TASMANIA

NATIONAL COMPETITION POLICY

PROGRESS REPORT

April 2004

CONTENTS

1 INTRODUCTION

OVERVIEW

At its April 1995 meeting, the Council of Australian Governments (COAG), comprising all Australian state and territory governments, signed three 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 constitute the National Competition Policy (NCP). A background to NCP and an outline of the NCP Agreements are provided at Appendix A.

Under one of the Agreements, the *Competition Principles Agreement* (CPA), governments are required to publish an annual report describing progress in implementing reforms following the application of competitive neutrality and legislation review principles. The Tasmanian Government's Progress Reports meet this requirement and also outline the State's progress in applying the remaining NCP reform principles and NCP sector specific reforms relating to electricity, gas, water and road transport.

This is the eighth NCP Progress Report released by the Tasmanian Government. It outlines the State's progress in applying NCP principles as at 31 March 2004. Copies of this report and the 2003 and 2002 Progress Reports are available at the Department of Treasury and Finance's Internet site at http://www.treasury.tas.gov.au. Earlier reports are available from the Department of Treasury and Finance.

For Tasmania, the NCP reform principles are fully in line with the reform directions that the State had commenced prior to April 1995. For this reason, the State has used 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. The Government has consistently applied NCP principles in Tasmania through an open and transparent approach and has made very significant progress in all of the key reform areas.

Over the past year, Tasmania has achieved a number of major milestones including the reform of the taxi industry and liquor licensing laws. This follows very significant reforms in recent years that have included deregulation of shop trading hours and legislation to bring Tasmania into the National Electricity Market.

Tasmania's compliance with the NCP Agreements is evidenced in the positive assessments the State has received from the National Competition Council (NCC) in its recommendations to the Commonwealth Treasurer on whether the State has successfully qualified in full for the various tranches of NCP payments. From the commencement of competition payments in 1997-98 until 2003-04, the state received the full set of competition payments fro which it was eligible. In 2003-04, Tasmania received a payment of $17.2 million, with the payment of the remaining $900 000 suspended as a result of not completing its review and reform of legislation obligations by the due date. This penalty was the lowest received by all jurisdictions due to the small number of reform areas that were incomplete. Since that determination, almost all outstanding reforms have been implemented, with the legislative process well advanced on other remaining issues.

COAG has agreed that the NCP Agreements are to be reviewed by agreement in 2005. Given the ongoing nature of the Agreements, Tasmania will seek to ensure, through the review, that the Agreements continue to provide outcomes in future years that are in the public benefit.

Further details on the competition payments, adjusted to reflect the revised inter-governmental financial flows arising from the national tax reforms, are outlined in detail at Appendix A.

2 REFORMS UNDER THE COMPETITION PRINCIPLES AGREEMENT

Features

- The CPA commits all Australian governments to progressing micro-economic reforms in a wide range of areas in accordance with a set of well-defined principles. These areas include legislation review, competitive neutrality and monopoly prices oversight.
- The Government has made good progress in the implementation of the legislative review timetable and all of the State's scheduled reviews have now been completed. Any outstanding changes arising from the reviews will be implemented in the near future.
- A detailed account of progress with the legislation review timetable and an outline of a number of major reform areas is provided in this Chapter. These major reviews include the *Taxi and Luxury Hire Car Industries Act 1995*, the *Liquor and Accommodation Act 1990* and the *Shop Trading Hours Act 1984.* Information on the review status for each Act listed in the timetable is provided at Appendix B.
- Competitive neutrality principles are applied to government business activities in Tasmania, including all significant business activities undertaken by inner budget agencies. This Chapter provides an update on the Government's progress in this area, including recent reforms to Government Business Enterprises (GBEs).

LEGISLATION REVIEW

As indicated in previous Progress Reports, the Tasmanian Government's Legislation Review Program (LRP) was established under its policy statement of June 1996, titled *Legislation Review Program: 1996-2000 – Tasmanian Timetable for the Review of Legislation that Restricts Competition* (LRP policy statement). The LRP policy statement was developed in accordance with the requirement of the CPA that parties to the Agreement review and, where appropriate, reform by the end of the year 2000 all legislation that restricts competition.

The LRP policy statement included a timetable for the systematic review of legislation that restricts competition, to ensure that the Government retains only those restrictions that are fully justified in the public benefit. The LRP has provided impetus to the Government's regulatory reform agenda and the Government is committed to reducing the regulatory burden that, in many cases, has restricted the operation of the Tasmanian economy.

Since the commencement of the LRP, the Regulation Review Unit within the Department of Treasury and Finance worked closely with agencies responsible for reviewing legislation. The LRP has also adapted to take account of issues that have come to light since its commencement, such as further advice from the NCC on review processes and the rescheduling of the review timetable to accommodate an additional number of Acts that were originally scheduled for national review.

Through the LRP, the Tasmanian Government has reviewed legislation that impacts on areas of significant importance to the State and these reviews have been the subject of considerable interest from members of the Tasmanian community. The following sections detail the Government's progress with the LRP timetable and outline the status of major reforms.

Review processes

The LRP policy statement provided a detailed outline of the required review processes. Furthermore, the Tasmanian Government took account of the NCC's expectations that legislation review processes:

- 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 requiring a net public benefit to justify retention of restrictions on competition; and
- make the Regulatory Impact Statement (RIS) publicly available.

Another key feature of these processes has been the determination of whether an identified restriction is classified as a major or minor restriction on competition. The resulting review processes were tailored to the level of the restriction on competition in the relevant legislation. Where legislation was assessed as containing 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 was a paramount consideration when establishing the review. An extensive public consultation process was undertaken in all reviews of this type. The scale of reviews, while still being independent, open and rigorous, was commensurate with the relative impact of the legislation. In cases where the restrictions in the legislation were assessed as being minor, public consultation was encouraged, although it was not mandatory.

Progress with the LRP timetable

All of the scheduled State reviews have now been completed. At the time of publication, all review recommendations had been considered by the Government with the exception of some minor reform recommendations arising from the review of the *Legal Profession Act 1993* that deal with relatively minor restrictions.

A further seven have been considered by the Government but are yet to be implemented legislatively, namely the:

- *Auctioneers and Real Estate Agents Act 1991;*
- *Building and Construction Industry Training Fund Act 1990;*
- *Historic Cultural Heritage Act 1995;*
- *Hospitals Act 1918;*
- *Medical Practitioners Registration Act 1996;*
- *Optometrists Registration Act 1994;* and
- *Plumbers and Gas-fitters Registration Act 1951*.

There are currently 15 reviews classified as national, representing only six per cent of all timetabled legislation. As mentioned in previous Progress Reports, the rescheduling of previously national reviews as being the responsibility of the states and territories resulted in a number of State-based reviews being held over until the latter part of the review timetable. Of the national reviews, three are currently underway that may lead to legislative amendments. See page 13 for details.

Table 2.1: Progress with LRP timetable August 1998 – March 2004

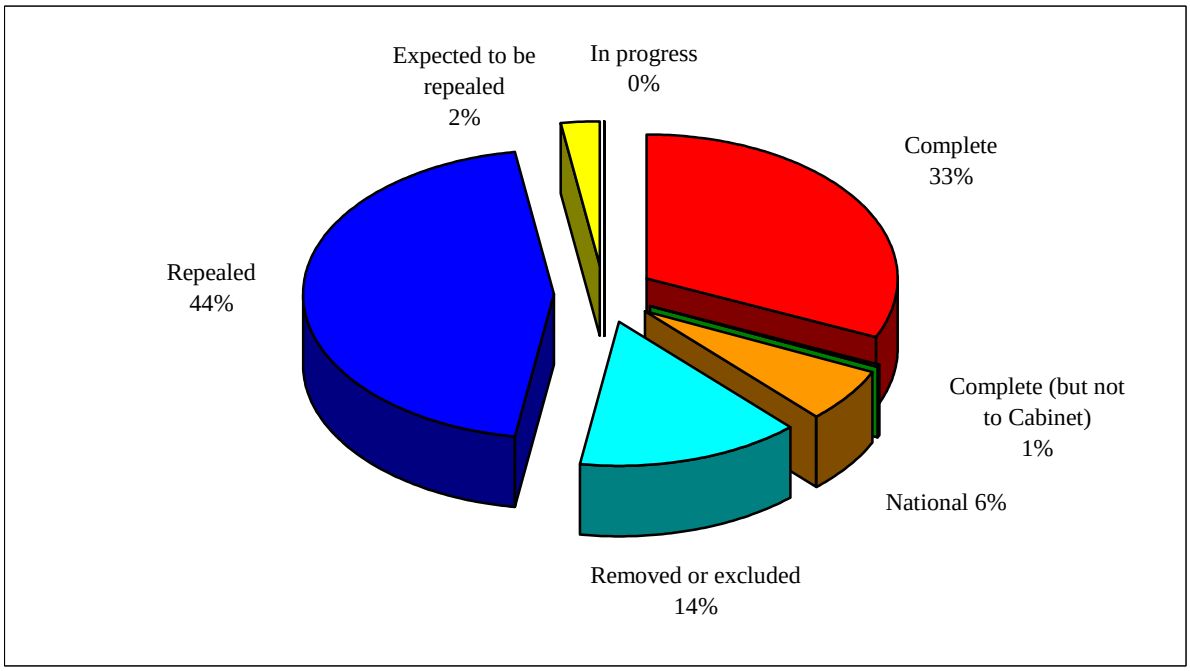
Status of review/legislation	As at Aug 1998	As at Dec 1998	As at April 2000	As at April 2001	As at April 2002	As at April 2003	As at March 2004
State reviews							
Yet to commence	54	38	5	0	0	0	0
In progress	18	23	23	12	3	0	0
Complete	9	16	51	58	70*	77*	80*
Complete (but to go to Cabinet)	5	5	8	16	10	6	1
Removed or excluded	29	29	34	35	32	36	37
Repealed	47	60	77	89	109	112	114
Expected to be repealed	66	56	43	31	15	7	6
Deferred	14	17	0	0	0	0	0
TOTAL STATE REVIEWS	**242**	**244**	**241**	**241**	**239**	**238**	**238**
National reviews							
Underway	n/a	n/a	n/a	n/a	5	6	3
Complete	n/a	n/a	n/a	n/a	**9**	9	12[#]
TOTAL NATIONAL REVIEWS	**11**	**9**	**12**	**12**	**14**	**15**	**15**
TOTAL	**253**	**253**	**253**	**253**	**253**	**253**	**253**

Source: Department of Treasury and Finance
*Includes seven State reviews whose recommendations are yet to be implemented.
[#]Includes five national reviews whose recommendations are yet to be implemented.

A total of 151 Acts have been either removed or excluded from the legislation review timetable or have been repealed. These categories of legislation represent 58 per cent of all timetabled legislation. A further seven Acts are expected to be repealed in the near future, representing two per cent of all timetabled legislation. None of these Acts contains major restrictions on competition.

