating environment;
- business performance targets, which provide a public commitment to performance in key areas of the business; and
- any other major issues, including significant changes in any areas, for example, pricing issues, employee relations and subsidiaries.

Performance comparison criteria have been developed for the three major Tasmanian regional water authorities. The Government is utilising the strategic and operational plan requirements of the Local Government Act to require councils to incorporate these principles within their 5 year strategic plans and to

give effect to them in their annual operational plans which must be reported upon in Annual Reports and at Council Annual General Meetings.

In addition, Tasmania's largest metropolitan bulk water authority, the HRWA, is participating in national benchmarking and performance monitoring through the Water Services Association of Australia (WSAA).

Given that the minimum size for a water authority to participate in the WSAA program is 50 000 connections, the EWA and NWRWA are necessarily excluded from this program. However, the Standing Committee on Agriculture and Resource Management (SCARM) is currently developing a national approach to establishing a performance monitoring program for "non-major urban water authorities" (around 10 000 to 50 000 connections) based on the WSAA model. It is expected that the EWA and the NWRWA will participate in this program when it is established.

The RWSC is participating in the national performance monitoring program for irrigation schemes currently being developed by SCARM.

12.3.2.7 Commercial focus for water services

The establishment of the HRWA and the EWA as joint authorities was based on the following principles:

- all of the major councils within the region must be involved;
- the bulk supply joint authority must function at arms length from the councils involved, in a proper commercial manner; and
- appointments to the joint authority board must be on the basis of skills and experience to manage a bulk water supply, as distinct from representative experience.

These transfers of the bulk water authorities from the State Government to local government are also conditional upon assurances from local government that the bulk water operations will be conducted in a manner that enables the State to meet its obligations under the National Competition Policy agreements. This means that joint authorities are subject to tax equivalent, dividend and guarantee fee regimes.

The establishment of the HRWA and the EWA (and shortly, the NWRWA) as joint authorities of local government is fully consistent with the recommendation of London Economics in its Final Report entitled "*Water Sewerage and Drainage Review - Tasmanian Roles and Functions Committee*" in September 1995.

In this Report, London Economics clearly recommended a corporatisation model, with State or local government owned organisations operating according to sound commercial practice. In this manner, London Economics considers that the best practices of the commercial sector are brought into the industry and that there is appropriate accountability for performance and for meeting standards.

The establishment of the RWSC as a GBE in 1995 has led to a greater commercial focus for the operation of Government-owned irrigation water supply, river improvement and drainage schemes. In particular, in accordance with section 7 of the GBE Act, the RWSC as a GBE is to:

> "perform its functions and exercise its powers so as to be a successful business by -
>
> (i) operating in accordance with sound commercial practice and as efficiently as possible; and
>
> (ii) maximising the sustainable return to the State in accordance with its corporate plan and having regard to the economic and social objectives of the State."

12.3.2.8 Management of irrigation schemes

The RWSC manages the three Government owned irrigation schemes in Tasmania. Under the new water management legislation, the RWSC will no longer have any direct water management responsibilities and its activities will be restricted to service provision. Under this arrangement, the management of the irrigation schemes will be effectively corporatised.

The RWSC has established separate management committees for each of the schemes. The committees have a majority membership of elected irrigator representatives. While the committees are only "advisory", the RWSC seeks their advice on all significant matters affecting scheme operations.

In early 1998, the Commission appointed Stanton Associates/GHD Joint Venture to undertake an investigation of alternative management options for the schemes, including commercialisation, individual corporatisation or privatisation. The complexity of the issues has delayed finalisation of the work and the consultants are now expected to provide a final report by the end of April 1999.

Scheme users have been actively involved in establishing the guidelines for the investigation and in directing the work as it has progressed. The final outcome of the investigation will be presented by the consultants to general meetings of users in each of the schemes and form the basis of a report to the Government by the RWSC on the future management of the schemes.

12.3.2.9 Public consultation on water issues

DPIWE conducted a major consultation program from November 1997 to January 1998 to provide initial information and take input on the proposed review of water management legislation. This involved:

- the direct distribution of around 3,000 information brochures and 350 full information packages;

- 16 public meetings and 25 meetings with specific stakeholder groups and individuals;
- the receipt of 82 written submissions; and
- the receipt of around 50 phonecalls and email messages.

A further round of consultation on the Water Management Bill was conducted in late May-early June 1998 with public meetings attracting around 700 people.

