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The National Competition Council

The National Competition Council was established on 6 November 1995 by the *Competition Policy Reform Act 1995* following agreement by the Commonwealth, State and Territory governments.

It is a federal statutory authority which functions as an independent advisory body for all governments on the implementation of the National Competition Policy reforms. The Council's aim is to 'help raise the living standards of the Australian community by ensuring that conditions for competition prevail throughout the economy which promote growth, innovation and productivity'.

Information on the National Competition Council, its publications and its current work program can be found on the internet at www.ncc.gov.au or by contacting NCC Communications on (03) 9285 7474.

Summary

This third assessment of progress with implementing the National Competition Policy (NCP) builds on the 1997 first tranche assessment and the 1999 second tranche assessment. Under the 1995 NCP agreements, the third assessment was to be the last: the essential reform ingredients of the NCP were to have been fully implemented by the end of the year 2000.

However, NCP implementation has proved more challenging than originally envisaged. Since 1995, the Council of Australian Governments (CoAG) has amended some elements of the program to extend reform timetables beyond 2001. Thus, rural water reform will not be completed until at least 2005, and probably much later. The National Electricity Market will not be fully implemented for several years. A timetable for the remaining road transport reforms is yet to be developed. Most recently, governments agreed to set back the deadline for completion of the legislation review and reform program by eighteen months to mid-2002. Consequently, in reaffirming their commitment to the NCP in November 2000, governments also agreed that the Council would conduct annual assessments of reform implementation until at least the year 2005. CoAG will conduct a further review of the terms and conditions of the NCP agreements and the Council's assessment role before September 2005.

The timetable amendments have changed the nature of this assessment. Rather than a comprehensive appraisal of the extent of each government's completion of the reform program, this assessment is a progress report more akin to the first and second assessments. No government has entirely completed any of the major reform elements of the NCP, except for the extension of part IV of the *Trade Practices Act 1974* (TPA) to apply to all businesses in Australia. Nonetheless, the Council has addressed the NCP reform agenda more comprehensively than in previous assessments to provide guidance on, and establish a foundation for, the remaining reforms and the Council's annual assessments from 2002 to 2005 inclusive.

The report begins with some background to the assessment and a summary of the NCP reform obligations. It follows with brief explanations of three reform components of general relevance to most sectors:

- competitive neutrality principles for competition between public and private sector businesses;
- the structural reform of public monopolies; and
- the legislation (regulation) review and reform program.

After explaining the context of the assessment, the report then considers governments' progress on a sector basis, beginning with electricity, gas, water

services and road transport — the four sectors of the economy that are subject to sector-specific NCP agreements. Governments' progress against the NCP water reform commitments is summarised in chapter 8 and discussed in detail in the related reports on water reform. The comprehensive discussion of water reflects the far-reaching nature of the NCP water reform program, encompassing urban and rural water and wastewater industries and including economic, environmental and social objectives.

The report then examines activity in other sectors of the economy. The Council identified these sectors on the basis of governments' legislation review programs and the likely impacts on competition. For each industry sector in the report, governments had scheduled several regulations for review. The report's discussion of each sector reflects the scope of the competition questions associated with that sector rather than the sector's size and importance within the Australian economy.

Overall, the Council has found that much has been accomplished in the five years of the NCP. While governments still have some work to do to complete their NCP legislation review programs, much has already been done. Many areas of the economy — including water management, the utilities, transport, communications, agricultural marketing, professions, finance and retail trading — have undergone extensive pro-competitive change.

Water reform

The importance of these developments to the community is nowhere better exemplified than in the water reform commitments of the NCP. In its first annual report in 1996, the Council said that:

The (water) reforms proposed extend beyond competition policy matters, and if fully implemented, will probably have a far greater impact on community welfare in the longer term (including explicit consideration of the environment) than any other measure. (NCC 1996, p.31)

Events since then have only confirmed this view. Excessive and inappropriate use of water to date has created Australia's largest economic, social and environmental problems. The need for changes to the way Australia has traditionally exploited water resources is now accepted throughout the community. The NCP water reform program provides the framework and an implementation agenda for these much needed changes to management of both urban and rural water systems.

Urban water reforms are nearly complete in most jurisdictions. The NCP urban water reforms include consumption based pricing of water to discourage wasteful use, cost recovery by water service providers to help ensure adequate investment in infrastructure, protection against inadequate

service standards and/or monopoly pricing by water service providers and programs to improve water quality.