The status of the LRP timetable at 31 March 2004, is set out in Table 2.1 above and a breakdown of the status of the reviews as at that date is set out in Chart 2.1. LRP progress according to the Acts listed for review is outlined in Appendix B.

Chart 2.1: Status of LRP reviews as at 30 March 2004



Source: Department of Treasury and Finance

Major reforms

The Tasmanian Government has implemented many major legislative reforms arising from NCP. Significant reform areas include the taxi industry, shop –trading hours, liquor licensing, transport, the electricity supply industry and the natural gas industry. Details of some of the more significant major reviews are provided below.

Taxi Industry and Luxury Hire Car Industries Act 1995

An independent Review Group conducted the review of the Taxi and Luxury Hire Car Industries Act during 1999. This Act was the *Taxi Industry Act 1995* before it was amended in late 1999 to include the licensing of luxury hire cars as part of the reforms of Tasmania's public transport system.

The final report from the Review Group was completed in April 2000. The Group recommended several changes to the Act, the principal ones of which were as follows:

- the introduction of a new process to increase the number of licences;
- the introduction of regulated maximum fares and open negotiation for taxi work booked by phone (rather than set fares) to enable price competition; and
- the requirement that a new vehicle be needed for a new licence be removed but the restrictions on the maximum age that a vehicle can be used as a taxi be retained at 8 years in urban areas and 10 years in rural areas.

In November 2003, the Tasmanian Parliament passed the *Taxi and Luxury Hire Car Industries Amendment Bill 2003*. This Bill amended, and in some cases repealed, those provisions within the *Taxi and Luxury Hire Car Industries Act 1995* that restricted entry into the taxi industry or prevented improved competition and were not in the public interest.

The Act has been amended to include a new mechanism to make available for tender each year additional perpetual taxi licences for each taxi area. The lowest acceptable tender bid will be based on the Tasmanian Valuer-General's assessment of the market value of perpetual taxi licences in each taxi area.

For the four urban areas in Tasmania, namely Hobart, Launceston, Devonport and Burnie, the reforms provide that this mechanism will commence after the introduction of 33 wheelchair accessible taxis over two years to meet the requirements of the Commonwealth *Disability Discrimination Act 1992*. This will increase the number of taxis operating in the market in Tasmania.

As part of the reforms, the new regulations (*Taxi Industry Amendment Regulations 2004)* enable taxi operators to offer discounted taxi fares to customers, provided that the fares are first registered with the Transport Commission and recorded on the taxi meter. The Government did not implement the review recommendation to allow for open negotiation for taxi work booked by phone without recording agreed fares on the taxi meter, due to its potential to undermine the consumer protection benefits that require the use of the taxi-meter as the fare setting mechanism.

The Bill also removes the requirement that a new vehicle must be used with a new perpetual licence, which is estimated to reduce the cost of entering the taxi industry in Tasmania by as much as $25 000.

In summary, the new legislation introduces amendments that will reduce the barriers to new entrants and facilitate price competition and service innovation within the taxi industry.

The amendment Act and regulations were gazetted on 17 March 2004. On 27 March 2004, the Government placed advertisements in Tasmanian newspapers announcing the availability of wheelchair accessible taxi licences in Hobart, Launceston, Burnie and Devonport and also new perpetual taxi licences for all the other taxi areas.

Consistent with the review recommendations, the Government has agreed to establish a Taxi Industry Working Group to review the taxi industry reforms in two years from the date of proclamation.

In its 2003 Assessment Report, the NCC stated that if the Government committed to an annual increase in taxi numbers and to review the market situation in two years, the reforms will be consistent with its CPA clause 5 commitments. The Government considers that the *Taxi and Luxury Hire Car Industries Amendment Act 2003* and the *Taxi Industry Amendment Regulations 2004* fulfil these requirements.

Shop Trading Hours Act 1984

In late August 1999, a review of the State's Shop Trading Hours Act was established. The legislation required retail businesses employing more than 250 people to be closed at certain times and on certain days (such as Sundays and most public holidays). The review commenced in October 1999 and involved extensive consultation, as outlined in previous Progress Reports. The Review Group found that it was not in the public benefit to retain the restrictions on competition contained in the legislation and recommended that they be removed.

To enable the Government to obtain more detailed information on the full range of impacts on rural and regional Tasmania before considering any amendments to the legislation, the Government requested in 2001 that the Review Group be re-convened to undertake a supplementary public benefit test by considering specific issues including the impact on rural and regional Tasmania of deregulation of shop trading hours, especially on the independent grocery sector.

The Review Group's subsequent deliberations included taking into account evidence provided from the initial review where relevant, an analysis of new market research undertaken and consideration of additional evidence submitted by stakeholders. The Review Group's additional report was completed in February 2002. The Review Group found that there would not be an adverse impact on Tasmania's rural and regional communities and confirmed that there was no public benefit in keeping the restrictions. The Review Group found that removing the restrictions would lead to around 350 additional jobs in Tasmania's retail sector, as well as providing substantial benefits to consumers.

The Government accepted the Review Group's findings and in March 2002, the *Shop Trading Hours Amendment Bill 2002* was introduced into Parliament to remove the restrictive provisions and allow all stores to open when they choose, except for Christmas Day, Good Friday and the morning of ANZAC Day. In late March 2002, the Government amended the Bill to set the date for deregulation to 1 December 2002. The amendments also allow each council to choose to have a plebiscite conducted in its municipality to vote on whether to retain the restrictions in the Act. The Bill provided that they will remain (if before 1 December 2002) or are to be reimposed (if after 1 December 2002), if the majority of those that vote choose to retain or impose the restrictions. The legislation as amended was passed by Parliament on 16 April 2002 and shop trading hours in Tasmania have been deregulated from 1 December 2002. No council has sought to hold a plebiscite to reimpose the restrictions on shop trading hours.

Electricity Supply Industry Act 1995

The *Electricity Supply Industry Act 1995* provides the legislative basis for the regulation of the electricity sector in Tasmania. Its objectives include promoting efficiency and competition, protecting the interests of electricity consumers, providing for a safe and efficient system of electricity generation, transmission, distribution and supply, and providing for other electrical safety requirements and standards.

This Act was amended in April 2003 to establish the framework required to facilitate Tasmania's entry to the National Electricity Market (NEM) and provide for the introduction of retail contestability over four years, commencing six months after Basslink is commissioned. The reform legislation introduces a suite of structural and regulatory arrangements, including:

- transferring certain functions and powers in relation to transmission pricing from the Tasmanian Energy Regulator to the Australian Competition and Consumer Commission (ACCC);
- formalising the appointment of the Tasmanian Regulator as the State's jurisdictional regulator under the National Electricity Code;

- establishing a head of power to enable the development of detailed arrangements relating to the introduction of retail competition in Tasmania;
- enabling Transend Networks, as system controller, to enter into agreements with National Electricity Market Management Company Limited (NEMMCO), which will enable NEMMCO to perform the system controller functions in Tasmania;
- implementing the Government's commitments to the ACCC in respect of the arrangements that will underpin the State's transition to the NEM; and
- making a number of miscellaneous amendments which are connected with, or consequential upon, the State's NEM entry.

The implementation of these arrangements has been completed or has commenced.

Liquor and Accommodation Act 1990

The review of this Act was completed in December 2002. The review was conducted by an independent Review Group, supported by a reference group comprising major stakeholders in the industry. The review examined the general trading restrictions and licensing arrangements imposed by the Act to determine whether these restrictions can be justified in the public interest. Of particular interest to the Review Group was the restrictions imposed by the nine-litre minimum purchase requirement from off-licence establishments and the prohibition on the sale of liquor in supermarkets.

A suite of legislative amendments to the Act was passed by Parliament in May 2002, including provisions to restructure the Licensing Board. The restrictions on competition in the *Liquor and Accommodation Amendment Act 2002* (Amendment Act) were included as part of the review. However, the Amendment Act was not proclaimed.

The Review Group completed and released a RIS for public comment in August 2002 which included the following draft recommendations.

- Recommendation 1 – that a statement of objectives be included in the Act.
- Recommendation 2 – that the nine-litre limit be removed and that off-licences premises are no longer required to have the sale of liquor as their principal activity.
- Recommendation 3 – that the Good Friday trading restrictions be removed.
- Recommendations 4 and 5 – that the existing liquor licence and permit system be maintained.
- Recommendation 6 – that the prohibition on supermarkets selling liquor be removed and if not, that they be permitted to sell Tasmanian wine.
- Recommendation 7 – that the 'personal and effective' control requirements contained in Section 22(1)(b)(ii) be amended to require 'effective control' over the licensed premises.
- Recommendation 8 – that the requirement that the Commissioner or the Board approve an application only if it is in the public interest and will "…best aid and promote the economic and social growth of Tasmania … [having] … regard for the legitimate interests and concerns of the community as a whole", be repealed;
  - that the Licensing Board be abolished; and
  - that the Liquor Guidelines cease to have effect and the Act be amended where necessary.

- Recommendation 9 – that the age at which a person may obtain a licence be reduced from 21 to 18 years and that the 'fit and proper person' requirements be retained.
- Recommendation 10 – that the only alterations to premises requiring the prior approval of the Commissioner be restricted to only those alterations that result in an addition to, or reduction in, the area of the premises.
- Recommendation 11 – that the accommodation licensing scheme be abolished.
- Recommendation 12 – that the requirement in the Amendment Act to prepare a strategic plan, be repealed.
- Recommendation 13 – that the requirement in the Amendment Act that applicants demonstrate sound commercial principles, be repealed.
- Recommendation 14 – that the expanded Licensing Board, as established by the Amendment Act, not proceed.
- Recommendation 15 – that the restrictions applying to licensed clubs be maintained and that options be considered to remove reference to "conditions specified in the licence" and to incorporate Schedule 1 of the existing guidelines into clubs' constitutions.
- Recommendation 16 – that the definition of 'licence applicant' be expanded to include known associates, in line with the requirements imposed under the Gaming Control Act.
- Recommendation 17 – the definition of qualifications be expanded to include competencies through experience and that it be a condition of issuing a licence that all staff serving alcohol in general, club, on and off-licence establishments are trained in the Responsible Serving of Alcohol (RSA), with such requirements for special licences to be assessed upon application.

The Government considered the final report of the Review and in August 2003 it introduced the amending *Liquor and Accommodation Amendment Bill 2003* to implement the reforms. The amending Act commenced on 15 September 2003.

Within the 2003 Act, several amendments related to regulatory design or enhanced harm minimisation measures. The Government carefully considered the provisions in the legislation that restricted competition and, where it found no net public benefit in retaining the restrictions, it drafted amendments to the Act and Parliament agreed to their removal. In the case of the most significant restriction, that supermarkets and other non-liquor retailers not be permitted to sell liquor, the Government found that the costs of removing this restriction in terms of social, health and economic consequences outweighed the benefits of convenience and commercial freedom for supermarkets.