A third period of public consultation on the draft legislation has recently been conducted to finalise the provisions of the Bill prior to its introduction into Parliament.

For urban water services, the Government utilises the strategic and operational plan requirements of the Local Government Act to require councils to undertake public consultation processes in relation to water service delivery issues, including pricing issues.

12.3.2.10 Public education

12.3.2.10.1 Schools program

Tasmania's formal water education program is principally conducted through Waterwatch, which is a school education unit prepared by DPIWE. A *Waterwatch Field Handbook* was developed in 1996 for use by all schools involved in the Waterwatch Program. It contains summary information about each physical, chemical and biological parameter used in monitoring waterways and detailed instructions for testing and using field equipment.

A 25-hour framework syllabus ["*Waterwatch" (Syllabus code SC 069*)] has also been developed for use by teachers of grade 9/10 students. It includes objectives, content and criteria to be used in assessing the students' progress in this unit. It has been in use since 1995 by approximately 30-40 high schools (approximately 3,000 students).

Environmental Science Pre-tertiary syllabus

Tasmanian educators developed this syllabus in 1993 before Waterwatch started. It has been extensively used by secondary colleges since. It contains guidelines on concepts to be taught - eg. ecosystems, physical, chemical and biological parameters affecting aquatic ecosystems, impacts of pollution and management. It lists criteria by which students should be assessed.

This course is taken by grade 12 students (about 17 years old) and is counted towards University entrance scores. The Water Unit (40 hours work over 7-8 weeks) has had a big impact on students, particularly following the field work. It is taught in most colleges and schools in Tasmania as a grade 12 subject.

Professional development

Waterwatch funds professional development of teachers involved in the schools programs. In 1998, Waterwatch spent about $20,000 to enable teachers to attend training workshops and planning seminars. Professional development includes water monitoring techniques to use with students, sampling protocols, water safety, interpretation of data, reporting of data, data management, sharing results with the broader community and so on. Around 75 teachers have been trained over the last three years.

12.3.2.10.2 Adult education

Waterwatch Technical Reference Manual (1998 field test draft) for coordinators

DPIWE was contracted by Waterwatch Australia to produce a Waterwatch Technical Manual for Australia. A field test draft of this manual (430 pages) became available in 1998 and is being used for training Waterwatch coordinators (11 located around the State). They, in turn, work with teachers and Landcare group members to increase awareness of water issues, for training in the use of equipment, and to use the data to raise awareness of issues in their catchment plan monitoring programs and obtain information on local issues eg. land use impacts and point source pollution problems. Data collected by the groups are passed on to DPIWE water management officers.

"State of Rivers Reports"

The results of DPIWE water quality and environmental monitoring programs are made publicly available. This information gives local communities a snapshot of the condition of their water resources, including the outcome of any water quality and river improvement works through a comparison with previous data for the same resources.

12.3.2.10.3 Education programs for water services

The Local Government Act provides a mechanism for public education and consultation through the strategic and operational plan requirements. Councils use this mechanism as appropriate to establish service delivery standards and related costs.

The RWSC meets with users of the Government irrigation schemes regularly to discuss aspects of scheme operation, including water pricing. Changed levels of service delivery at Cressy-Longford Irrigation Scheme and South East Irrigation Scheme resulted from the implementation of consultants' reports on the scheme commissioned in 1995-96. The new levels of service were negotiated with irrigators prior to implementation.

12.3.2.11 Water quality management

12.3.2.11.1 State Policy on Water Quality Management

The State Water Policy is a statutory policy which applies to both surface and groundwaters in Tasmania.

The Policy was specifically designed to implement the National Water Quality Management Strategy (NWQMS) in Tasmania. It will achieve this in the following ways:

- the purpose of the Policy was drawn from, and is comparable to, the objective of the NWQMS in Tasmania;
- the structure and functioning of the Policy closely follows the model set out in *Policies and Principles*, which is the key document in the National Water Quality Management Strategy. The Policy specifically refers to developing water quality objectives through a consultative approach;
- the policy for dealing with point source pollution is based firmly on the model in the *Policies and Principles* document;
- the Policy sets out strategies to deal with major sources of diffuse pollution in accordance with the approach recommended in the NWQMS;
- the Policy adopts the waste minimisation hierarchy promulgated in the NWQMS;
- the Policy deals with groundwaters in accordance with the guidance set out in the NWQMS document "*Guidelines for Groundwater Protection in Australia*"; and
- where appropriate and available at the time that the Policy was finalised, it adopts or refers to guidelines produced as part of the NWQMS - eg. the *Australian Water Quality Guidelines*, and *Guidelines for Urban Stormwater Management*. Other NWQMS guidelines are expected to be applied in implementing other components of the Policy.