This assessment has identified one area of inadequate progress against the urban water reform agenda in Queensland. Townsville City Council, one of the State's largest water service providers, is yet to meet reform commitments relating to consumption based pricing. The CoAG strategic water reform framework required implementation of two-part tariffs (where these are found to be cost-effective) by the end of 1998. The Council first raised this matter with Queensland during the second tranche NCP assessment in June 1999. The 2001 assessment found that Townsville has not given due consideration to implementing two-part tariffs in water pricing.

However, the Council has recognised the considerable efforts and progress made by Queensland in relation to urban water reform generally since the second tranche assessment. The Council regards the Townsville City Council pricing matter as isolated and not indicative of a lack of commitment to water reform by the Queensland Government. The Queensland Government shares its competition payments with local government on the basis of implementation of the NCP reforms. Recognising Queensland's general support for water reform, the Council has recommended that Queensland's competition payments be reduced by only the amount that Queensland will deny Townsville for lack of progress on water reform. The Council has therefore recommended a permanent reduction in Queensland's payments for 2001-02 of \$270 000. The Council will consider progress by Townsville in the 2002 NCP assessment. If progress is insufficient, the Council will consider whether a further reduction in competition payments is warranted.

Rural water reform primarily relates to arrangements for the use of water in irrigated agricultural activities. More than seventy per cent of water use in Australia is in irrigation. Excessive allocations of water to irrigation over most of the last century have caused extensive damage to river systems and groundwater resources, while salinity associated with rising water tables has destroyed large tracts of productive land. Water reform (in conjunction with such measures as the national action plan on salinity and water quality) is an essential component of a range of national initiatives seeking to avoid further and more extensive damage.

The NCP rural water reforms are designed to address these problems at their root cause by ensuring:

- adequate water is available to protect the environment;
- the maintenance and efficient development of water infrastructure;
- the clear allocation of rights to use water; and
- the separation of water rights from the ownership of land, and the introduction of trading rules, to provide for trading of water rights to help ensure that water is used where it is most valued.

The rural water reforms were the last element of the NCP package to be assessed. Reform obligations did not arise until this assessment. Despite this, progress in rural water reform has been impressive. All jurisdictions have reform paths in place to:

- institute efficient water pricing;
- ensure adequate allocation of water to the environment; and
- provide for clear property rights for water, separate from land title.

Embryonic water trading arrangements are gradually extending and expanding.

Nonetheless, this area of NCP reform is extremely complex and difficult. There are no easy paths forward. There have been tensions between the objectives of:

- getting reform in place as quickly as possible;
- devoting the time and effort needed to ensure meaningful consultation with interested parties and that the best possible approach to reform is delivered; and
- in the meantime, accommodating the vital ongoing interests of farmers and other water users in the transition to the new arrangements, including through structural adjustment assistance where needed.

While the Council is generally satisfied with reform progress, and recognises that in some areas progress has been extensive, there remains a great deal to be done. Delays in reform implementation involve high costs. The Council has some concerns, which are discussed in the following paragraphs.

New South Wales has not achieved sufficient progress against commitments on water property rights. In particular, the Council notes that:

- New South Wales's water sharing plans — which will provide for environmental needs in stressed rivers (including unregulated systems) and groundwater, allocate water between uses and allow for further development of water trading — will not be available until December 2001; and
- the absence of a formal registry of water property rights in New South Wales, coupled with the transition to a new licensing system, results in insufficient security for licence-holders.

However, the Council recognises that New South Wales has achieved considerable progress in water reform, particularly over the past 18 months, and that the New South Wales Government has agreed on an appropriate reform path over the next 18 months. As a consequence, the Council does not consider that competition payments for New South Wales should be reduced for this assessment.

The Council intends to conduct a number of further assessments for New South Wales on this issue. First, the Council will conduct a supplementary assessment in December 2001 to consider the outcomes from public consultation on property rights including the ability of third party interests listed on the register to have priority over non-registered interests. It is the Council's view that the introduction of a registry system that provides evidence of ownership and third party interests, and priority accorded to registered third party interests over non-registered interests should be able to be accommodated. Second, the Council will assess progress against the property rights timetable provided by New South Wales including development of the water sharing plans and the interim register for the 2002 NCP assessment. The Council will recommend a permanent reduction in payments to New South Wales in the 2002 assessment should New South Wales fail to adhere to this agreed reform path.

