FIRST TRANCHE ASSESSMENT: QUEENSLAND

SUMMARY

Queensland is committed to implementing the reforms to its energy sector required under the NCP program. It has extensively restructured its electricity generation and distribution arrangements. As part of the package of electricity reforms, an interim Queensland market will be introduced in several stages, commencing in the last quarter of 1997, to provide a transition to a fully competitive State market (in which all customers are contestable) by January 2001. The Queensland Government has confirmed its support for the establishment of the National Electricity Market, and has reaffirmed its commitment to interconnect with New South Wales by the year 2000-01.

Similarly, the Queensland Government has recognised the benefits of greater competition in gas supply. Amendments to the *Petroleum Act 1923* in April 1995 provided for the introduction of a third party access regime for licensed gas pipelines in Queensland and ring fenced vertically integrated utilities to prevent a gas pipeline owner from trading in gas. The former State Gas Pipeline, linking Wallumbilla with Gladstone and Rockhampton, was sold to Pacific Gas Transmission (PGT) after a competitive tendering process in 1996.

Queensland has been an active participant in the process of developing the National Access Regime, where its key concern has been the inclusion of a competitive tendering process within the Code. A competitive tendering process was adopted in developing new pipelines in the south-west of Queensland and the proposed Chevron transmission pipeline from Papua New Guinea to Gladstone. All jurisdictions have now agreed to include competitive tendering principles in the National Code. Queensland has also granted a number of new distribution franchises on the understanding that they will be subject to open access provisions upon the introduction of the National Access Code.

Queensland has continued its focus on the efficiency of operation of its government businesses in addressing its NCP reform obligations. The Queensland competitive neutrality policy statement listed 13 significant business activities that have been or are being corporatised and a further six that have been or are being commercialised. The Government identified a further 21 significant businesses where reviews are planned in order to determine whether reform is appropriate.

An independent competitive neutrality complaints handling mechanism is to operate within the new Queensland Competition Authority (QCA) from 1 July 1997. This mechanism, which will be independent of the Government's competitive neutrality policy making entity, will investigate and recommend on complaints about government businesses to which competitive neutrality principles are applied. Queensland has undertaken to consider extension of the coverage of the QCA process in the future.

Queensland has established a comprehensive legislation review schedule, although it has not listed its various casino agreement Acts. These Acts are, in effect, licensing arrangements protecting monopoly operations and should therefore be examined as part of the NCP program. Queensland has undertaken to provide the Council with advice on the nature of the competitive restrictions in the casino Agreement Acts and to discuss options for review. The Council will reassess progress on this matter prior to July 1998.

Application of competitive neutrality principles to local government is important in Queensland given the significant role played by some councils in the provision of services. Queensland has to date focused its reform effort on the largest 17 councils. These councils are required by legislation to identify significant business activities for reform subject to a public benefit test. The Council

supports this prioritisation on the basis that Queensland develops a workable strategy for extending reform to smaller local governments. In this respect, the Council notes the voluntary Code of Competitive Conduct intended for application to the business activities of smaller councils.

COMPETITION CODE

Reform commitment: **Enact legislation applying the Competition Code (the Schedule version of Part IV of the *Trade Practices Act 1974*) within Queensland, with effect by 20 July 1996.**

Implementation: The *Competition Policy Reform (QLD) Act 1996* was enacted on 10 July 1996 and received the Royal Assent on 17 July 1996.

Assessment

Complies with commitment.

COMPETITIVE NEUTRALITY

Reform commitment: **Provision of a policy statement detailing the implementation of competitive neutrality policy and principles in Queensland, including an implementation timetable and a complaints mechanism, and progress against undertakings in the policy statement.**

Queensland provided a competitive neutrality policy statement and an annual report in accordance with clauses 3(8) and 3(10) of the Competition Principles Agreement.

Issue: **Adequacy of the reform agenda: the scope and timing of intended competitive neutrality reform and progress to date.**

Assessment

Queensland is implementing competitive neutrality principles through corporatisation, commercialisation and full cost pricing.