12.3.2.11.2 Water quality monitoring

DPIWE is developing a network of continuous monitoring stations linked to stream gauging stations at 10 sites around the State. The stations monitor conductivity, temperature and turbidity.

DPIWE prepares and publishes catchment-based strategic "State of Rivers" reports to provide a snapshot of water quality in important river basins. To date, two reports have been publicly released: South Esk Basin (1996) and Huon Catchment (1998), while four further reports are in preparation. These and other recently published water quality reports are also being made available to the public through the DPIWE website and public seminars.

DPIWE has also developed a "State Algal Management Strategy" which outlines procedures for monitoring and managing blue-green algal blooms in freshwater storages. Linkages between this Strategy and national protocols are presently being formulated.

12.3.2.11.3 Catchment Management

Tasmania has a number of current programs to support and facilitate catchment management within the State. These include publication of a guide for community groups, entitled "*Integrated catchment management - what it is and how to do it*". There are currently around 12 catchment management groups operating in Tasmania. Significant achievements have included the completion of catchment management plans for the Huon, Meander, Coal and Mersey Rivers.

While the work to date has been successful in facilitating the adoption of catchment management in Tasmania, as evidenced by the number of groups which have been formed, the Government is committed to further promoting catchment management through the preparation of formalised arrangements, utilising the proposed State Policy on Integrated Catchment Management under the *State Policies and Projects Act 1993*.

12.3.2.11.4 Landcare practices

The State Water Policy contains provisions for dealing with the control of erosion and stormwater runoff from land disturbance, agricultural runoff and forestry operations amongst a number of other provisions to control diffuse runoff. These provisions are aimed at promoting landcare practices which will protect rivers and streams.

The Policy refers to the use of the planning system and the development of a code of practice to reduce the effect of development activities on waterways. Action is underway to ensure that the appropriate provisions are contained in planning schemes.

In relation to agricultural runoff, the Policy requires the development of a code of practice or guidelines to reduce the impact of stormwater from agricultural land on water quality. Appropriate guidelines are currently being developed.

In the case of forestry operations, Tasmania already has in place a legally enforceable Forest Practices Code which will facilitate the achievement of the requirements in regard to private and public forestry land.

12.3.2.11.5 Wastewater discharge

There are several measures in place in Tasmania, including the State Water Policy, to actively promote the re-use of wastewater. There are also several projects presently underway to remove existing discharges from waterways, with the greatest emphasis on inland waters.

Sewage treatment lagoons are the most common method for sewage treatment in Tasmania. Discharges from lagoons are among the principal sources of point source pollution for inland rivers.

A major research project was conducted in 1993-95 to investigate design parameters for increasing the efficiency of lagoons under Tasmanian conditions. The work was a joint project of the then Departments of Environment and Land Management, and Primary Industries and Fisheries, and the Local Government Association of Tasmania, with financial support from the National Landcare Program. The main project output was a manual, "Design and Management of Tasmanian Sewage Lagoon Systems", for engineers and lagoon operators.

Subsequently, for the period 1998-2001, funding through the Natural Heritage Fund has been procured to provide for design and capital works for the upgrading of sewage treatment lagoons throughout the State. The project is managed by the DPIWE and is aimed at enhancing treatment to a standard where lagoon effluent is suitable for direct reuse for irrigation, or where this is not feasible, disposal to rivers with insignificant environmental impact.

12.4 TRANSPORT INDUSTRY REFORMS

The national road transport reforms have been developed under a process which has its genesis in the Heavy Vehicles Agreement and the Light Vehicles Agreement signed by Heads of Government in 1991 and 1992 respectively.

In 1991, Commonwealth, State and Territory governments agreed to develop uniform national regulatory arrangements for vehicles over 4.5 tonnes gross vehicle mass (known as the Heavy Vehicles Agreement). The Heavy Vehicles Agreement also established the National Road Transport Commission (NRTC) and the Ministerial Council of Road Transport (MCRT) which was set up to oversee the implementation of transport reform and the operation of the NRTC.