The decisions taken by the Government, and approved by Parliament, that have the most significant competition implications are:

- the maintenance of the existing liquor licence and permit system;
- the retention of the prohibition on the sale of liquor by supermarkets and the 'principal activity' requirement;
- the retention of a limited licensing scheme for tourist accommodation;
- the removal of the nine-litre restrictions and operating hours for off-licences;
- the removal of the restrictions on the sale of liquor on Good Friday for general and on-licence premises;
- the removal of restrictions on the alteration and condition of licensed premises;

- the insertion of provisions to enable a person who is not a member of a club to sign into a club and, subject to the club's constitution, have unrestricted access to its facilities, provided the person ordinarily resides at least five kilometres from the club's premises;
- the insertion of provisions to enable bona fide not-for-profit organisations to access a club's bar facilities for meetings and functions, subject to the club's constitution, without the need to apply for a liquor permit;
- the removal of the requirement that the Minister prepare a strategic plan in respect of the sale of liquor; and
- the retention of provision requiring the Commissioner or the Board, as the case may be, to grant a licence or permit only if it is in the best interests of the community to do so.

Therefore, the Government has accepted the vast bulk of review recommendations identified as imposing restrictions on competition and legislation has been passed. In the few areas it has not implemented the review recommendations, the retention of the restrictions has been justified as being in the public benefit.

Consequently, Tasmania has fully complied with its legislative review obligations under NCP in relation to liquor licensing.

Legal Profession Act 1993

The review of the Legal Profession Act was established by the Government in February 2000 and was completed in August 2001. The Act contains several restrictions on competition including:

- practice protection - admission requirements, reservation of legal work, practising certificate requirements and mandatory continuing legal education;
- business structures for legal practices; and
- conduct restrictions - written disclosure statements, fees, advertising, trust account requirements, guarantee fund and professional indemnity insurance.

The Review Group completed a discussion paper and released it for public comment in May 2000. It included the terms of reference for the review, discussion on the restrictions contained in the legislation and sought submissions from interested parties for consideration by the Review Group prior to preparation of the RIS. The RIS was released for public comment in April 2001. The RIS contained draft recommendations, with the three major conclusions being:

- that the conveyancing market should be reformed and the reservation of work restriction in relation to conveyancing be removed;
- restrictions on business structures for legal practices be removed; and
- a new disciplinary process involving a Legal Commissioner be introduced.

It is anticipated, if all the recommendations are accepted by Government, that they will be addressed in three separate Bills: a Legal Profession Bill that will include the review recommendations regarding disciplinary proceedings, the removal of advertising restrictions and the introduction of mandatory continuing legal education; a Conveyancing Bill that will provide the response of the Government to the review recommendations relevant to conveyancing, where legal practitioners currently have a monopoly; and a final Bill that will incorporate the remaining issues, including the requirement that insurance for legal practitioners must be provided by the Law Society of Tasmania, allowing for multi-disciplinary practices (for example, to combine accounting and law firms under the one practice) and use of contingency fees.

The Legal Profession Bill has been released for public consultation and it is anticipated that the Bill will be introduced into Parliament in the Autumn 2004 session. The Government will shortly consider the remaining reforms.

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 by jurisdictions 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.

National reviews are currently being progressed, or have recently been completed, in the following areas:

- Architects - A review of the architecture profession has been undertaken by the Productivity Commission and was released in November 2000. A states and territories Working Group developed a national response to this report, which has been accepted by the NCC. All issues arising out of the review have been incorporated into amendments to the *Building Act 2000* and consequential amendments to the *Architects Act 1926*.
- Drugs, poisons and controlled substances - The review has been completed and considered by the Australian Health Ministers' Advisory Council. Tasmania is currently drafting a new Poisons Act to replace the *Poisons Act 1971*, taking into account the outcome of the National Review of Drugs and Poisons legislation.
- Pharmacy - The final report of the NCP review of pharmacy regulation was delivered to Heads of Government on 9 February 2000 and publicly released on 18 February 2000. A COAG Senior Officials Working Group was established, comprising Commonwealth, state and territory officials, chaired by the Commonwealth. This Working Group reported back to Senior Officials who, in turn, reported to Heads of Government on an appropriate coordinated response. The *Pharmacists Registration Act 2001* governs the registration of pharmacists and the ownership of pharmacies, limiting a pharmacist's direct or indirect interests to no more than two pharmacies. The Government has considered the outcome of the national review of this legislation, including the COAG's recommendations, and amending legislation is scheduled to be introduced in the Autumn 2004 Session of Parliament.
- Travel agents – a national review has concluded and the final report released. National working parties have been appointed to implement the recommendations arising from the report.
- Trustee companies – A national review of trustee companies legislation has been completed and is presently being considered by the Standing Committee of Attorneys-General.
- Radiation control – A national review of this area has been completed and work has commenced on the preparation of amending legislation that is expected to be introduced in the Spring 2004 Session of Parliament.

Gatekeeper arrangements

Tasmania's gatekeeper arrangements apply to all proposed legislation in order to ensure that proposed legislation restricting competition or impacting on business is properly justified as being in the public benefit. Treasury's Regulation Review Unit (RRU) independently assesses all new and amendment primary and subordinate legislation. It is mandatory for all proposed legislation to be considered by the RRU before it goes to Cabinet or, in the case of subordinate legislation, the Executive Council.

The RRU assesses proposed primary legislation according to the guiding principles in Clause 5 of the CPA.

Where it is considered by the RRU that legislation contains a major restriction on competition or a major impact on business, the administering agency will be required to prepare a Regulatory Impact Statement and conduct a mandatory public consultation process.

All subordinate legislation is considered according to the provisions of the *Subordinate Legislation Act 1992* (SLA). The SLA provides for the staged, automatic repeal of Tasmania's subordinate legislation. The Act sets out a timetable for the repeal of existing subordinate legislation and provides that all new subordinate legislation has a ten-year sunset clause. The SLA also provides that new subordinate legislation that imposes a significant cost, burden or disadvantage on any sector of the community should not be introduced unless it can be justified as being in the public benefit. In these cases, a Regulatory Impact Statement must be prepared to demonstrate that the cost, burden or disadvantage can be justified as being in the public benefit. A major restriction on competition in subordinate legislation would be assessed as imposing a significant cost, burden or disadvantage, and, therefore, would require a Regulatory Impact Statement.

The RRU independently assesses the suitability of Regulatory Impact Statements, Minor Assessment Statements and any public consultation undertaken.

Since its inception in June 1996, more than 840 primary and 940 subordinate legislative proposals have been assessed under the gatekeeper provisions of the LRP. Between 1 July 2003 and April 2004, 86 primary proposals and 75 subordinate legislative proposals were assessed under the gatekeeper arrangements. Of these six were assessed as requiring the preparation of Regulatory Impact Statements.

The Government's existing gatekeeper arrangements therefore ensure that proposed legislation that restricts competition or significantly impacts on business is justified as being necessary in the public benefit and that only necessary, effective and efficient subordinate legislation is made.

The processes and procedures supporting the State Government's gatekeeper role are outlined in detail in the publications *Legislation Review Program: Procedures and Guidelines Manual, February 2003* and *Subordinate Legislation Act 1992: Users Guide, February 2003*. Copies of the manuals are available at the Department of Treasury and Finance's Internet site at http://www.treasury.tas.gov.au.

Gaming Legislation

The *Gaming Control Act 1993* and attached Deed of Agreement with Federal Hotels Ltd originally granted Federal Hotels an exclusive licence to operate casinos, gaming machines and Keno in Tasmania until 31 December 2008. Following an assessment of the benefits and costs to the State, the Government announced in April 2003 that it intended to introduce legislation to amend the Gaming Control Act.

The Government introduced the *Gaming Control Amendment Bill 2003* into Parliament in September 2003, to amend the Gaming Control Act 1993 to provide for a new exclusive licence to Federal Hotels to operate casinos, Keno and gaming machines in Tasmania, in return for:

- A state-wide cap on gaming machine numbers that was significantly below the number of gaming machines that would otherwise have been in operation;
- increased tax rates and contributions to the Community Support Levy;
- commitments to improve venue returns and player protection measures; and
- an undertaking to invest in a new premium tourist resort near Coles Bay, Tasmania.

The Act was passed by both Houses of Parliament and commenced on 1 July 2003.

The reforms capped the number of licences at 3680, which is around 290 above current levels but substantially below the number anticipated by 2008 had the legislation not been amended. The changes also permit Federal Hotels to retain its exclusive licence to operate gaming machines, casinos and Keno in the State for 15 years, after which the licence becomes a 5 year "evergreen licence" renewed on an annual basis. Several changes to the taxation of gaming were also made, together with increases in contributions to the Community Support Levy which funds research into problem gambling, services for problem gamblers and their families and also provides sporting and charitable grants. Returns to venue operators have also been increased.

A RIS assessing the proposed reforms was prepared that found that the benefits of the measures outweigh the costs. The Government is currently in discussions with the NCC regarding the public interest issues associated with these reforms.

In addition to the above, a review of the arrangements that support exclusivity for the parimutuel wagering activities of TOTE Tasmania under the *Racing Regulation Act 1952* is currently being undertaken. Any proposed new legislation will be assessed in accordance with the gatekeeper provisions of the Tasmanian Government's Legislation Review Program.

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 (SBAs). 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 GBEs, which are classified as Non-Financial Corporations (Public Trading Enterprises [PTEs]) and Public Financial Corporations (Public Financial Enterprises [PFEs]) under the Australian Bureau of Statistics's (ABS) Government Financial Statistics Classification; and
- SBAs undertaken by a government agency or a government owned 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, titled *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 Chapter 4 – Local Government and NCP reforms.

There were no competitive neutrality complaints made against State Government businesses or significant business activities in 2002-03.

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). The GBE Act places GBEs on a competitive footing through the processes of both commercialisation and corporatisation. The GBE Act fulfils Tasmania's competitive neutrality commitments in relation to significant GBEs by subjecting them to:

- tax equivalent regimes (TER);
- debt guarantee fees directed at offsetting the advantage of Government guarantees on borrowings; and
- dividend requirements.

Since 1 July 1997, all Tasmanian GBEs, with the exception of the Port Arthur Historic Site Management Authority (PAHSMA), have been subject to the full TER, dividend regime and guarantee fees through the *Government Business Enterprises (Amendment of Acts' Schedules) Order 1997*.

In June 1999, the *Intergovernmental Agreement on Reform of Commonwealth-State Financial Relations* was signed and provided that reciprocal taxation will be progressed on a revenue neutral basis. As part of the Agreement, Heads of Government agreed to the introduction of a National Taxation Equivalent Regime (NTER) for income tax equivalent payments by state and territory GBEs. The NTER replaced jurisdictions' Taxation Equivalent Regimes from 1 July 2001 and is administered by the Australian Taxation Office.

All Tasmanian GBEs, State-owned Companies (including subsidiaries of GBEs and State-owned Companies) and local government joint authorities that operated under the TER as at 30 June 2001, with the exception of the Tasmanian Public Finance Corporation (Tascorp) and PAHSMA, were included in the NTER from 1 July 2001.