Corporatisation in Queensland is undertaken in accordance with the Government's White Paper *Corporatisation in Queensland, Policy Guidelines* and has the legislative backing of the *Government Owned Corporations Act*. Significant business activities in Queensland are commercialised in accordance with *Commercialisation of Government Service Functions in Queensland Policy Framework* and have the legislative backing in the *Financial Administration and Audit Act (Public Finance Standard 350).* Guidelines for the application of full cost pricing have also been developed and have been included in an amendment to the State's Financial Management Standards which are to be considered by the Queensland Parliament in the near future.

Queensland has identified significant businesses on the basis of their scale of operation, their impact on the market(s) in which the business operates and the impact on the Queensland economy. In the

initial stages of competitive neutrality reform, Queensland has targeted businesses whose size of operation is greater than $10 million per year. Queensland has indicated, however, that the expenditure threshold is a guide only and does not preclude business activities which do not meet the threshold, including those operated by local governments, from consideration for reform. The Government stated that its intention is to progressively consider smaller government activities for review and potential reform.

The Queensland Government's policy statement listed 13 significant business activities that either had been or were being corporatised and a further six that had been or were being commercialised. These businesses are operating in a range of portfolios including: mining and energy, primary industries, public works and housing, and treasury and the arts.

Queensland identified a further 21 possible candidates for reform but, at June 1996, had still to determine the net benefit to the community from their reform. The significant business activities considered to be potential reform candidates are involved in areas such as education, health, tourism, primary industries and justice services. Queensland's annual report indicated some recent reform activity, including:

- the corporatisation of the Queensland Corrective Services Commission;
- establishment of Workcover as a statutory authority as a first step towards corporatisation;
- removing gaming machine rental from the Office of Gaming Regulation and placing it with alternative providers such as the Golden Casket Office (which is in the process of being corporatised);
- merger of Queensland Industry Development Corporation, Metway Bank and Suncorp; and
- divestment strategy for the Queensland Abattoir Corporation.

Application of competitive neutrality principles to local government is particularly important in Queensland given the significant role played by some councils in the provision of services such as water and sewage. In introducing competitive neutrality to local government, Queensland has to date focused on the largest 17 councils. These councils are required, under legislation, to review their significant business activities to establish candidates for reform subject to a public benefit test. A voluntary Code of Competitive Conduct has been developed for application to the business activities of smaller councils and includes guidelines for the application of full cost pricing.

Noting Queensland's undertaking to use business size as an indicator of the significance of government businesses (and not to exclude businesses with expenditure less than the threshold size), and the expectation that consideration of reform will be extended to smaller government businesses (including beyond the larger 17 local councils), the Council is satisfied that the competitive neutrality reform agenda developed by Queensland and progress to date satisfies the State's first tranche commitments. The Council will examine the scope of application of competitive neutrality reform in its second and third tranche assessments.

Issue: Adequacy of the reform agenda: operation of the competitive neutrality complaints mechanism.

Assessment

Queensland intends to establish the QCA to provide, among other things, a competitive neutrality complaints handling mechanism to operate from July 1997. In the interim, the Queensland Treasury is coordinating the Government's responses to complaints about competitive neutrality.

The QCA complaints handling mechanism is intended to operate independently of the Government's policy making arms, receiving complaints from competitors of the Government's significant business activities, investigating those complaints and reporting to Ministers responsible. Queensland advised that the QCA's report will also make recommendations on possible remedial action.

The Queensland Government has indicated that it will limit the jurisdiction of the complaints mechanism to significant business activities which are subject to competitive neutrality reform and which are prescribed by gazette notice. The Government has, however, indicated that there is some potential for the mechanism to apply to a broader range of businesses at some time in the future. The Government pointed to a need to limit jurisdiction initially in order that experience is gained in administering the complaints process.

The Queensland annual report indicated that three complaints had been received. In two cases, the basis of the complaint was that publicly owned businesses were allegedly using government subsidies to price their production at less than full cost. The complaints received to date are:

- the failure of the Queensland Manufacturing Institute (QMI) to price prototypes it produces at full cost because of the availability of a government subsidy;
- an alleged unfair advantage in road construction and maintenance obtained by Road Transport Construction Service (RTCS) due to their pricing practices and an information advantage in the tendering process arising from insufficient separation of the purchase and provider roles of government; and
- the use of a government subsidy by Queensland Rail (QR) to reduce the price of its Brisbane to Gold Coast service and so obtain an unfair advantage over its competitors.