In 1992, all governments agreed that national regulatory arrangements should also be developed to cover light vehicles (Light Vehicles Agreement). These national road transport reforms were subsequently included as part of the package of NCP and related reforms agreed at the April 1995 meeting of COAG.

In developing the national road transport legislation package, the NRTC adopted a modular approach covering the following six key reform areas:

- heavy vehicle charges;
- the road transport of dangerous goods;
- vehicle operations;
- vehicle registration;
- driver licensing; and
- compliance and enforcement.

The NRTC reforms aim to introduce consistency and uniformity to the rules governing road transport in Australia. This, in turn, will facilitate the development of a competitive national market in road transport services. The NRTC reforms will provide benefits to Tasmanians through improved road safety and transport

efficiency, as well as enabling the Tasmanian Government to administer road transport in a more cost-effective manner.

The *Agreement to Implement the National Competition Policy and Related Reforms* commits Governments to the "effective observance of the agreed package of road transport reforms". The Agreement does not, however, detail specific road transport reforms or an assessment framework.

The Standing Committee on Transport (SCOT) Working Group was formed in October 1998 and commenced work on a draft assessment framework for NCP road transport reforms.

The SCOT Working Group was established to:

- consider whether particular road transport reforms were under development or available for implementation;
- make recommendations on which reforms from the initial six reform modules and the First and Second Heavy Vehicle Reform Packages should be considered "assessable" by the NCC under the second tranche;
- consider the process for future amendment of the assessment framework;
- state the purpose of each of the road transport reform elements;
- recommend success criteria for assessable reforms, by which the NCC could judge effective implementation; and
- recommend timetables with progress reports for assessable reforms.

A matrix of national road transport reforms, considered assessable for the second tranche assessment, was finalised by the SCOT Working Group in late November 1998 and submitted to the Australian Transport Council (ATC) meeting on 4 December 1998. The framework is in the process of being submitted to COAG for approval to be used by the NCC as part of its second tranche assessment process.

The road transport reforms recommended to be assessable by the SCOT Working Group for the second tranche assessment consist of the following reforms:

1. Dangerous Goods;
2. National Heavy Vehicle Registration Scheme;
3. National Driver Licensing Scheme;
4. Vehicle Operations;
5. Heavy Vehicle Standards;
6. Truck Driving Hours;
7. Bus Driving Hours;

8. Common Mass and Loading Rules;
9. One Driver/One Licence;
10. Improved Network Access;
11. Common Pre-Registration Standards (for Heavy Vehicles);
12. Common Roadworthiness Standards;
13. Enhanced Safe Carriage and Restraint of Loads;
14. Adoption of National Bus Driving Hours;
15. Interstate Conversion of Driver Licence;
16. Alternative Compliance;
17. Short Term Registration;
18. Driver Offences/Licence Status; and
19. National Exchange of Vehicle and Driver Information System (NEVDIS) Stage 1.

12.4.1 Transport reforms in the areas recommended by the SCOT Working Group

A significant number of NCP road transport reforms have been implemented through a legislative package which was passed by the Tasmanian Government in August 1996 and came into effect on 1 October 1996. To date, considerable input has been provided to the NRTC on a number of national reform modules now available for adoption, or submitted to MCRT for approval, and a further number still under development. In addition to this ongoing work, the development of the NCP Assessment Framework by the SCOT Working Group has been a significant achievement.

Tasmania's progress in relation to the implementation of reforms considered assessable for the second tranche is detailed below.

Dangerous Goods

This reform element establishes a national framework for the carriage of dangerous goods by road. In Tasmania, the Dangerous Goods module has been implemented via the *Dangerous Goods Act 1998* and the *Dangerous Good (Road and Rail Transport) Regulations 1998.* This legislation commenced on 1 January 1999 and mirrors Commonwealth legislation relating to the road transport of dangerous goods.

National Heavy Vehicle Registration Scheme

The main aims of this reform are to ensure that, so far as is reasonable and practicable, the procedures and requirements for heavy vehicle registration are uniform or consistent throughout Australia. In the interests of administrative simplicity, a number of heavy vehicle registration policy proposals will be extended in Tasmania to cover all classes of vehicles.