For Victoria, the remaining issue for this assessment is how the State proposes to implement environmental flows for stressed rivers. The Council considers that Victoria has not yet met its reform commitments in this area. To address the Council's concerns, the Victorian Government has developed a proposal for a comprehensive three year action plan as a path forward on this issue. Consequently, the Council considers that Victoria's commitment to this reform path means that a reduction in payments for Victoria for the financial year 2001-02 is not warranted. The Council will recommend a permanent reduction in payments to Victoria for the following financial year should Victoria fail to adhere to the milestones in the agreed, three-year reform path.

There is also an unresolved question for the South Australian Government regarding the separation of price regulation from service provision for the water industry. While not a clear obligation under the agreements, all other governments have implemented independent price regulation. The Council is not satisfied that South Australia's current arrangements provide sufficient transparency to meet the obligation to, 'as far as possible', separate regulation from water service supply. The Council will address this issue in future assessments.

Finally, Queensland has acknowledged that the Condamine-Balonne is now a stressed river system. Consequently, the establishment of water allocations for the environment and consumptive use is now overdue. The Council will address this issue in the 2002 assessment. The Council is not satisfied that any of the options for setting environmental allocations specified in the draft water resources plan would be adequate to meet the environmental needs of the lower Balonne basin and the internationally listed Narren Lakes wetlands. More generally, the Council is not satisfied with the transparency of current arrangements for reporting the Government's final decisions for setting allocations. Queensland has agreed to address these concerns over the next 12 months.

Electricity reform

In electricity, all relevant governments have shown continued commitment towards meeting National Electricity Market related objectives. CoAG recently re-affirmed electricity reform principles and implementation targets, and governments have agreed to review market arrangements. The Council has raised matters in chapter 6 of this report that could assist this review process.

The National Electricity Market has been a remarkable achievement by governments. The market has already conferred enormous benefits to medium and large businesses. The Australian Bureau of Agricultural and Resource Economics recently estimated that Australia's gross domestic product by 2010 will be 0.26 per cent (\$2.4 billion in 2001 prices) higher than in the absence of reform, with the net present value of benefits of reform between 1995 and 2010 totalling \$15.8 billion in 2001 prices (Short et al. 2001, p. 84). The New South Wales 2001 NCP annual report cited estimates by the Treasury that electricity customers in the State saved over \$1.6 billion (in real terms) between the commencement of reform in May 1995 and December 2000. Victoria's annual report cited:

- a 1998 report by the Australian Chamber of Manufactures, which found that industrial and commercial businesses achieved an average reduction in electricity costs of 23 per cent between 1994 and 1998; and
- a 2000 report by the National Electricity Code Administrator (NECA), which found that the average wholesale electricity price in Victoria was 16 per cent lower than the average price at market start.

Even for households in most National Electricity Market regions (who currently cannot choose their electricity supplier and so have yet to benefit from competition in electricity generation and retailing activities), there have been benefits from more efficient provision of electricity services overall. For example, a recent Victorian Office of the Regulator-General determination reduced average distribution charges by between 12 and 22 per cent from 1 January 2001, saving households up to \$65 on annual electricity bills. However, in South Australia, households have not derived benefits due to deficient competition in the electricity wholesale market.

Despite these substantial benefits from the National Electricity Market, there have been many critics of electricity reform. The criticisms are made against a background of rising energy costs world-wide (driven by rising oil prices and demand for energy) and the gradual exhaustion of excess electricity generation capacity as demand rises, eroding opportunities for low wholesale electricity prices. Some have suggested that the electricity market is inevitably following the path of problems experienced overseas, particularly the high profile failures in California, and that governments should immediately and intrusively re-regulate the industry.

Indeed, the National Electricity Market is approaching a watershed in its development and decisions made by governments over the next six to twelve months will determine its future structure and performance. However, the issues arise because of a need to refine the market arrangements, rather than overturn them. The overall market framework, which provides for competition between generators and retailers of electricity and shared use of transmission and distribution infrastructure, provides the best opportunity for an efficient electricity industry and competitive prices to consumers in the long run. Possible market refinements include:

- addressing deficiencies in approval processes for new transmission system interconnection to help ensure inter-regional competition, and the sharing of reserve capacity, in electricity generation;
- improvements to institutional arrangements, particularly between NECA, the National Energy Market Management Company (NEMMCO) and the Australian Competition and Consumer Commission (ACCC), to help ensure efficient market operation and regulation;
- the settling of appropriate and consistent arrangements for extending competition to the sale of electricity to households;
- the appropriate phasing out of transitional arrangements that impede the full operation of the market; and
- safeguarding against changes in market structure or conduct that may impede or reduce competition between generators.