The Queensland Government reported that it had taken action on each complaint. In relation to the complaint against QMI, the Under Treasurer requested the Director General of the Department of Tourism, Small Business and Industry to establish whether QMI tender prices reflect full costs.

Queensland responded to the allegation against RTCS by employing a consultant to identify any instance of non-compliance with competitive neutrality principles in awarding tenders to RTCS. It was also reported that Main Roads Department has been engaging in extensive dialogue with the complainant, the Civil Contractor's Federation.

In relation to the allegation against QR, the complainant was advised by the interim complaints mechanism that the provision of Community Service Obligations (CSOs) is consistent with the Government's NCP obligations, but that matter would be raised by the Treasurer with the Minister for Transport as a priority. The complainant was also advised to resubmit the allegation of non-compliance to the QCA after its establishment on 1 July.

The company raising the complaint against QR has since advised the Council that it believes there are deficiencies in regard to the specification and funding of the CSO available to QR. While the Council is unable to comment on the specific claims raised by the complainant in this case, it believes that the matter indicates the potential deficiencies which might arise where complaints mechanisms have insufficient independence from the relevant policy making agency. The provision of clearly identified and transparently funded CSOs is consistent with governments' NCP commitments. However, in this case, the interim complaints mechanism appears to have determined only that provision of CSOs is consistent with the Government's NCP obligations, rather than examine the substance of the allegations about CSO provision and delivery. The Council understands that the QCA will be able to examine the substantive complaint and make recommendations for resolving the matter as appropriate.

The Council supports the decision of Queensland to introduce a mechanism which is independent of the Government agency responsible for developing and implementing competitive neutrality policy. However, the Council would expect to see some movement towards extending the coverage of the mechanism to all government business activities and annual (transparent) reporting of all competitive neutrality complaints and recommendations for action. With these qualifications, and noting that evidence of effective handling of competitive neutrality complaints will be an important consideration in future tranche assessments, the Council accepts that Queensland's approach to competitive neutrality complaints handling complies with first tranche reform obligations.

STRUCTURAL REFORM OF PUBLIC MONOPOLIES

Reform Commitment: **Before a party introduces competition to a sector traditionally supplied by a public monopoly, it will remove from the monopoly responsibilities for industry regulation to prevent the former monopolist from enjoying a regulatory advantage over its rivals. Before a party introduces competition into a market traditionally supplied by a public monopoly and before a party privatises a public monopoly, it will undertake a review of the structure and commercial objectives of the monopoly.**

Issue: Adequacy of progress against reform objectives

Assessment

Apart from reforms to electricity authorities undertaken to reflect national electricity commitments (see below), the Queensland Government advised that no public monopolies have been privatised since the commencement of the NCP program.

The Government is currently considering the sale of QLDTAB. Were this to proceed, the provisions of clause 4 would need to be satisfied.

The Council considers that Queensland has met first tranche obligations in relation to clause 4 structural reform matters.

LEGISLATION REVIEW

Reform commitment: Provision of a timetable detailing the Queensland program for the review and reform of existing legislation restricting competition by the year 2000, and satisfactory progress against the timetable.

Queensland provided a timetable for the review and reform of existing legislation which restricts competition in accordance with clause 5(3) of the Competition Principles Agreement and an annual report covering progress on implementation in accordance with clause 5(10) of the Competition Principles Agreement.

Issue: Adequacy of the review program

Assessment

Queensland has developed guidelines to assist agencies in identifying restrictive legislation for review including, for example, legislation which prohibited or restricted activity by way of licensing arrangements, quantitative entitlements (eg quotas), technical standards, or price controls. Queensland advised in its July 1996 *Queensland Legislation Review Timetable*, that it had identified and scheduled some 125 pieces of legislation for review by the end of the year 2000.

The Council notes that Queensland has indicated that it may be to the benefit of the community to phase reforms over a period extending beyond the year 2000. While noting that Queensland has only one review set for 1999-2000, and that this is the State's last scheduled review, the Council draws attention to its general comments on this matter contained earlier in Part 3 of this report. Phased reform beyond 2000 as suggested by Queensland would require a strong public interest justification for the Council to consider that the spirit of the Competition Principles Agreement had been met.