A Tasmanian *Vehicle and Traffic Bill 1999* is currently being prepared which will include the policy content of the Commonwealth's Road Transport Reform

(Heavy Vehicles Registration) Bill and regulations. Due to limited availability of legislative drafting resources in Tasmania, the development of this legislation has required the contracting of a Parliamentary Counsel from South Australia. The Vehicle and Traffic Bill has received in-principle approval under Tasmania's LRP and is expected to be submitted to Parliament by mid-1999. A major redevelopment of Tasmania's existing motor registry computer system is currently being undertaken to implement this reform project and the national driver licensing scheme, to be completed by December 1999.

National Driver Licensing Scheme

This scheme will establish uniform requirements for key driver licensing transactions including issue, renewal, suspension and cancellation (excluding learner and novice drivers). Nationally agreed driver licence classifications were introduced in Tasmania on 1 June 1997 by amendment to the *Traffic (Miscellaneous) Regulations 1968*. Legislation consistent with the National Driver Licensing Scheme is being incorporated into the Tasmanian Vehicle and Traffic Bill.

Vehicle Operations

Vehicle operations consist of: the NRTC's Mass & Loading Regulations (Commonwealth) which impose mass limits for vehicles and combinations including loads; the Oversize/Overmass Regulations (Commonwealth), which allow road authorities to exempt vehicles and combinations from the mass and dimension limits in the Heavy Vehicle Standards Regulations (Commonwealth) and the Mass and Loading Regulations (Commonwealth) and the Restricted Access Vehicles Regulations (Commonwealth), which set basic operating standards for B-Doubles, car carriers, special purpose vehicles and so on.

The NRTC does not propose amalgamation of these regulations in the near future. However amalgamated vehicle operations regulations are being drafted locally for introduction during 1999. Key elements of these regulations were introduced in the legislative package of October 1996 which amended the *Traffic (Vehicle and Loads Dimensions) Regulations 1975* and the *Traffic (General and Local) Regulations 1956*. The balance of the policy content of these regulations was adopted administratively through permits.

Heavy Vehicle Standards

The heavy vehicle standards provide uniform in-service design and construction standards for heavy vehicles and trailers. These standards (including amendments) have been superseded by the combined vehicle standards (which include light vehicles) which have recently been approved by the MCRT and will be implemented during 1999.

In Tasmania, the initial heavy vehicle standards reforms were introduced in the legislative package of October 1996 which amended the Traffic (General and Local) Regulations and the Traffic (Miscellaneous) Regulations accordingly. Amendments to the initial heavy vehicle standards package were adopted by

administrative guidelines and vehicle information bulletins. Most light vehicle standards are already in place via the Traffic (General and Local) Regulations and the Traffic (Miscellaneous) Regulations. It is envisaged that combined vehicle operations regulations will be drafted for introduction prior to July 1999.

Truck Driving Hours

The national truck driving hours reform package provides a legal and administrative framework for managing truck driver fatigue in the transport industry. The Truck Driving Hours Regulations (Commonwealth) have been superseded by the Driving Hours Regulations (Commonwealth), which combine truck and bus driving hours.

Prescribed hours of driving were introduced in Tasmania by amendment to the Traffic (General and Local) Regulations via the legislative package of October 1996. Slight changes which have occurred in the national policy since October 1996 will be included in the Tasmanian combined vehicle operations regulations. Tasmania has not prescribed the mandatory use of driver logbooks. However, provision exists to direct a driver or operator to carry a logbook upon request. The national driver logbook is available to Tasmanian operators travelling interstate.

Bus Driving Hours

Regulation of bus driving hours provides a nationally consistent basis for the management of fatigue amongst drivers of the larger commercially operated buses. The Commonwealth's Bus Driving Hours Regulations have been superseded by the Driving Hours Regulations.

In Tasmania, prescribed hours of driving were introduced by amendment to the Traffic (General and Local) Regulations in October 1996. As with Truck Driving Hours, slight changes in the national policy since October 1996 will be included in the Tasmanian combined regulations. There is also provision to direct a driver or operator to carry a logbook upon request and the national driver logbook is available to Tasmanian operators travelling interstate.

Common Mass and Loading Rules

National mass and dimension limits will improve productivity for heavy vehicles while protecting roads and bridges. National mass and dimension limits were introduced in Tasmania in October 1996 by amendment to the Traffic (Vehicle Loads and Dimensions) Regulations.

One Driver/One Licence

Common and simplified licence categories and improved processes to eliminate multiple licences will improve road transport management and road safety throughout Australia. Common licence categories were introduced in Tasmania on 1 June 1997 by amendment to the Traffic (Miscellaneous) Regulations.