Of critical importance is the retention of independent operation and regulation of the National Electricity Market.

Governments have a clear role, from an economic policy perspective, in ensuring that the National Electricity Market architecture is and remains appropriate given the over-riding objective of an efficient and effective set of market arrangements.

Some have criticised the National Electricity Market because there has been an increase in coal-fired electricity generation, exacerbating environmental problems. The Senate Environment, Communications, Information Technology and the Arts Committee recommended that the Council's assessments incorporate benchmarks for the reduction of the greenhouse intensity of power generation (Recommendation 31) (Commonwealth of Australia 2000). As the Senate Committee recognised, however, this is beyond the current scope of the NCP agreements (see Recommendation 30). It is open to governments to introduce policies designed to deal with the social implications of electricity supply and consumption, such as rules or general tax or subsidy measures to correct for the environmental costs of electricity. Indeed, the National Electricity Market's separation of generation activities from other parts of electricity supply facilitates such policies. New South Wales, for example, has introduced measures to allow consumers to choose 'green' electricity without impeding the operation of the market.

But governments should not seek to become involved in the day-to-day operation of the market. In particular, governments should continue to recognise that some electricity wholesale price volatility in the short to medium term is an inevitable, indeed efficient, aspect of the market's operation, to encourage appropriate electricity supply and demand responses. Already, there is some evidence that rising wholesale prices are encouraging expansion of, and new entry in, generation activities; as well as changes in the ways that businesses use electricity. These developments are essential to ensure competitive prices in the long run. Market refinements along the lines outlined above should reinforce these incentives, but overly intrusive government action risks defeating them. Notably, the primary cause of problems in California has been inadequate market incentives in the supply of, and demand for, electricity.

Gas reform

Gas reform has been one of the major success stories of the NCP. CoAG agreements on gas reform date back to 1991, but little happened for five years until the gas reform commitments were rolled into the NCP program. CoAG's objectives for national free and fair trade in gas are now largely in place. As discussed in chapter 7, the only significant outstanding matter is the extension of competition in gas production and retailing to the household level.

Gas reform under the NCP has transformed the gas industry in Australia. The introduction of the National Gas Access Code, particularly in relation to gas distribution pipelines, and increased competition in gas exploration, has stimulated gas production and pipeline development activities. There is unprecedented interest in the development of gas resources in Bass Strait, the Cooper Basin, the Otway Basin, the Timor Sea and elsewhere. A major new pipeline has been completed recently, linking gas processing facilities at Longford in Victoria and consumers in Sydney, Canberra and elsewhere in New South Wales and Victoria. There are competing proposals to build new pipelines linking gas fields in Victoria and consumers in South Australia, and linking gas fields in the Timor Sea to consumers in south-east Australia. Other pipeline proposals include linking Longford to Tasmania and gas fields in Papua New Guinea to Queensland and possibly south-east Australia.

The NCP is stimulating the rapid development of a vibrant and competitive gas industry in Australia. The gas industry is likely to play an increasing role in meeting Australia's energy needs, including because gas is likely to increase its role in electricity generation for environmental reasons. A well developed and competitive gas industry is vital to Australia's economic and environmental future.

Road transport reform

Governments have also made advances with road transport reform during the third tranche period. They have implemented 'on the ground' the vast bulk of the 19 components of the national second tranche program and will have implemented the six elements of the third tranche program by the end of this year. Although the reform programs that CoAG endorsed for the three NCP tranches have not incorporated the entire road reform package envisaged in 1995, the NCP has resulted in a faster and better coordinated reform process. Uniform mass limits is the most significant element of the 1995 program not in the three tranches of reforms to date.

Effective, nationally-consistent regulation – the focus of the NCP road transport reform program – is necessary to transform the Australian road transport industry, already one of the most efficient in the world, into a truly national industry with minimal impediments to interstate operations. An efficient national road transport industry provides benefits to all Australians through more timely and lower cost transport services, particularly for regional communities. Efficient transport also enables better decisions about the location of industries that rely on transport, by helping to overcome the disadvantages of transporting goods long distances. Chapter 9 outlines developments in road transport reform.