The Council is concerned by Queensland's failure to list various casino agreement Acts for review. In relation to this, Queensland has advised that the *Casino Control Act 1982* and the *Casino Control Regulation 1984* will be reviewed in 1998-99, but that the Brisbane, Jupiters, Cairns, and Breakwater Island Casino Agreement Acts will not be reviewed on the ground that the Acts legitimate existing contracts.

The view of the Council is that these Acts are, in effect, licensing arrangements protecting monopoly operations and should therefore be subject to review. As a result, the Council is not satisfied that Queensland's review program incorporates all restrictive legislation as required by the Competition Principles Agreement. However, Queensland has undertaken to provide the Council with advice on the nature of the competitive restrictions in the agreement Acts and to discuss options for review. As a consequence, the Council judges that it is likely that the deficiency identified by the Council can be remedied within a short period. The Council recommends that it reassess this matter prior to July 1998.

The coverage of each jurisdiction's legislation review program will be an ongoing assessment issue. Any pieces of legislation which restrict competition subsequently found not to be on the timetable will need to be listed for review for jurisdictions to be assessed as continuing to meet the spirit of the Competition Principles Agreement.

Issue: The competition policy implications of new legislation are routinely examined

Assessment

The Council notes the advice provided by Queensland that its examination of all post-1995 legislation had identified some 14 Acts, regulations and by-laws containing anti-competitive elements. All appear to have been scheduled for review in Queensland's June 1996 timetable, or to be considered by Queensland to be potential candidates for review on a national basis.

Queensland advised that, as of 1 April 1997, it has had in place a formal procedure by which the competition policy implications of all new legislation are routinely examined. The process requires all proposals for new or amending legislation to be examined to determine whether they raise any competition issues. Further, new legislative proposals are subject to a Public Benefit Test, the results of which are to accompany any proposal to Cabinet. The Public Benefit Test requires an analysis of the incidence, and where possible the magnitude, of competitive restrictions, as well as examining regulatory alternatives.

The Council is satisfied that Queensland meets its first tranche obligations in relation to legislation restricting competition enacted after April 1995.

Issue: Adequacy of progress with legislation review and reform

Assessment

Queensland has scheduled 36 reviews for commencement and/or completion during 1996-97.

Queensland stated that it has completed two of the reviews scheduled during 1996/97 — the reviews of the sugar industry regulatory arrangements (jointly with the Commonwealth) and the Keno Act. At 31 December 1996, Queensland had 14 reviews in progress, with five other reviews yet to commence or deferred. A further five were being considered for review on a national basis. Of the remaining nine reviews scheduled for 1996-97 Queensland advised that two are being considered in the context of the gas and electricity reform agendas, with the remaining seven currently being examined by Queensland outside the NCP review program. The Council has some concerns that these early deferrals of programmed reviews may lead to cumulative slippage in the Queensland program closer to the year 2000.

The Council is also concerned at the reform outcomes indicated by the Commonwealth and Queensland Government responses to the review of regulatory arrangements pertaining to the Queensland sugar industry.[23] In particular, the Council is not convinced about the strength of the evidence that continuation of the domestic monopoly is necessarily in the community interest, and as a consequence, that there is justification for a 10 year moratorium on the further review of marketing arrangements. In response to these concerns, Queensland has undertaken to reconsider the 10 year moratorium should changes in market conditions suggest that current arrangements are no longer in the community interest.

The Council accepts that the endorsement of recommended reforms to sugar industry regulation announced by the Queensland and the Commonwealth Governments is consistent with the

[23] Queensland's annual report advises that both the Commonwealth and Queensland Governments have endorsed the recommendations of the review and will advise the Council of any legislative changes necessary to implement the review recommendations.

recommendations of the review panel. On this basis, and given Queensland's commitment to consider an earlier review of marketing arrangements should changes in market conditions suggest that current arrangements are no longer in the community interest, the Council is satisfied Queensland has sufficiently progressed its first tranche review program. However, the Council intends to continue discussions with Queensland and will consider this matter in the context of the second tranche assessment.