Improved internal procedures and processes to eliminate multiple licences were introduced at the same time to support the regulatory amendments.

Improved Network Access

Expanding access to permit new routes for B-Doubles and other approved large vehicles will reduce freight and administration costs. The NRTC's Restricted Access Vehicles Regulations, which set basic operating standards for B-Doubles, car carriers, special purpose vehicles etc, were introduced in October 1996 by amendments to the Traffic (Vehicle Loads and Dimensions) Regulations and the Traffic (General and Local) Regulations. The introduction of a general permit in June 1998 successfully completed the implementation of this reform. However, network assessment and expansion is ongoing.

Common Pre-Registration Standards (for Heavy Vehicles)

Nationwide acceptance of common pre-registration standards for heavy vehicles will make it easier for heavy vehicles to travel or be sold anywhere in Australia. Common pre-registration standards were introduced in October 1996 by amendments to the Traffic (General and Local) Regulations and the Traffic (Miscellaneous) Regulations. Administrative guidelines and vehicle information bulletins support the legislation.

Common Roadworthiness Standards

Mutual recognition of roadworthiness standards and consistent enforcement ensure fairness of treatment and enable drivers to clear defect notices anywhere in Australia. These standards were introduced in Tasmania in October 1996. Administrative mechanisms are in place to enable the clearance of defect notices anywhere in Australia.

Enhanced Safe Carriage and Restraint of Loads

Standards regulations and a practical guide for the securing of loads throughout Australia will improve safety by ensuring better loading practices. In October 1996, Tasmania amended the Traffic (Vehicle Loads and Dimensions) Regulations to comply with national standards and the Traffic (General and Local) Regulations to adopt the use of the Load Restraints Guide.

Adoption of National Bus Driving Hours

This reform has been superseded by the Driving Hours Regulations, which combines truck and bus driving hours. Prescribed hours of driving were introduced in Tasmania in October 1996 by amending the Traffic (General and Local Regulations).

Interstate Conversion of Driver Licence

Simplified, cost-free conversions of driver licences will save regulatory authorities, operators' and drivers' time and money. Cost-free conversion of drivers licences was introduced in Tasmania on 1 July 1998 by amendment to the Traffic (Miscellaneous) Regulations.

Alternative Compliance

This reform relates to the support of alternative compliance regimes. All jurisdictions have formally agreed to support alternative compliance schemes. Tasmania passed the *Traffic Amendment (Accreditation and Miscellaneous) Act 1997* to formally pave the way for implementation of alternative compliance schemes in relation to mass, maintenance and fatigue management. This Act, which also encompasses public vehicle licensing, received Royal Assent on 22 December 1997 but is yet to be proclaimed. It is expected to be proclaimed in September 1999 together with the new public vehicle licensing legislation.

Short Term Registration

The availability of options for 3 and 6 month registration provides operators with significant budgetary and operational flexibility. The Traffic (Miscellaneous) Regulations were amended in October 1996 to provide for 3 and 6 month registration options for specific classes of heavy vehicles in Tasmania. Extension of these registration options to all heavy vehicles is currently being progressed with proposed implementation prior to July 1999.

Driver Offence/Licence Status

This reform allows for employers to obtain limited information about an employee's driver licence status, with employee consent. Tasmania currently complies with the NTRC's Administrative Guidelines on the Release of Information, which provides employers with access to this information.

NEVDIS

This reform relates to the agreement to link State/Territory databases to enable automatic exchange of vehicle and driver information. Stage 1 of this reform required the signing of all necessary contracts, memoranda of understanding and services agreements relating to NEVDIS. Tasmania and all other participating jurisdictions complied with the Stage 1 requirements in early 1999.

12.4.2 Progress with additional reform elements

In addition to the implementation of reforms for compliance with the second tranche assessment, considerable progress has been made in the development of the following reforms:

Australian Road Rules

The Australian Road Rules (ARR) will provide national road rules to be followed by all road users including drivers and passengers, pedestrians, riders of motor cycles, bicycles and people in charge of animals. The aim is to ensure the safe and efficient use of the roads and to cover standards of conduct, speed limits, signs, road markings, safety equipment and parking. As these regulations will have a wide-ranging effect on the general public of Australia, the development stage took longer than anticipated. The ARR were recently submitted for MCRT approval. Jurisdictions have agreed it would be desirable to have a common implementation timetable. The proposed implementation date for stage 1 of the ARR is 1 December 1999.