Tascorp operated under the TER while Heads of Treasuries examined issues associated with central borrowing authorities and the application of the NTER. At the Heads of Treasuries meeting held in March 2002 it was agreed that central borrowing authorities are not required to be included in the NTER and that each state and territory should consider applying a state TER in which tax equivalent payments are calculated by applying the corporate tax rate to the accounting profit of these authorities.

Under the terms of the GBE Act, the Treasurer is able to enter into an agreement in respect of the calculation, determination and payment of income tax equivalents by GBEs. A decision was made by the then Treasurer that Tascorp will be required to operate under a framework whereby tax equivalent payments are calculated by applying the corporate tax rate to Tascorp's accounting profit.

This decision was made on the basis that there were no competitive neutrality issues associated with the adoption of this framework. Adoption of this framework provides uniformity of tax calculations for all central borrowing authorities.

Tascorp was issued with a Treasurer's Instruction in March 2003 giving effect to the accounting profit tax treatment, which is in accordance with the Heads of Treasuries' decision.

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 are 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 not 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 entered into with the Hydro-Electric Corporation (Hydro Tasmania), Metro Tasmania Pty Ltd (Metro), The Public Trustee, Civil Construction Corporation[1] and Aurora Energy Pty Ltd (Aurora).

Recent reforms to GBEs

The Tasmanian Government has continued to review and reform a number of government businesses since the signing of the CPA. These more recent reforms are detailed below.

Bulk water suppliers

The Rivers and Water Supply Commission (RWSC) is responsible for the management of the Prosser River Bulk Water Supply Scheme and various irrigation and drainage schemes throughout the State. The RWSC is currently negotiating the transfer of this Scheme to the Glamorgan/Spring Bay Council.

The RWSC ensures 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.

Having successfully transferred the bulk water schemes to local government, future arrangements for the RWSC are being reviewed. The RWSC has been transferring its irrigation and drainage schemes to local government and management committees comprising local water users. In April 2002, the operations and management of the Cressy-Longford Irrigation Scheme were handed over to the Cressy-Longford Irrigation Scheme Limited under

[1] The Civil Construction Corporation was subsequently transferred to a private operator. See page 17 for details.

an agreement with RWSC. The agreement represented the first of the RWSC's irrigation schemes to be self managed by irrigators and led to a renewed interest from irrigators in other schemes. This included the Winnaleah Irrigation Scheme, where negotiations with Winnaleah irrigators to develop a similar agreement for management of their scheme were concluded with the signing of an agreement on 10 December 2003.

The Tasmanian Government is committed to working with irrigation scheme participants to ensure that they have a full understanding of the implications of further devolution of irrigation management.

TOTE Tasmania

TOTE Tasmania Pty Ltd (the TOTE) conducts totalizator betting in Tasmania in accordance with the *Racing Regulation Act 1952* and has responsibility for planning, administering and marketing the Tasmanian racing industry. The TOTE, formally the Totalizator Agency Board, was established as a State-owned Company on 5 March 2001 and is subject to the *Corporations Act 2001*.

Prior to the TOTE's incorporation, the turnover tax applying to the then Totalizator Agency Board was replaced on 1 August 2000 with an annual licence fee (waived for the first three years) and the payment of income tax equivalents and dividends. The tax and governance structure of the TOTE more closely reflects the arrangements in place for Totalizator Agency Boards in other states.

The Egg Marketing Board

During 2001, the Egg Marketing Board (EMB) and egg producers agreed to the disposal of the EMB's one significant commercial undertaking, its processing of second grade eggs. Parliament consented to the transfer of EMB's processing activities to a private operator on 31 May 2001.

The EMB was officially wound up on 25 June 2003 with proclamation of Section 25 of the *Egg Industry Act 2002*. The Act provided for, among other things, the repeal of the *Egg Industry Act 1988* and the removal of the EMB from the schedules of the *Government Business Enterprises Act 1995*.

Divestment Project

In 2002, a review of the application of the public interest test across the Government business portfolio highlighted a number of businesses for which there was no compelling argument for ongoing Government ownership, and in which there was strong interest from the private sector. The review also highlighted several areas for further investigation given the complexities of the businesses concerned.

The Government considered the review in March 2003 and decided that three GBEs would be made available for sale, namely the:

- Civil Construction Corporation;
- Tasmanian Grain Elevators Board; and
- Stanley Cool Stores Board.

The Government also decided that, while there remains a good case for ongoing ownership of Forestry Tasmania and the Hobart Ports Corporation Pty Ltd, it should undertake detailed investigations into possible non-core asset sales from those businesses as an important element of its divestment strategy. The Government is also considering the future ownership arrangements of the Launceston Silverdome.

To enable the divestment of these businesses, enabling legislation (the *Government Business Enterprises (Sale) Bill 2003*) was introduced into Parliament in the Budget Session 2003 and received Royal Assent on 4 July 2003.

The sale of the Civil Construction Corporation, the Tasmanian Grain Elevators Board and the Stanley Cool Stores Board were all finalised prior to the end of 2003.

Other significant Government business activities

The Government's policy statement on the implementation of competitive neutrality principles required all SBAs 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 reports to Treasury annually on progress in implementing the competitive neutrality principles. A table detailing the current status of implementation of competitive neutrality principles across agencies is included at Appendix C.

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 Agencies*, September 1997.

The Department of Treasury and Finance has continued to provide clarification of the competitive neutrality principles to ensure that the implementation of reforms continues to progress and is consistent with NCP requirements.

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.

The Government Prices Oversight Commission (GPOC) receives and investigates 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 described later in this Chapter.

Under the *Government Prices Oversight Act 1995* (GPO Act) and the *Government Prices Oversight Regulations 1998* (GPO Regulations), complaints may be lodged against a government body when a person believes that the government body has contravened any of the competitive neutrality principles and where that person considers that he or she is adversely affected by such a contravention. The person 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 the business activities of government agencies and local government, statutory authorities, GBEs and State-owned Companies.

In addition to a number of general enquiries, GPOC received one formal competitive neutrality complaint in 2003. The complaint was made against the Copping Refuse Disposal Site Joint Authority (Joint Authority), which is jointly owned by the Clarence City, Sorell and Tasman councils. The complainant alleged that the Joint Authority had breached the Competitive Neutrality Principles by not applying full cost attribution to the waste disposal services it provides. The complainant believed that the allegation was supported by the Joint Authority's significant lowering of its waste disposal charges within a period of weeks.

The complainant stated that it had been adversely affected by the Joint Authority's alleged act of contravention as it had not been able to secure the necessary wastes for its proposed Brighton Waste to Energy Project (Brighton Project) because of the Joint Authority's pricing that allegedly did not reflect full cost recovery. The complainant claimed that it had, at that time, spent a considerable sum on the Brighton Project, which was put in jeopardy because the revenue from waste disposal fees was a critical component of the project.

The complainant also alleged that the Joint Authority does not operate under the same requirements and criteria that would apply to a private operator.

After conducting an investigation into the complaint and consultations with the relevant parties, GPOC found that the complaint was not justified. The complainant was advised of GPOC's finding and a copy of the investigation report was given to the complainant, the Joint Authority and to the relevant Ministers.

The Government's policy statement of June 1996, *Application of National Competition Policy to Local Government*, is under revision. The intention of the review is to assist local government bodies in the continued application of competition principles to their activities. Following consultation with the Local Government Association of Tasmania, a revised policy statement is expected to be finalised in April 2004.

MONOPOLY PRICES OVERSIGHT

The CPA requires the State to consider establishing an independent source of prices oversight advice, where this did not exist prior to the signing of the Agreements, in relation to government-owned 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 do not result in the exercise of monopoly market power to the detriment of consumers and businesses.

The GPO Act, which came into effect on 1 January 1996, established GPOC as an independent body charged with the responsibility of conducting investigations into, and making recommendations 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 GPO Act to include investigations into local government monopoly services. The GPO Act also provides a mechanism under which other monopoly services can be declared and therefore become subject to a GPOC investigation.

The GPO 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 – Hydro Tasmania, Metro, MAIB, Hobart Regional Water Authority (HRWA) and Cradle Coast Water (CCW) - formerly known as the North West Regional Water Authority. The Esk Water Authority (EWA) was subsequently added.

2003 GPOC Pricing Policies Investigations

GPOC has completed the third round of investigations into the pricing policies of Metro and the MAIB.

Metro Pricing Policies

In October 2002, the Treasurer issued terms of reference for the third investigation into the pricing policies of Metro Tasmania Pty Ltd (Metro). GPOC was requested by the Treasurer to investigate Metro's pricing policies and to recommend maximum charges for Metro services for the next three years. GPOC was also requested to examine the efficiency with which Metro delivers its public transport services and the effectiveness of the current Community Service Activity Agreement (CSA Agreement) between Metro and the Government.

The Commission for this investigation comprised Mr Andrew Reeves, Commissioner and Mr Glenn Appleyard, Assistant Commissioner.

Service Effectiveness

GPOC found that over the past three years, Metro has been able to reduce the rate of decline in patronage of adult and student travellers and to maintain the trend in increasing patronage by concession travellers. Full fare adult travellers now represent about 22 per cent of patronage, while concession travellers comprise 37 per cent and students 41 per cent.

In general, GPOC was satisfied that Metro had achieved a high level of service in fulfilling the objective of 'ensuring a suitable focus on customers and quality in service delivery'.

Financial Performance

In 2001-02, Metro received $7.07 million from fares, $19.35 million from the CSA payments and $2.08 million from other revenue, including charters and advertising. The CSA Agreement provides an agreed level of funding, indexed to reflect changes in Metro's costs (Metro Index), but with no provision for Metro to return a profit, other than by reducing costs, increasing patronage or increasing revenue generated from other (mainly charter and advertising) activities.

In assessing Metro's financial performance, GPOC examined the potential effects of competition by estimating the price outcomes in a competitive environment. GPOC recognised the greater costs of public sector businesses but considered that such costs are the consequence of ownership and of the policy environment. Therefore, in concept, these costs should be borne by the Government as the owner and the policy maker rather than by the users of the services.

GPOC recommended maximum revenues, comprising the combination of fares and Government contribution, of $29.64 million per annum (expressed in 2001-02 terms and to be indexed by the Metro Index and exclusive of GST). The recommended maximum revenues include an allowance for a commercial return. By including provision for such a return, Metro and its Board would have a clear signal that the Government expects the company to operate with a fully commercial focus.

Fares

Since Government contributions are such a significant part of Metro's revenues, the level of fares is effectively determined by the Government's decision on the level of payment it is prepared to extend to Metro for the services.

GPOC was asked to consider Metro's pricing policies, taking account of public and private sector benchmarks, and made recommendations on various Metro fares. GPOC's recommendations on maximum adult fares (regulated fares) were reflected in a pricing order made by the Portfolio Minister, Hon Jim Cox MHA, in September 2003.

The CSA Agreement

GPOC was also asked to consider the effectiveness of the current CSA Agreement. GPOC noted that there are tensions between the Shareholder Expectations Statement and the CSA Agreement. Metro is expected to deliver certain outcomes for its client groups, with very little flexibility in the services it may offer and very little incentive to match services to its clients' needs. GPOC found that Metro's focus appears to be budget-driven rather than outcomes-oriented and that there is no clear indication of Government's public transport objectives and priorities.