APPLICATION TO LOCAL GOVERNMENT

Reform commitment: **Provision of a policy statement detailing the implementation of competition principles to local government in Queensland, and progress against undertakings in the policy statement.**

Assessment

The Council considers the major reform issues for local government for the first tranche assessment to be the application of competitive neutrality principles and the review of legislation restricting competition. In the case of Queensland, the relative size of the local government sector means that comprehensive application of the NCP agenda to local government is particularly important in assessing Queensland's progress against its reform obligations.

The Queensland approach to reform at local government level involves prioritisation of initial reform effort to the 17 larger local governments. The Council considers this prioritisation to be acceptable on the basis that Queensland has in place a workable strategy for extending reform beyond the larger local governments within a reasonable time period. The Council accepts that the proposed voluntary Code of Competitive Behaviour issues paper released on 19 March 1997 represents a suitable framework for the introduction of competitive neutrality principles to the smaller local government businesses.

The Council is satisfied that Queensland's approach to the application of competition principles at local government level meets the intent of the Competition Principles Agreement. However, there is as yet little evidence available to the Council that Queensland's progress with implementation sufficiently meets first tranche obligations. The Council acknowledges that Queensland has approached the task of implementing competitive neutrality reform at local government level in good faith, consulting with local governments and providing material to assist reform implementation. The Council is also cognisant that reform implementation in Queensland has been impeded by uncertainties relating to the taxation of Government Business Enterprises.

Recognising the complexities associated with local government reform and the progress likely over the next 12 months, the Council recommends that this matter be reassessed prior to July 1998. The Council recommends that the first part of Queensland's first tranche NCP payments due in 1997-98 not be affected.

PROGRESS ON RELATED REFORMS

ELECTRICITY

Recent history of reform in Queensland

At meetings of COAG in May 1992 and June 1993, Queensland committed to participation in a national electricity market and to the structural reform of its electricity arrangements in the lead up to the national market.

In January 1995, the Queensland Government divided the Queensland Electricity Commission (QEC), which has historically been responsible for electricity generation and transmission (with multiple regional-based distributors), into the Queensland Generation Corporation (trading as Austa Electric) and the Queensland Transmission and Supply Corporation (QTSC). QTSC operates as a holding company for eight subsidiaries, comprising the existing seven regionally-based electricity boards and the Queensland Electricity Transmission Corporation (trading as Powerlink Queensland). QTSC on-sells all energy to its seven subsidiary electricity corporations, which are also responsible for distribution within their franchise supply areas.

In December 1996, the Queensland Government announced a series of reforms to the electricity industry in Queensland. With respect to generation, the Government announced it would split AUSTA Electric into three independent and competing government-owned generating companies, plus an engineering company. With respect to retail supply, the Government is to establish three new trading corporations which will buy and sell electricity in competition with the existing seven distribution businesses. As part of the reform package, an interim Queensland electricity market will be introduced in stages commencing in the last quarter of 1997 to provide a transition to a fully competitive market (in which all customers are contestable) by January 2001.

The Queensland Government has confirmed its support for the establishment of the National Electricity Market according to the timetable set out in the Prime Minister's 10 December 1996 letter. It reaffirmed its commitment to interconnect with New South Wales by the year 2000-01.

Reform commitment:	**Under the COAG electricity agreements, Queensland is committed to establishing an interconnection with New South Wales, after which it is to become a participant in the national market.**
Implementation:	Queensland is working with New South Wales identifying a route for the interconnection and an independent analysis of the interconnection's economic costs is being conducted. The interconnection with New South Wales is scheduled for 2000-01.

Assessment

The Council accepts that Queensland, in committing to interconnection, has complied with its reform obligations for the first tranche transfers.

The Council regards interconnection as a critical element in establishing the fully competitive National Electricity Market, and will be looking closely at progress with interconnection for purposes of Queensland's subsequent assessments. Interconnection should be of sufficient capacity such that large consumers of electricity are able to implement commercial judgments to source energy requirements from interstate.

Failure by Queensland to progress interconnection such that the interconnector is of insufficient capacity and/or the year 2000-01 timetable is not met would be regarded by the Council as a lack of compliance with a central NCP commitment.

Reform commitment:	**Agreed to the structural separation of generation and transmission.**
Implementation:	Structural separation of generation and transmission occurred in January 1995.

Assessment

Complies with commitment.