Compliance and Enforcement

The compliance and enforcement module is seen as being essential to the ongoing administration of the final Road Transport Law package. This module deals with a range of matters which are necessary to secure compliance with the requirements and standards being developed in many of the other modules. The package is currently in the development stage with submission to MCRT for consideration anticipated in mid to late-1999. Tasmania is actively participating with the NRTC and other jurisdictions in the development of this module.

Combined Vehicle Standards

The combined vehicle standards will provide uniform in-service design and construction standards for all vehicles. The aim is to promote the safe and efficient use of vehicles and ensure that they harmonise with the environment. Development of the combined vehicle standards has been completed and they have recently been submitted to MCRT for approval.

Combined Bus and Truck Driving Hours

This reform will provide a nationally consistent basis for the management of fatigue amongst drivers of trucks over 12 tonnes gross and the larger commercially operated buses. Truck drivers operating under systems which manage fatigue may be exempted from some of the regulations. Regulations covering Combined Bus and Truck Driving Hours were recently submitted to MCRT for approval.

Consistent On-Road Enforcement for Road Worthiness

This reform provides high-level guidelines for the assessment of vehicle defects by enforcement officers, taking into account a vehicle's condition and its operating environment. Three levels of sanctions are proposed: formal written warning; minor defect notice; and major defect notice. The road worthiness guidelines were recently submitted to MCRT for approval.

7. CONCLUSION

The Tasmanian Government considers that the reform principles encapsulated in the NCP Agreements are fully in line with the reform directions that Tasmania was already taking prior to the NCP Agreements being signed in April 1995. For this reason, Tasmania is continuing to use NCP and the processes that have been consequently established, including the emphasis on consultation and assessment of the public benefit as a basis for policy development.

Delays have been caused by the August 1998 State election and the failure of the local government amalgamation process of the previous Government. Nonetheless, Tasmania remains strongly committed to implementing NCP reforms.

The information in this Report sets out how the new Government has embraced the reform principles in the NCP Agreements and had committed, by 1998, to all the reforms necessary to comply with NCP, particularly where legislative change has been required. As the Report explains, further progress in some key areas is scheduled up to June 1999.

8. CONTACTS AND PUBLICATIONS

The Tasmanian Government has produced a number of policy statements, public information papers and reference manuals in relation to the implementation and operation of NCP and related reforms in Tasmania.

Policy Statements

Application of the National Competition Policy to Local Government, Government of Tasmania, June 1996.

Application of the Competitive Neutrality Principles under National Competition Policy, Government of Tasmania, June 1996.

Legislation Review Program: 1996 - 2000 - Tasmanian Timetable for the Review of Legislation that Restricts Competition, Government of Tasmania, June 1996.

Agreement between the State and Local Government Association of Tasmania on the Application of National Competition Policy and related matters to local government, July 1998.

Public Information Papers

National Competition Policy Progress Report, April 1995 to 31 July 1997, Government of Tasmania, August 1997.

Tasmania's Reform Obligations and the New Financial Arrangements, Department of Treasury and Finance, August 1995.

Monopoly Prices Oversight and the Tasmanian Government Prices Oversight Commission, Department of Treasury and Finance, January 1996.

Reviews of Legislation that Restrict Competition, Department of Treasury and Finance, July 1996.

Extension of Part IV of the Trade Practices Act to all Businesses in Tasmania, Department of Treasury and Finance, July 1996.

The Application of Competitive Neutrality Principles to the State Government Sector, Department of Treasury and Finance, July 1996.

Guidelines for Considering the Public Benefit Under the National Competition Policy, Department of Treasury and Finance, March 1997.

Full Cost Attribution Principles for Local Government, Department of Treasury and Finance, June 1997.

Guidelines for Implementing Full Cost Attribution Principles in Government Agencies, Department of Treasury and Finance, September 1997.

The Public Benefit Test for the Corporatisation of Local Government Public Trading Enterprises, Department of Treasury and Finance, December 1998.

Corporatisation Principles for Local Government Business Activities, Department of Treasury and Finance, December 1998.

National Competition Policy Competitive Neutrality Principles Complaints Mechanims, Government Prices Oversight Commission, February 1999.

Reference Manuals

Legislation Review Program: 1996 - 2000 - Procedures and Guidelines Manual, Department of Treasury and Finance, June 1996.

Copies of these publications may be obtained by contacting:

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