GPOC considered that a CSA Agreement that incorporates a fares top-up element would not only provide Metro with stronger commercial incentives to match services to needs, but would also bring much greater transparency and rigour to Government financing decisions. GPOC suggested that the Government could, through the CSA Agreement, define the amount it is prepared to fund evening services. GPOC considered that this could lead to better decisions as to whether services could be improved for some sectors or whether the desired transport service could be better provided by operators other than Metro.

MAIB Pricing Policies

In March 2003, the Treasurer issued terms of reference for an investigation into the pricing policies of the Motor Accidents Insurance Board (MAIB). This was the third investigation into the pricing policies of MAIB; previous investigations were completed in 1997 and 2000.

The Commission for this investigation comprised Mr Andrew Reeves, Commissioner and Mr Ronald Champion, Assistant Commissioner.

GPOC was required by the *Government Prices Oversight Act 1995* and by the terms of reference for the Investigation to take account of certain matters, such as the costs of operating the insurance scheme and the financial circumstances of MAIB, including the viability of the scheme and the need for a sustainable commercial rate of return for the State.

GPOC reviewed MAIB's estimates of the break-even premium, ie the premium which is forecast to be required to cover the costs of claims and administration after taking account of anticipated investment returns on premiums. It also considered the requirement for a reasonable risk margin to determine the average premium. In developing recommendations for the maximum premiums to be paid for each class of vehicle, GPOC considered the claims experience of each class of vehicle and took into account the relativities in other similar schemes.

MAIB Costs

MAIB's costs arise almost wholly from claims and administration expenses. Claims represent about 86 per cent of MAIB's total costs.

MAIB's recent history of claims shows that the frequency of both common law and scheduled benefits claims has fallen, but there have been cost increases in some areas including:

- the average size of common law and scheduled benefits claims;
- the number of future care claims; and
- expenses.

MAIB Financial Circumstances

The MAIB's profits are derived from two sources - returns from its insurance activities and investment returns on its reserves.

GPOC found that the returns from the MAIB portfolio have been commensurate with those of its peers but that MAIB's solvency margin had fallen from 31.5 per cent in 1992 to 10.2 per cent in 2003. GPOC considered that the principal factors that gave rise to the solvency position were the Government's dividend policy and the relatively low investment returns, arising in part from the MAIB's lower volatility/lower return investment strategy.

In considering the appropriate profit loading, GPOC took into account the legislative requirement for the MAIB to achieve a sustainable commercial return, benchmark levels of commercial profits and forecast financial impacts.

GPOC noted that the derivation of the break-even premium substantially reflects claims experience and management costs with a general assumption that current circumstances are likely to prevail over the ensuing three year period. GPOC considered that, on the basis of the outlook for claims, annual escalation of premiums with Average Weekly Ordinary Time Earnings (AWOTE) from 1 December 2004 should be sufficient to maintain the capacity of premiums to meet the emerging costs of claims.

Taking account of these factors, GPOC considered that the average premium should increase to a maximum of $277 (net of GST), from 1 December 2003, but should only increase in line with AWOTE for each of the following years. These increases are modest in the context of the pricing of insurance products in the private sector, especially those for which person injury claims are a significant component.

The recommended maximum premiums were projected to be sufficient to maintain and gradually increase solvency in the range of between 11.8 to 13.5 per cent. Although these forecast solvency levels are less than the Australian Prudential Regulation Authority (APRA) standards, GPOC did not consider that the forecast solvency position calls for premium increases greater than those recommended. GPOC did propose that the dividend policy should take account of the prognosis for solvency of the scheme.

Expiration of TNTS Transitional Arrangements and cross-subsidy

When the Commonwealth Government's new tax system was introduced on 1 July 2000, transitional arrangements were put into place to deal with issues that were specific to the insurance industry. Those transitional arrangements expired in June 2003, resulting in an increase in MAIB's claims costs equivalent to about 2.4 per cent of the average premium.

To distribute the increased claims cost over all policyholders would produce a subsidy for policyholders that are Registered Tax Entities (RTEs) compared to non-RTE policyholders. MAIB submitted that this cross-subsidy could be minimised by imposing a relatively large increase in premiums (7.4 per cent) for those classes dominated by RTEs and a smaller increase for those classes with a lesser proportion of RTEs.

To minimise the cross-subsidy, GPOC accepted MAIB's suggestion of calculating the recommended maximum premiums according to whether or not the relevant class is dominated by RTEs. Although there was a relatively larger premium increase for those classes of vehicle dominated by RTEs, the increase (7.4 per cent) was more than offset by the new entitlement to claim input tax credits for these insurance policies. Thus the net effect of the new RTE arrangements is a small reduction in payments in real terms for the relevant RTE policy holders.

Premium Relativities, Expiration of TNTS Transitional Arrangements and cross-subsidy

GPOC also reviewed the premiums for each class of vehicle according to the risk associated with that class. GPOC proposed a number of changes to better reflect the risks associated with the classes concerned.

Future Care and Medical Costs

The Terms of Reference required GPOC to consider the merit of ring-fencing future care costs in order to provide a more transparent assessment of the adequacy of provision for long-term liabilities.

GPOC found that the design of the MAIB scheme with its future care component is an excellent means of providing care. However, it found that the very long duration of claims and the significance of future care claims in MAIB provisions for outstanding claims suggests that this component of the claims portfolio should continue to receive particular attention.

GPOC considered that the following key performance parameters should be identified and reported on a regular basis:

- claims development (ie comparison of actual outcomes with forecast outcomes); and
- contribution to changes in valuation of the 'future care' claims portfolio from claims additions and revaluations, from changes in economic assumptions (the discount rate and claims inflation rate) and from changes in prudential margins.

GPOC was also asked to comment on the benchmarks that MAIB should adopt in respect of funding to health service providers in order to effectively manage claims expenses. GPOC examined MAIB's scheduled medical benefit rates and unit costs, and compared them to those of the Transport Accident Commission in Victoria which operates a similar scheme. GPOC concluded that MAIB's current practice in terms of the management of claims ensures a focus on the control of the medical cost component of claims.

Recommended Premiums and Pricing Order

As part of the investigation, GPOC made recommendations on the maximum premiums that MAIB may charge from 2003-04 until 2005-06.

The Minister endorsed GPOC's recommendations and made a pricing order in September 2003 setting out the maximum premiums for the following three years.

Bulk Water Supply Authorities Pricing Polices

The last investigation into the pricing policies of the three bulk water supply authorities, HRWA, EWA and CCW (formerly known in 2001 as the North West Regional Water Authority) was completed on 31 July 2001. The outcome of that investigation was presented in detail in the 2003 Progress Report. A summary is provided on page 48.

At the time of publication, preparation for the third investigation into the pricing policies of the three bulk water supply authorities has commenced and is due to be completed in June 2004. The outcome of the 2004 investigation will be reported in the next Progress Report.

Electricity Pricing

The second investigation into the pricing policies of the electricity supply industry was undertaken in 1999. In 2002, the Government introduced amendments to the *Electricity Supply Industry (Price Control) Regulations 1998* to extend the Price Determination made at the conclusion of the 1999 Investigation for a period of one year, ie from 31 December 2002 to 31 December 2003. The State's entry to the NEM is resulting in a number of key changes in the regulatory arrangements applying to the State's electricity sector. Although considerable progress had been made by mid-2002, a number of matters had not been finalised by the time the investigation would have been due to commence. Specifically, the price regulation arrangements that would apply within Tasmania from the date of NEM entry needed to be consistent with the national arrangements and some of these arrangements, such as transmission network pricing, had not been settled. One of the objectives of the extension was to allow time for the State to develop transitional arrangements to maximise the scope for a NEM-consistent determination without significant distortions or transitional impacts. The intent was to ensure greater certainty in prices to customers in the lead up to the State's entry to the NEM.

During 2001 and 2002, preliminary work for the third electricity supply industry investigation was undertaken by the Office of the Tasmanian Energy Regulator. In June 2002, the Regulator released an Issues Paper, *Investigation into the Pricing Policies of the Electricity Supply Industry 2002-03: Declaration of Services to be Investigated*. The Regulator sought submissions on his proposal to continue with the existing declarations in relation to the provision of retail electricity on King Island and Flinders Island and on mainland Tasmania, the generation of energy for supply to tariff customers, the transmission and distribution network services, the provision of system control services (including the procurement of ancillary services) and retail tariffs.

Based on the submissions and other information received, the Regulator formed the view that there may be a case for the revocation of the declarations in relation to retail supply on King Island and Flinders Island, for system control services (including the procurement of ancillary services) and energy generation on mainland Tasmania. However, no final decision had been made in regard to these services at the time of preparation of this report.

In November 2002, the Regulator, following consideration of submissions in response to the Issues Paper, made a decision to retain the declaration of retail tariffs and distribution and related services on mainland Tasmania and issued Terms of Reference for an investigation into these services. The Draft Report was released in late June 2003 with the Final Report and Decision released in August 2003. The determination was published in November 2003 with a commencement date of 1 January 2004.

The ACCC and the Tasmanian Government had agreed that the ACCC would undertake, as part of the transitional arrangements for Tasmania's entry into the NEM, the investigation and determination of transmission service maximum revenues. The Government agreed to amend the Electricity Supply Industry Act and enacted new Electricity Supply Industry (Price Control) Regulations in the first half of 2003. Following finalisation of the arrangements between the Government and the ACCC, the Regulator was able to revoke the declaration of transmission network services. The ACCC commenced its pricing investigation for transmission network services in March 2003, following receipt of a submission from Transend Networks Pty Ltd. On 17 December 2003, the ACCC issued its decision on a revenue cap for Tasmania's electricity transmission services which effectively allowed for an increase in transmission charges by an average of nine per cent per annum. The ACCC's revenue determination applies from 1 January 2004 until 30 June 2009.

Based on the submissions and other information received, the Regulator formed the view that there was a case for the revocation of the declarations in relation to retail supply on King Island and Flinders Island, system control services (including the procurement of ancillary services) and energy generation on mainland Tasmania.

2002-03 Distribution and Retail Tariff Price Investigation

Although the outcome of the investigation was a determination of maximum prices for electricity tariffs set by Aurora to apply from 1 January 2004, this investigation did not extend to all the input costs as they are regulated by other means.

These other inputs include:

- the price of energy supplied by Hydro Tasmania for on-sale to tariff customers. Under the *Electricity Supply Industry (Price Control) Regulations 2003* the Regulator is to give effect to the principle that:
  - prior to NEM entry, the price that Aurora pays for that energy is to be equal to the current price adjusted by the CPI, and
  - after NEM entry, the price is to be fixed by the vesting contract (effectively the current price adjusted by the CPI);
- the amounts payable by Aurora to Transend Networks Pty Ltd (Transend) in relation to System Controller Fees. These are regulated under processes laid out in the Tasmanian Electricity Code (TEC) and approved annually by the Regulator;
- the amounts payable to Hydro Tasmania by the System Controller for the procurement of ancillary services. These are provided under a contract between the two parties, reviewed by the Regulator; and
- the maximum revenues that may be earned by Transend for transmission network services. These are determined by the ACCC under transitional arrangements agreed between the ACCC and the Government.