Reform commitment:	**Agreed to the ring-fencing of the 'retail' and 'wires' businesses within distribution.**
Implementation:	The businesses have been ring-fenced, currently as accounting entities within existing distribution corporations. On 1 July 1997, the existing distribution corporations are to become independent corporations and three new independent retail corporations are to be established.

Assessment

Complies with commitment.

GAS

Recent history of reform in Queensland

Amendments to the *Petroleum Act 1923* in April 1995 provided for:

- the introduction of a third party access regime for licensed gas pipelines in Queensland; and
- ring fencing of vertically integrated utilities; in particular, a gas pipeline owner may not engage in gas trading.

The former State Gas Pipeline, linking Wallumbilla with Gladstone and Rockhampton, was sold to PGT after a competitive tendering process in 1996.

Queensland has been an active participant in the development of a National Access Regime under the auspices of COAG. Queensland's key concern was the inclusion of a competitive tendering process within the National Code. This approach was recently applied to the development of new pipelines in the south-west of Queensland (with open access as a requirement) and the proposed Chevron transmission pipeline from Papua New Guinea to Gladstone. All jurisdictions have now agreed to the inclusion of competitive tendering principles in the Code.

Approvals to develop a number of new distribution franchises have recently been granted on the understanding that they will be subject to open access provisions upon the introduction of the National Access Regime.

Reform Commitments in Relation to Implementation of a National Framework for Access to Gas Transmission Lines

Reform commitment: **Agreed to implement complementary legislation so that a uniform national framework applies to third-party access to all gas transmission pipelines both between and within jurisdictions by 1 July 1996.**

Reform commitment: **Noted that legislation to promote free and fair trade in gas, through third-party access to pipelines, should be developed co-operatively between jurisdictions and be based on the following principles:**

- pipeline owners and/or operators should provide access to spare pipeline capacity for all market participants on individually negotiated non-discriminatory terms and conditions;

- information on haulage charges, and underlying terms and conditions, to be available to all prospective market participants on demand;

- if negotiations for pipeline access fail, provision be made for the owner/operator to participate in compulsory arbitration with the arbitration based upon a clear and agreed set of principles;

- pipeline owners and/or operators maintain separate accounting and management control of transmission of gas;

- provision be made for access by a relevant authority to financial statements and other information necessary to monitor gas haulage charges; and

- access to pipelines would be provided either by Commonwealth or State/Territory legislation based on these principles by 1 July 1996.

Reform commitment: **Noted that open-ended exclusive franchises are inconsistent with the principles of open access expounded in points 1, 2 and 3 above:**

- agreed not to issue any further open-ended exclusive franchises; and

- agreed to develop plans by 1 July 1996 to implement more competitive franchise arrangements.

The above agreed reforms were subsequently amended at the COAG meeting of 14 June 1996 and should be read in conjunction with the following commitments:

Reform commitment: **Agreed that the national access framework would be finalised as follows:**

20 June 1996	**Finalisation of the principles in the draft Access Code.**
30 June 1996	**Release of the draft Access Code for a two month stakeholder consultation period.**
30 September 1996	**Access Code and associated draft Inter-Governmental Agreement to be finalised and submitted to Heads of Government for endorsement.**

Reform commitment: **Agreed:**

(a) the Access Code should apply to distribution systems as well as transmission pipelines:[24] and

(b) the Commonwealth Minister for Resources and Energy would convene a meeting of State and Territory Energy Ministers to settle on a mode of regulation that would maximise competition and facilitate investment in the gas industry.

Assessment

As accepted by the Council, the Prime Minister's letter of 10 December 1996 amended the previous timeframes flowing from the 1994 and 1996 Communiques. In accepting the Prime Minister's proposals, jurisdictions agreed to give legislative effect to the National Access Code by 1 July 1997. This will not be achieved.

The Council acknowledges that Queensland is committed to implementing the National Access Code and is contributing to the development of an inter-governmental agreement to implement the Code through nationally-based legislation. The Council is also aware that the timetable for this process now envisages South Australia, as lead legislature, passing the legislation in October/November 1997, with other jurisdictions following later that year or in early 1998. This timetable has not yet been the subject of formal agreement between the jurisdictions.