Rail and other transport reform

Improvements in the competitiveness of the road transport industry have tended to exacerbate problems associated with slow progress in rail reform, and possibly pre-existing biases toward road transport in the funding of infrastructure and in taxation arrangements (Bureau of Transport Economics 1999 and PC 1999a). In some respects, the rail sector is the poor cousin of the NCP. Intergovernmental agreements on rail reform have been confined to the establishment of one-stop shop services for interstate train-paths provided by the Australian Rail Track Corporation. These agreements are not part of the NCP and the Council has no role in ensuring that obligations entered are actually met.

Nonetheless, the application of general NCP principles has generated significant reform in the rail sector. While not an assessment issue, State access regimes are facilitating competition in rail haulage operations, especially in intrastate bulk haulage operations. New South Wales coal mining operations in the Hunter Valley have benefited from large reductions in haulage costs, helping to ensure the viability of these operations despite an increasingly competitive world market. Similar benefits are in prospect for mining operations and other users of bulk haulage services in Queensland and Western Australia with the impending finalisation of intrastate access regimes. The NCP structural reform, legislation review and competitive

neutrality commitments are also helping to ensure a more competitive rail sector. These developments are discussed in chapter 10.

The general reform principles of the NCP have also stimulated the development of more efficient transport infrastructure in other sectors. Ports, sea freight and airports developments are discussed in chapter 12. Chapter 13 outlines developments in bulk handling and storage services for agricultural commodities.

Communications infrastructure

Communications infrastructure and services are vital to the Australian economy. Further, given the growing importance of this sector, rapidly changing technology and convergence between communications technologies (such as between data and voice traffic technologies), competition policy issues in communications services are increasingly important for economic growth and employment in Australia. Relevant NCP activity includes reviews of telecommunications structure and regulation, reviews of postal services structure and regulation, and reviews of broadcasting services regulation (in particular, the Productivity Commission's review of digital television services regulation). These issues are exclusively Commonwealth responsibilities and are discussed in chapter 25.

Professions and occupations

Professionals, such as doctors, lawyers and engineers, generally provide services alone or in partnership with other professionals. Until the NCP extended the operation of the restrictive trade practices provisions of the TPA to all businesses in Australia, professionals were effectively exempt. Five years later, some professional groups are recognising that many past practices and business arrangements that restrict competition between professionals risk contravening the TPA. For example, the ACCC is considering an application from the Royal Australasian College of Surgeons for 'authorisation' of co-operative training practices in order to avoid any risk of prosecution under the TPA. The ACCC will authorise the practices if it concludes that they are in the interests of the community overall.

Some anti-competitive practices and arrangements by professionals are endorsed by State and Territory legislation, thus avoiding the need for authorisation by the ACCC. The NCP requires all governments to review these arrangements as part of the legislation review and reform program. The test applied in these reviews parallels the public benefit test applied by the ACCC in authorisations.

Restrictions on the services that professionals can provide, or on the ways that they provide them, should only be retained where there is a good public interest reason, such as the protection of consumers. The regulation of service standards will often be desirable in relation to the provision of professional services, particularly because consumers may find it difficult to form judgments about service standards. Where this is the case, competition restrictions via standards regulation meet the NCP tests.

But some regulation of the professions may not be in the interests of the community as a whole. For example, reviews of the regulation of some medical professionals in Queensland recommended the removal of many restrictions on commercial practices that do not have an impact on care. Generally, however, the reviews have recommended retaining registration requirements, reservation of title (such as ‘doctor’) to professionals with the necessary qualifications, and disciplinary procedures to maintain consumer protection. Regulation review and reform activity in relation to the professions is discussed in chapters 13 (veterinary services), 16 (health and pharmaceutical services), 17 (legal services), 24 (planning, construction and development services) and 18 (other professional and occupational groups).

Forestry and fisheries

The forestry and fisheries industries are important parts of the economy where regulation of exploitative activities is critically important to ensure protection of the environment, preservation of resources and the long-term viability of the industries. Equally, however, excessive regulation may overly burden businesses and undermine the health of these industries. The application of the NCP principles is helping to ensure effective regulation in the interests of the community.

There are also important competitive neutrality issues in the forestry industry, particularly in relation to the environment for the exploitation of (usually privately owned) plantation timber vis-à-vis the exploitation of (usually publicly owned) native forests. Submissions to the Council suggest that biases currently exist in favour of the exploitation of native forests due to inappropriate pricing of native hardwood.