The Regulator determined a maximum average tariff price. Aurora may adjust tariff rates within this limit, but additional safeguards were put in place to ensure a reduction in charges in real terms for low consumption residential customers and for a reduction in off-peak tariffs. Other safeguards will protect customers from any large increases in any one year. The determination limits the increases in average prices for retail tariffs to:

- in 2004, 3.5 per cent, being the annual change in the CPI plus 0.8 per cent;
- in 2005, the annual change in the CPI plus 0.1 per cent; and
- in 2006, the change in the CPI.

These decisions are based on the Regulator's estimates of the outcome of the ACCC determination of maximum transmission revenues to apply from 1 January 2004. The Regulator also had to make assumptions in regard to System Controller fees. The Regulator made provision in the Determination for any difference between the assumed and the actual costs (increases or savings) for transmission and System Control charges to be passed through to customers. The price of energy was determined in accordance with the 2003 Price Control Regulations. In addition, the costs of Renewable Energy Certificates, NEM entry and electrical safety could not be forecast with precision at the time the determination was made. Thus the Regulator has made provision for the differences between the estimates and the actual costs (approved by Regulator) to also flow through to customers.

The Regulator has determined that the maximum allowable revenues for distribution network services will increase by $4.39 million in 2004 from the 2003 allowance of $125.76 million. Thereafter, the maximum allowable revenues are expected to fall slightly each year.

The provision of meters and meter data services is regulated as a specific service from 2004. It has been estimated that the average daily charge for residential meters (including meter reading and other operating costs) will be 7.32 cents per meter per day in 2004. In 2004, for low voltage business customers the charge is 12.93 cents per day and, for high voltage customers, 748.01 cents per day.

The other key proposals from *Investigation of Prices of Electricity Distribution Services and Retail Tariffs on Mainland Tasmania: Final Report and Proposed Maximum Prices, September 2003*were:

- approved investment in the distribution network to reduce the number and length of blackouts in areas of poor reliability, particularly in the north and north east of the State;
- bonuses (penalties) for Aurora if it meets (fails to meet) the Regulator's targets for network reliability; and
- payments of $80 to customers if they suffer very poor reliability of electricity supply.

A copy of the full report and determination is provided at: http://www.gpoc.tas.gov.au.

THIRD PARTY ACCESS

Electricity

As noted in previous Progress Reports, the TEC 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. Formal licences issued to Transend (for transmission) and Aurora (for distribution) require compliance with the TEC and its third party access provisions. Tasmania's entry to the NEM is scheduled for 29 May 2005.

Following Tasmania's entry into the NEM and the commissioning of Basslink, Tasmania will have in place the full set of access provisions established in the NEC and relevant NEM legislation. Basslink is scheduled to be commissioned in November 2005, therefore, the Tasmanian transmission and distribution network will have been operating under the NEC for approximately six months before power starts flowing between Tasmania and mainland Australia through the NEM.

Gas

The National Third Party Access Code for Natural Gas Pipeline Systems (Code) is applied in Tasmania under the *Gas Pipelines Access (Tasmania) Act 2000*. GPOC was appointed as local Regulator on 20 June 2001 under the *Gas Pipelines Access (Tasmania) Regulations 2001*. The GPOC Commissioner was appointed to the position of Director of Gas under the *Gas Act 2000.*

In 1997, Duke Energy International (Duke) was selected as the preferred proponent for the development of a natural gas supply to Tasmanian consumers following an expressions of interest process. The transmission pipeline connects Tasmania to Victoria and includes lateral pipelines to the south and northwest of the state. Gas has been flowing to key industrial customers since September 2002.

The transmission pipeline is not subject to the Code as it is uncovered. However, Duke adopted a non-discriminatory access policy aimed at achieving pro-competitive outcomes by promoting contestable pipeline-on-pipeline and gas-on-gas competition. At the time of writing, it is anticipated that Alinta Limited (Alinta) will acquire the transmission pipeline. There is no indication that Alinta will, if it becomes the new owner, adopt a different approach from that of Duke. Parties who consider that the access arrangements are not equitable have the option of seeking a declaration of the assets by the ACCC under the TPA, which could result in the imposition of an access regime by the ACCC.

In relation to gas distribution and retailing, the Tasmanian Government initially proposed to award limited term exclusive franchises. Based on advice received, and with consideration of its National Competition Policy obligations, the Government launched a tender process in August 2001 under the provisions of the Code to award a five-year exclusive gas distribution franchise. This process was also designed to award a six-year exclusive retail franchise for customers consuming up to 500TJ per annum.

Of all of the bids received, none complied fully with the Tender Approval Request (TAR) and each indicated the need for significant Government financial assistance, combined with the transfer of almost all project risk to the State. On the 25 September 2002 the Government announced that the tender process had been terminated without result.

Following this decision, the Government entered into bilateral discussions with a number of parties that had expressed interest in the project. The primary focus was the development of a backbone distribution network to service major industrial and commercial customers, with sufficient capacity for subsequent network rollout to small commercial and residential customers over time. The approach involved more flexibility in relation to the associated regulatory arrangements combined with recognition that some financial assistance from Government would be likely to facilitate the project.

On 23 December 2002, the Government announced the selection of Powerco Limited as its strategic alliance partner and preferred distribution developer. A Memorandum of Understanding and two binding Development Agreements between the Government and Powerco have been signed, recognising that the project will be progressed in two stages.

The Development Agreement for Stage 1 was signed on 30 April 2003. Stage 1 involves the rollout of the backbone gas distribution network to Hobart, Launceston, Devonport, Burnie, Longford and Bell Bay to up to 23 major industrial and commercial customers. Subject to securing gas supply contracts with specified industrial customers, Powerco may also construct networks to Wynyard, Ulverstone, Wesley Vale and Westbury. The backbone network will also have sufficient capacity to service a potential wider network rollout, including to domestic customers fronting the Stage 1 network, with broad scale domestic connections occurring during Stage 2.

Work commenced on Stage 1 in October 2003, with the backbone system expected to be completed by February 2005.

Stage 2 has been split into two distinct phases. The Development Agreement for Stage 2A was signed on 30 September 2003. Stage 2A represents the first phase of the broader domestic gas reticulation process, development of the core urban network. This network will provide access to natural gas to 38 500 customers within specified suburbs of Hobart, Launceston, Devonport and Burnie. The core urban network will be built progressively between February 2005 and April 2007.

The further phase of Stage 2 will involve a wide scale rollout to small commercial and residential customers with maximum network coverage of approximately 100 000 customers. Network coverage and rollout speed will be negotiated with Government following agreement on the level of financial assistance required to support a business case assessment of the next phase of Stage 2.

Given the importance of large foundation customers to the viability of the network rollout, the Government has provided Powerco with two types of a non-renewable exclusive distribution franchise for Stage 1 of the project; unconditional and conditional. These franchises are limited to the maximum of 23 customers identified for Stage 1. These franchises were awarded in July 2003, with the making of the *Gas (Exclusive Distribution Franchise) Order 2003*.

There will be no distribution franchise arrangements in relation to the subsequent Stage 2 rollout. Further, full retail contestability will be introduced from the commencement of gas market operations, including in relation to the Stage 1 customers.

The proposed distribution franchise arrangements raise three issues under the provisions of the Natural Gas Pipelines Access Agreement (NGPAA), namely:

- the process for the selection of the franchise distributor;
- bypass arrangements; and
- duration of the franchise.

Clause 3(c) of Annexe E of the NGPAA requires that a franchise distributor be selected through a competitive public tender process. Powerco was selected through a competitive process overseen by a probity auditor. While this process was not technically public, as required by the NGPAA, the five parties involved in the subsequent selection process were those that had been originally identified through the unsuccessful Code-compliant tender process, which was a fully open and public process. On this basis, the State considers that this requirement has been met.

Clause 1 of Annexe E of the NGPAA requires that bypass be permitted to contestable customers under any franchise arrangements. Bypass will not be permitted to those customers identified as Stage 1 franchise customers. Given the intention to introduce full retail contestability from the commencement of gas market operations, all gas customers in Tasmania will be contestable. Therefore, complying with the requirement to permit bypass to contestable customers would totally erode the value of the Stage 1 distribution franchise, which is vital to achieving the significant investment required to develop a distribution network in a greenfield environment such as Tasmania.

Clause 3(d) of Annexe E of the NGPAA requires that all distribution franchises be limited to a period of five years. The Stage 1 unconditional distribution franchise, which applies to up to 23 identified customers in Hobart, Launceston, Devonport, Burnie, and Bell Bay, has been granted for seven years from 30 April 2003, the date the Development Agreement was signed, or for five years from the implementation of Stage 1, whichever is the earlier. The conditional franchise, which applies to specified customers in Wynyard, Ulverstone, Wesley Vale, Longford and Westbury, expires seven years after 30 April 2003, or within 18 months of that date if a gas distribution system capable of supplying the specified customers in the conditional franchise has not been commissioned.

As the Stage 1 network will take 18 months to two years to complete, the duration of these franchises is designed to give Powerco franchise protection during the construction period, which is vital in terms of contracting with potential customers. It then offers around five years of franchise protection on the completed network. These arrangements have been necessary to ensure that the project would be undertaken and are, therefore, in the public interest. The proposed measures represent a derogation from Clause 3(d) of Annexe E the NGPAA, as they alter the scope and length of the Tasmanian franchise arrangement for gas distribution and, as such, require the approval of all jurisdictions. In June 2003, Tasmania received a positive response from all jurisdictions in regard to the proposed franchise arrangements.

Under Clause 10.1 of the Natural Gas Pipelines Access Agreement, the State is required to submit an access regime to the National Competition Council (NCC) for certification as an effective regime as soon as practicable after its access legislation has been passed. As the result of Parliament passing the Gas Pipelines Access (Tasmania) Act, the Government is developing its access regime and discussions have been held with officers of the NCC. Finalisation has been delayed however, due to the termination of the Code-compliant tender process and the need for amendments to the State's legislative and regulatory framework. The Tasmanian Government does not expect any further delays, and anticipates that the State's access regime will be submitted to the NCC for certification in mid-2004.

3 REFORMS UNDER THE CONDUCT CODE AGREEMENT

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 extended 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.

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)).

As indicated in previous Progress Reports, in accordance with clause 2(1) of the CCA, Tasmania 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:

- *Electricity Supply Industry Act 1995* (section 44);
- *Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act 1995* (section 7); and
- *Electricity Supply Industry Amendment Act 1998* (section 49F(2)).

As mentioned in chapter 2, the review of the Electricity Supply Industry Act under Tasmania's LRP has been completed and the recommendations have either been implemented or will become redundant on NEM entry. The Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act was reviewed as part of the implementation of the COAG reform agenda for the Australian water industry.