There has been considerable slippage from the original timetables in the 1994 and 1996 Communiques and from the timetable outlined in the Prime Minister's letter. The Council is concerned that jurisdictions meet the timetable now being developed through the Gas Reform Implementation Group and to be provided in the Intergovernmental Agreement.

The Council recommends that, for Queensland to be assessed as having satisfied its first tranche commitments in respect of implementation of the National Access Code, it will need to have implemented the Code in accordance with the timetable to be agreed in the Intergovernmental Agreement. The Council proposes to reassess this matter for report to the Commonwealth Treasurer prior to July 1998.

[24] See footnote 7.

Reform Commitments in Relation to Issues Other than a National Framework for Access

Arising from the February 1994 and June 1996 meetings of COAG, all jurisdictions undertook to put in place a range of reforms designed to permit the free and fair trade in gas between and within jurisdictions.

Reform commitment: **Agreed that reforms to the gas industry to promote free and fair trade be viewed as a package, that each government would move to implement the reforms by 1 July 1996.**

Assessment

The Council sees this as a general statement that would encompass all the agreed reform commitments in relation to both the commitments in respect of a national framework for access to gas pipelines and the other gas reforms detailed below. The Council sees the 1 July 1996 deadline as binding unless it has been amended by subsequent unanimous agreement between the parties.

Reform commitment: **Agreed to remove all remaining legislative and regulatory barriers to the free trade of gas both within and across their boundaries by 1 July 1996.**

Assessment

Queensland advised that one legislative barrier to free trade in gas – section 43 of the *Gas Act 1965* – has been identified and is in the process of being repealed.

The Council is satisfied that there are no remaining legislative or regulatory barriers to free and fair trade in gas in Queensland and, accordingly, considers that Queensland has complied with its first tranche commitments in this area. However, the Council considers this matter an on-going commitment and will take into account in future assessments any legislative or regulatory barrier that is subsequently discovered.

Reform commitment: **Agreed to adopt AS 2885 to achieve uniform national pipeline construction standards by the end of 1994 or earlier.**

Assessment

AS 2885 is called up in the *Queensland Petroleum Regulation (Land) Regulation 237.*

The Council is satisfied that Queensland complies with its first tranche commitments in this area.

Reform commitment: **Agreed that approaches to price control and maintenance in the gas industry be considered in the context of agreed national competition policy.**

Assessment

Under the *Gas Act*, the Minister has the capacity to establish a gas tribunal which has the authority to investigate the prices of delivered gas. Any tribunal established will take account of NCP principles.

The Council is satisfied that Queensland complies with its first tranche commitments in this area.

Reform commitment: **Agreed that where publicly-owned transmission and distribution activities are at present vertically integrated, they be separated, and legislation introduced to ring-fence transmission and distribution activities in the private sector by 1 July 1996.**

Assessment

There are no publicly-owned transmission and distribution services in Queensland that are vertically integrated. Currently, in Queensland, there are three main transmission pipelines and two main natural gas distributors that are privately owned. Major gas industry participants are aware that transmission and distribution assets will need to conform with ring-fencing provisions of the National Access Code.

The Council is satisfied that Queensland complies with its first tranche commitments in this area.

Reform commitment: **Agreed to place their gas utilities on a commercial footing, through corporatisation by 1 July 1996.**

Assessment

There are no State Government-owned gas utilities in Queensland. The two publicly-owned gas utilities are owned by Dalby Town Council and Roma Town Council. Both these utilities fall well below the threshold levels detailed in the statement on implementation of competitive neutrality to local government businesses. Local governments will be encouraged, through a range of incentives, to implement competitive neutrality reforms through the adoption of a Code of Competitive Conduct.

The Council is satisfied that Queensland complies with its first tranche commitments in this area.

ROAD TRANSPORT

Reform commitment: **Adopt the first reform module (heavy vehicle charges) with effect from 1 July 1995. Commit to the MCRT timetable for future road transport reforms.**

Assessment

Queensland implemented the heavy vehicle charges module by template legislation on 1 July 1995. Accordingly, Queensland has complied with this aspect of road transport reform.

Queensland provided a commitment in its annual report to the MCRT agenda and timetable for future road transport reforms.

The Council considers Queensland has complied with its first tranche road transport reform commitments.