This is an area that has not been a focus of the NCP assessment process to date. Governments are now examining their application of the NCP principles to forest management. The Victorian Government, for example, released an issues paper for its review of timber pricing in June this year, for report in October 2002. The NCP issues in relation to forestry and fisheries are outlined in chapter 14.

Mining

Similarly, regulation of mining activities is important to protect the environment, to ensure the health and safety of mine workers, to provide certainty to mining interests and, in some cases, to reflect the respective responsibilities of mining companies and governments in developing supporting infrastructure and services. Some of the current legislation is old and possibly no longer meets the community's needs. Relevant review and reform activity is outlined in chapter 15.

Planning and development

The regulation of planning, construction and development services was one of the areas identified by the Productivity Commission (previously Industry Commission) where the application of the NCP would confer large benefits to the community (IC 1995). Historically, planning, construction and development regulation has suffered from unnecessary delays in approvals processes, due in part to faulty regulation, and a lack of consistency between jurisdictions. Effective regulation provides for efficient and timely approvals processes with adequate community consultation and reflecting a balance of social, environmental and development interests. Review activity for planning, construction and development services legislation is outlined in chapter 24.

Other legislation review

Other areas of the legislation review and reform program involving important and difficult public interest issues, and in some cases also difficult adjustment assistance issues, include the taxi and hire car industry (chapter 11), grain marketing arrangements (chapter 13), fair trading and consumer legislation (chapter 19), the regulation of finance, insurance and superannuation services (chapter 20), retail trading arrangements (chapter 21), education services (chapter 22) and specific social regulation with implications for competition (chapter 23).

Legislating for national standards

Because of their concern that Australia's regulatory system was overly complex, was inconsistent and imposed unnecessary costs, governments entered a specific commitment in relation to the development through

national and/or joint government processes of new legislation restricting competition. The purpose of this commitment is to ensure that bodies that set national standards (such as Ministerial councils) apply consistent processes aimed at achieving effective regulation. Consequently, governments agreed that where a national standards-setting body proposes to establish a regulation or adopt a standard it must first show that a regulatory impact statement has been prepared and that this justifies adopting the regulatory measure.

The Commonwealth Office of Regulation Review is responsible for advising governments on compliance with the national standards-setting regulatory impact processes. The Office of Regulation Review identified several cases of where an appropriate regulatory impact statement had not been prepared. However, in almost all of these cases there are processes in place (either specific to the national standard or general legislation gatekeeping procedures) that should help to improve the effectiveness of legislation introduced to support the national standard. The Council has recommended that governments' compliance with the national standards-setting obligation be monitored in future NCP assessments. This matter is discussed in chapter 26.

Finalising the legislation review and reform program

The legislation review program poses the greatest challenges of all the general reform components. Each government accepted a large burden by agreeing to review, and where appropriate, reform within a five-year period all legislation restricting competition. This involves around 1700 separate pieces of legislation. Further, political considerations (including elections) and resource constraints mean that reform programs have not always run smoothly. The CoAG decision to extend the timeframe for completion of the legislation review and reform program to 30 June 2002 recognises the work involved. Nonetheless, important reforms have been achieved and more are in prospect. Importantly, the NCP has instilled within governments a greater appreciation of the effects of business regulation and a culture of rigorous justification of the need for, and design of, new and existing regulation.

The Council will further consider review and reform progress in these areas as part of assessing governments' compliance with overall legislation review and reform commitments in 2002. The Council did not make recommendations on competition payments relating to legislation review as part of this assessment. The CoAG decision to extend the timeframe for the review and reform program provides additional time for each government to resolve legislation review questions consistent with the Competition Principles Agreement objective that restrictions must be in the public interest and necessary to achieve the government's policy objectives.

Conclusion

Inevitably, the Council's assessment of progress by each government with NCP reform focuses on the problems that governments need to address and the things that are yet to be done. This assessment is no different in that it identifies areas where governments must do more to achieve the goals they set for themselves in 1995.

But the Council's judgment from this assessment is that there has been considerable achievement by governments. This achievement has been won in the face of sometimes difficult circumstances. Reform implementation has been associated with challenging political environments and intensive debate. Some reforms have been difficult to execute and have highlighted the need for governments to consider the impacts of reform measures on specific industries and communities, including the costs of adjusting to change. Governments should be congratulated for their commitment to reform, which reflects a commitment to good governance in the interests of Australia.