As also indicated in previous Reports, in accordance with clause 2(3) of the CCA, Tasmania advised the ACCC in June 1998 that it had no legislation which relied on exemptions that 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.

As part of the second tranche assessment process, the NCC confirmed that Tasmania, along with all other jurisdictions, had met its obligations under clauses 2(1) and 2(3) of the CCA.

Tasmania recognises that it has an ongoing obligation under clause 2(1) of the CCA to notify the ACCC of all new legislation reliant on section 51(1) of the TPA within 30 days of the legislation being enacted or made. In 2003, Tasmania did not make any legislation that requires reporting in accordance with this clause.

4 LOCAL GOVERNMENT AND NCP REFORMS

OVERVIEW

As outlined in previous Progress Reports, the NCP Agreements have implications for all levels of government, including local government. The CPA provides that the key reform principles contained in that Agreement, such as competitive neutrality, monopoly prices oversight and legislation review, are to apply to local government, notwithstanding that it is not a signatory to the Agreement. Each state and territory government is responsible for ensuring that the principles apply to local government.

In addition, the CCA requires all governments to introduce legislation to ensure the wider application of the restrictive trade practice provisions of Part IV of the *Trade Practices Act 1974*, to encompass all private and public sector business activities, including local government business activities. In Tasmania, this was effected through the *Competition Policy Reform (Tasmania) Act 1996*.

In June 1996, as required under the CPA, the former Government submitted to the NCC a policy statement, titled *Application of National Competition Policy to Local Government* (Application Statement). This Statement was prepared in consultation with local government and provided broad guidance on how it was intended that the key principles, where appropriate, would be applied to local government.

A review of the Application Statement is currently underway and it is expected that the revised policy statement will be finalised by April 2004.

Progress to date in relation to the application of competitive neutrality, prices oversight and legislation review to local government is outlined below. Chapter 5 provides an outline of Tasmania's progress in the implementation of NCP water reforms as they relate to State and local government.

COMPETITIVE NEUTRALITY

Under the Application Statement, in applying competitive neutrality principles, councils are required to:

- identify relevant business activities which are considered SBAs;
- undertake public benefit assessments of the corporatisation of those business activities classified as PTEs under the ABS Government Financial Statistics Classification, as outlined in the Application Statement (generally water and wastewater); and
- corporatise those PTEs where a public benefit assessment indicates that the benefits outweigh the costs of doing so and apply full cost attribution (FCA) to all other SBAs.

Realising the advantages that competitive neutrality delivers in increasing the efficiency of council operations, 18 of the 29 councils decided to apply FCA to all of their business activities, not just those determined to be SBAs. The majority of the remaining councils chose to apply FCA to their public trading enterprises (in all cases to water and wastewater services) and road maintenance.

Councils are continuing to apply FCA to their business activities in a form appropriate to their size. The *Local Government Act 1993* was amended in 1999 to require councils to report competitive neutrality costs for their SBAs in their annual reports.

The Application Statement also requires the establishment of a competitive neutrality complaints mechanism. As reported above, this mechanism was established under the GPO Regulations. Under the regulations, a person who believes that he or she has been adversely affected by a contravention of the competitive neutrality principles may lodge a complaint with GPOC, which has responsibility for investigating all alleged breaches of the competitive neutrality principles in the State.

PRICES OVERSIGHT

The Application Statement provides that local government monopoly, or near monopoly, providers are to be brought under the prices oversight jurisdiction of GPOC. As previously reported, the Government Prices Oversight Amendment Act extended the coverage of the GPO Act to include local government monopoly or near monopoly services.

In addition, the State's obligations under the *Strategic Framework for the Efficient and Sustainable Reform of the Australian Water Industry* require bulk water authorities to charge on a volumetric basis to recover all costs. These authorities are also required to earn a positive real rate of return on the written-down replacement cost of their assets.

The *Local Government Regulations 1994* were amended in late 2000 to require councils to incorporate in their annual reports a statement of plans for the supply of domestic water and sufficient financial information to demonstrate that the *Urban Water and Waterwater Pricing Guidelines for Local Government in Tasmania* are being applied in relation to urban water supply.

TREATMENT OF LOCAL GOVERNMENT BY-LAWS UNDER THE GOVERNMENT'S LEGISLATION REVIEW PROGRAM

The Government has implemented procedures to ensure that all council by-laws existing prior to the establishment of the CPA Agreement were reviewed to ensure that any restrictions on competition were fully justified as being in the public benefit.

All by-laws that were made prior to the establishment of the CPA Agreement were deemed to have expired at the end of March 1999. This resulted in the automatic expiry of approximately 500 by-laws. By way of contrast, at the time of preparation of this report there were 133 by-laws in existence in Tasmania's 29 council areas.

All by-laws proposed since the establishment of the NCP Agreement have complied with the new procedures prescribed in the Local Government Act, which requires that any new by-laws that may have a significant impact on the community must develop a regulatory impact statement and undergo a public consultation process.

The *Local Government Act 1993* imposed an eight-year time limit on by-laws and this provides a further incentive for councils to develop by-laws that focus on governance arrangements and compliance with NCP principles. The *Local Government (Highways) Act 1982* has also been amended to ensure that any by-laws established under that Act cease to have effect. A council that identifies a need to have a by-law to control standards of highway construction now must prepare a new by-law that follows the rigorous review and consultation provisions of the Local Government Act.

The Local Government Division of the Department of Premier and Cabinet continues to undertake its gatekeeper role in regard to the development of council by-laws. The Division assesses proposed by-laws for compliance with NCP principles and, under the Local Government Act, the Director of Local Government is required to issue a certificate as to the adequacy of the regulatory impact assessment process undertaken by the council before the proposal may progress to wider public consultation. During 2003, the Division processed 34 such by-law proposals.

Early in 2003, the Local Government Division established an internet database that lists all council by-laws. This allows Tasmanian ratepayers, for the first time, to easily access their council's by-laws and to compare them with those of other councils. Council officers also benefit from the availability of this information by being able to easily compare their by-laws with those of other councils. The database can be found at: www.dpac.tas.gov.au/divisions/lgd.

5 SECTOR SPECIFIC REFORMS

Features

- Under the *Agreement to Implement the National Competition Policy and Related Reforms*, states and territories are required to implement COAG and other Agreements for reform in the areas of electricity, gas, water and road transport.
- Tasmania will enter the NEM in May 2005, six months ahead of the Basslink interconnector being completed. Tasmania's NEM entry process is governed by Memoranda of Understanding between relevant parties, and its ongoing participation in the NEM will be supported by enactment of the National Electricity Law in Tasmania at the time of entering the NEM. A number of regulatory arrangements agreed with the ACCC during the authorisation process have also been implemented.
- The construction and testing of the gas transmission pipeline from Victoria to Tasmania, as well as the southern lateral pipeline to Bridgewater in the State's south and the northern lateral pipeline to Port Latta in the State's northwest, has been completed. Conversion of both units of the Bell Bay Power Station to gas is complete and is currently generating gas-fired electricity into the Tasmanian grid. The Government is also continuing to progress the necessary legislative arrangements for gas industry reform.
- The Tasmanian Parliament passed the *Water Management Act 1999* in October 1999. This legislation reforms 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.
- This Chapter also details Tasmania's progress in implementing transport reforms, including those related to the third tranche assessment, all of which have now been implemented, and those contained in the Third Tranche Heavy Vehicle Reform Package.

ELECTRICITY INDUSTRY REFORMS

The Tasmanian electricity supply industry has undergone significant reform since August 1997. In implementing these reforms, the Tasmanian Government has worked to ensure that it has complied with all relevant NCP requirements. The NCC has confirmed that, until Tasmania is connected with the national grid, it is not regarded as a "relevant jurisdiction" for the purposes of the COAG and NCP Agreements regarding the development of the NEM. However, Tasmania is an active participant in the national reform program being overseen by the Ministerial Council on Energy.

Basslink

The Basslink project has now gained all the necessary approvals and reached financial close on 29 November 2002. The construction contracts provide for a 36 month construction and commissioning period. As at March 2004, the project was progressing on schedule, with construction underway in both Victoria and Tasmania and the first section of cable in transit to Australia for laying in mid-2004.

In addition to its transmission capability, Basslink will also incorporate Tasmania's second fibre-optic link with the mainland. This link will have the potential to open the way for greater competition and capacity in the telecommunications sector in Tasmania.

Further information on the Basslink project is available at Basslink Pty Ltd's Internet site at http://www.basslink.com.au.

Wind Power Development

The completion of Basslink will enable Tasmania's climactic conditions to be harnessed for the generation of wind power, which will be traded with other states. The first stage of Hydro Tasmania's Woolnorth Wind Farm commenced operation in August 2002, and construction of the second stage is nearing completion. These stages have a combined capacity of 65MW. An additional stage at Woolnorth, and wind farms at other sites, will be progressed in coming years subject to commercial viability and Government approvals.

Structural Reform in Tasmania's Electricity Supply Industry

Previous Progress Reports have detailed the structural reforms that have taken place in Tasmania's electricity supply industry since 1998. In considering these structural issues, the Government has fully complied with its obligations under clause 4 of the CPA, including the review requirements under clause 4(3).

Tasmania's Participation in the National Electricity Market

The Tasmanian Government has committed to entering the NEM in May 2005, six months ahead of the expected Basslink commissioning date. In order to meet the transition requirements for the State's entry to the NEM, a suite of structural and regulatory arrangements has been developed. Previous Progress Reports have detailed these.

Further details of the proposed arrangements have been published in papers available on the Department of Treasury and Finance's Internet site:

- an information paper, titled *Meeting Tasmania's Energy Needs in the 21st Century — A Competitive Future*;
- a supplementary paper, titled *Authorisation of Tasmania's NEM Arrangements — Enhancements to Tasmania's Energy Reform Framework*;
- an information paper, titled *Tasmania's Energy Reform Framework — Entry to the National Electricity Market;* and
- an information paper, titled *Retail Competition in the Tasmanian Electricity Supply Industry.*

In progressing NEM entry, key milestones that have been achieved include:

- authorisation of the proposed NEM entry transition arrangements by the ACCC;
- formalising arrangements with the existing NEM jurisdictions for Tasmania to become a participating jurisdiction;
- membership of NECA and NEMMCO;
- legislation required to adopt the National Electricity Law and apply the NEC in Tasmania has been passed;
- amendments to the *Electricity Supply Industry Act 1995* that further facilitate the State's entry to the NEM and provide for the introduction of retail competition over four years, commencing six months after Basslink is commissioned; and
- Memoranda of Understanding between the Tasmanian Government, the State-owned electricity businesses and NEMMCO that govern the NEM entry process.