NCP reform in Australia has already delivered a more competitive economy in the interests of all Australians. The surge in Australia's aggregate productivity and output growth in the 1990s of one percentage point above trend levels for the past six years is hard to explain other than by the changes that have been made to the Australian economy during the 1980s and 1990s, including competition policy. This has contributed to sustained growth in productivity and employment and general economic growth in Australia, despite political and economic upheavals in the Asia-Pacific region. Australia's successes in developing a more competitive economy are likely to provide extensive and longstanding benefits.

But more important is the fact that the NCP is developing a more competitive economy in combination with, rather than in isolation from, addressing important social and environmental problems. So, for example, water reform is being implemented to specifically address environmental problems associated with water use, as well as to address competition issues such as property rights in water and water trading arrangements. Similarly, reform in the electricity and gas industries is leading to more competitive energy supply, and also assisting Australia to deal with environmental problems such as greenhouse gas emissions. Energy reform does this, first, by providing a market structure that is amenable to targeted, market-based environmental measures and, second, by providing dynamic energy production that can adapt to a changing world environment. Similarly, the application of the NCP to the forestry, fishing and mining industries jointly addresses development, social and environmental issues and reviews of the regulation of the professions deal jointly with consumer protection and competition issues. The NCP, because of its clear focus on a rigorous assessment of the public interest, means that reforms that are implemented serve the broad interests of all Australians.

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Abbreviations

AC	Alternating current
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
ANZECC	Australian and New Zealand Environment and Conservation Council
ANZMEC	Australian and New Zealand Minerals and Energy Council
ANZFA	Australia New Zealand Food Authority
ANZFSC	Australia New Zealand Food Standards Council
ARMCANZ	Agriculture and Resource Management Council of Australia and New Zealand
AS	Australian Standard
ATC	Australian Transport Council
AVCC	Australian Vice Chancellors' Committee
BCA	Building Code of Australia
CAPEC	Conference of Asia Pacific Express Carriers
CCNCO	Commonwealth Competitive Neutrality Complaints Office
CIE	Centre for International Economics
CoAG	Council of Australian Governments
CPA	Competition Principles Agreement
CRR	Committee on Regulatory Reform (CoAG)
CSO	Community service obligation
CTP	Compulsory Third Party
DC	Direct current
DPI	Department of Primary Industries (Queensland)

DSAP	Dairy Structural Adjustment Program
ESCC	Essential Services Consumer Council (ACT)
FAC	Federal Airports Corporation
GBE	Government business enterprises
GDP	Gross Domestic Product
GPAL	Gas Pipelines Access Law
GPOC	Government Prices Oversight Commission (Tasmania)
GRMCo	Gas Retail Market Company
GST	Goods and services tax
GWh	Gigawatt hour
HEC	Hydro Electric Corporation (Tasmania)
IPART	Independent Pricing and Regulatory Tribunal
ICRC	Independent Pricing and Regulatory Commission (ACT)
IRPC	Inter-Regional Planning Committee
KPa	Kilopascal
LPG	Liquid Petroleum Gas
MPa	Megapascal
MW	Megawatt
MWh	Megawatt hour
NCC	National Competition Council
NCP	National Competition Policy
NCTC	Network and Consumer Transfer Code
NECA	National Electricity Code Administrator
NEM	National electricity market
NEMMCO	National Electricity Market Management Company
NRTC	National Road Transport Commission
OCBA	Office of Consumer and Business Affairs (South Australia)

ORR	Office of Regulation Review
PAWA	Power and Water Authority
PBS	Pharmaceutical Benefits Scheme
PC	Productivity Commission
QCA	Queensland Competition Authority
QIRC	Queensland Industrial Relations Commission
QNI	Queensland – New South Wales Interconnector
QR	Queensland Rail
RIS	Regulatory/regulation impact statement
SACL	Sydney Airport Corporation Limited
SA Water	South Australian Water Corporation
SEVS	Specialist and Enthusiast Vehicle Scheme
SMA	Statutory marketing authority
SNI	South Australia – New South Wales Interconnector
TJ	Terajoules
TPA	<i>Trade Practices Act 1974</i>
VEETAC	Vocational Education, Employment and Training Committee
WSAA	Water Services Association of Australia