The ACCC Authorisation Process

During the process of authorising Tasmania's NEM entry arrangements, which involve amendments to the NEC that facilitate Tasmania's NEM entry and a vesting contract between Aurora Energy and Hydro Tasmania covering non-contestable customer loads, a number of enhancements to the Government's energy reform framework were agreed with the ACCC. These enhancements provide for:

- arrangements to provide greater certainty regarding how Basslink will be bid into the NEM, in the context of the commercial arrangements between Hydro Tasmania and Basslink Pty Ltd;
- a detailed framework for the sale of import inter-regional revenues accruing to Basslink Pty Ltd (as passed to Hydro Tasmania under the Basslink Services Agreement); and
- the conversion of Hydro Tasmania's Bell Bay Power Station (BBPS) to natural gas and its separation from Hydro Tasmania to become a separate, State-owned generation business, once Basslink is commissioned. This will create additional competition in Tasmania's electricity market.

Details of the ACCC's authorisation, including its Final Determination issued on 14 November 2001 can be obtained from the ACCC's Internet site at http://www.accc.gov.au. The Ministerial Instrument that gives effect to these enhancements framework was issued in early 2004.

Retail competition

The first tranche of electricity retail contestability, covering around 19 customers consuming in excess of 20 gigawatt hours per year, will be introduced on 1 July 2006, approximately six months after Basslink has been

commissioned. The remaining stages occur at annual intervals, with full retail contestability from 2010 subject to an assessment of the costs and benefits of extending competition to these customers.

The timetable for retail competition is set out in Table 5.1, where the actual or estimated annual power consumption is measured in gigawatt hours per year (GWh/yr).

Table 5.1: Tasmania's Retail contestability timetable

Introduction of contestability*	Electricity consumption	Approximate number	Indicative customer type
1 July 2006	20 GWh/yr	10	Mineral processors
1 July 2007	4 GWh/yr	54	Large industrial facilities and commercial complexes
1 July 2008	0.75 GWh/yr	295	Medium factories and smaller commercial complexes
1 July 2009	0.15 GWh/yr	1 030	Small factories and large offices
1 July 2010	Under 0.15 GWh/yr	230 000	Small business and domestic customers

* Dates are subject to completion of Basslink in late 2005.

An information paper, titled *Tasmania's Energy Reform Framework: Entry to the National Electricity Market*, has been released by the Government outlining the policy framework and structural arrangements that support the introduction of retail contestability, including the following issues:

- contestability criteria;
- the contractual framework;
- contestable customer choices, including fallback arrangements;
- the relationship between customers, retailers and the distributor;
- retail electricity prices;
- information disclosure;
- retailer of last resort arrangements; and
- ringfencing.

This information paper is on the Treasury website at http://www.treasury.tas.gov.au.

GAS INDUSTRY REFORMS

As indicated in previous Progress Reports, 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. Although Tasmania did not have an established natural gas industry at that time, it signed the Natural Gas Pipelines Access Agreement along with all other jurisdictions at the COAG meeting of 7 November 1997.

At that time, the absence of any natural gas pipeline infrastructure in this State to which third party access could have been provided resulted in Tasmania being treated as a special case within the Natural Gas Pipelines Access Agreement and Tasmania was not classified as a "relevant jurisdiction" for the purposes of gas industry reforms. In particular, Tasmania was exempted from having to comply with the obligations of the Agreement until approval for the first natural gas pipeline in the State was granted, or before a competitive tendering process for a natural gas pipeline in the State commenced.

To facilitate the development of a natural gas industry in the State, the previous Tasmanian Government selected Duke as its preferred gas developer in May 1998. In April 2001, Duke entered into a Development Agreement with the State to supply gas to Tasmania from Victoria, with onshore transmission pipelines to provide gas to potential customers in the Bell Bay area, the North-West Coast and the South. The project has also involved the conversion of the Bell Bay Power Station from oil-fired to gas-fired generation.

The transmission pipeline was completed in 2002. Gas is now being used by a number of large scale industrial and commercial customers and the BBPS is generating gas-fired electricity into the Tasmanian grid following its conversion in 2003.

On 15 March 2004, it was announced that Alinta intends to acquire some of Duke Energy's Australian and New Zealand energy assets, including the Tasmanian gas pipeline. There is no indication at this stage that Alinta would operate its transmission business differently from Duke's plans for the business.

In addition to the gas transmission project, the Government has been facilitating the development of gas distribution and retailing in Tasmania.

Two pieces of legislation were introduced into Parliament in late 2000 in relation to the regulation of the Tasmanian natural gas industry. The *Gas Pipelines Act 2000* provides for regulation of gas transmission and pipelines facilities in Tasmania, including licensing provisions and the development and approval of gas safety arrangements. This Act received Royal Assent in December 2001. The *Gas Pipelines Regulations 2002* were proclaimed under this Act in November 2002.

The *Gas Act 2000* regulates the distribution and retailing of natural gas in Tasmania. It provides for the appointment of the Director of Gas and Director of Gas Safety, the licensing of gas retailers and distributors and arrangements to support gas retail contestability as well as the regulation of a number of gas safety issues. This Act also received Royal Assent in December 2000. The *Gas (Safety) Regulations 2002* were made under this Act in June 2002. Distribution and retail codes and licences have been developed following consultation with Powerco and other key stakeholders.

Amendments were made to both Acts during 2001 to address a number of issues that arose through the implementation of these significant new legislative arrangements. Amendments were effected through the *Gas Amendment Act 2001* and the *Gas Legislation (Miscellaneous Amendments) Act 2001*.

In 2002, a number of amendments were made to address planning issues that had arisen in relation to both gas transmission and distribution developments. In relation to transmission issues, amendments to the Gas Pipelines Act were made by the *Gas Pipelines Planning and Safety (Miscellaneous Amendments) Act 2002*. A number of amendments in relation to gas distribution were also contained in the *Gas Infrastructure (Miscellaneous Amendments) Bill 2002*. This Bill passed both Houses of Parliament in December 2002 and was proclaimed in 2003.

The *Gas Infrastructure (Miscellaneous Amendments) Act 2003* was passed in July 2003. This Bill amends the *Gas Act 2000* and the *Gas Infrastructure (Miscellaneous Amendments) Act 2002* to:

- provide for a fully contestable gas retail market;
- allow for the creation of a Pipeline Planning Corridor (PPC) to protect the integrity of the gas distribution pipelines where they operate at a pressure in excess of the levels that are set in Australian Standard AS2885; and
- to enable the introduction of regulations to establish standard conditions to govern the opening and reinstatement of council-owned roads for the purpose of constructing a gas distribution system.

The *Gas Legislation Amendment (Land Acquisition Act) 2003* was passed in June 2003. This Act amends both the Gas Act and the Gas Pipelines Act to make a licensed pipeline operator an acquiring authority under the *Land Acquisition Act 1993*. This enables a pipeline operator to compulsorily acquire land or an easement over land for the purposes of undertaking the regulated activities the operator is licensed to engage in.

Part IIIA of the *Trade Practices Act 1974* establishes a legislative regime to facilitate third party access to services of national significance, such as natural gas pipelines, with its objective to encourage competition in related markets. Under clause 10.1 of the Natural Gas Pipelines Access Agreement, the State is required to submit an access regime to the NCC for certification as an effective access regime as soon as practicable after its access legislation has been passed. The NCC will then recommend to the Commonwealth Minister for Industry, Tourism and Resources, to approve the regime.

As the result of Parliament passing the Gas Pipelines Access (Tasmania) Act, the Government is now finalising its access regime submission.

It was initially expected that the State would submit its access regime application in 2002. However, this was delayed due to the termination of the Code-compliant tender process and the subsequent process to select a preferred distribution developer. Further, it was apparent that additional amendments will be required to the Tasmanian legislative and regulatory framework for natural gas. The Tasmanian Government does not expect any further delays and anticipates seeking NCC endorsement in 2004.

In line with its obligations under the third tranche assessment to remove regulatory barriers to competition in natural gas markets, Tasmania has also repealed the *Gas Franchises Act 1973*, the *Hobart Town Gas Company's Act 1854* and the *Hobart Town Gas Company's Act 1857*. The *Launceston Gas Company Act 1982* has been substantially repealed, with remaining sections to be repealed once an accurate mapping of the pipeline network has been completed.

WATER INDUSTRY REFORMS

The Tasmanian Government is fully committed to implementing efficient and sustainable water industry reforms that were 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 Tasmanian Government is currently working in partnership with the Commonwealth and the states and territories to develop the Intergovernmental Agreement on a National Water Initiative that was identified at the August 2003 meeting of COAG.

The COAG water reforms are embodied within the *Strategic Framework for the Efficient and Sustainable Reform of the Australian Water Industry* (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.

An Inter-departmental Water Policy Committee oversees Tasmania's water reform obligations. It comprises representatives from the Departments of Premier and Cabinet (Policy and Local Government Divisions), Primary Industries, Water and Environment (DPIWE) and Treasury and Finance.

The following information details Tasmania's progress to 31 December 2003 (including proposed future work where relevant) in its implementation of the COAG water reforms.

Water management legislation

The *Water Management Act 1999* (WMA) commenced on 1 January 2000. The WMA replaced the *Water Act 1957* and the *Groundwater Act 1985* and amends or replaces 12 other Acts covering the allocation of water resources in the State.

Provisions in the WMA reformed 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 WMA:

- establishes new institutional arrangements for water management in Tasmania;
- provides for consistent water licensing arrangements for all types of users, including the establishment of special licences for large generators of electricity, such as Hydro Tasmania, and other major water users;
- provides for the development of water management plans;
- facilitates trading in water entitlements;
- provides for formal allocations of water for the environment;
- establishes a new system for dealing with applications for dam construction; and
- creates water districts.

Further details of the WMA are provided below.

Cost and pricing reforms

Urban water services

In Tasmania, all urban retail water services are provided by local government.

The COAG Strategic Framework requires the implementation of two-part pricing for urban water schemes where cost-effective. In December 1998, the State Government commissioned GPOC to develop a set of guidelines to establish measurable criteria to assist each local council to assess whether the implementation of a two-part pricing structure for water schemes in its jurisdiction would be cost-effective.

In June 1999, the Government released GPOC's report, titled, *Investigation into the Cost-Effectiveness of Local Councils Implementing Two-Part Pricing for Urban Water Services*. The guidelines provided a methodology for determining the net present value of a change to two-part pricing, comparing the extra costs involved (eg. capital cost of new meters and meter replacements, cost of extra meter readings and invoicing) with the resulting expenditure savings (eg. deferred or reduced cost of planned capital works, reduced pumping and treatment costs). These savings are based on the expected reduction in water consumption as a result of two-part pricing.

The main factors used to determine whether the savings from the introduction of two-part pricing were greater than the associated costs were the:

- expected decrease in water consumption;
- projected future demand for water due to demographic factors and the commercial environment;
- extent of excess capacity of urban water schemes;
- extent to which metering is currently in place;
- need for improvements in the quality of water; and
- charging arrangements applicable at the bulk water end (including the extent to which volumetric charging is imposed).

The GPOC guidelines provided a screening test, based primarily on the size and extent of metering of each water scheme, to enable a rapid assessment of whether a detailed analysis of the cost-effectiveness of the introduction of a two-part tariff was appropriate. Where the screening test indicated that such an analysis was appropriate, a model was provided to facilitate this assessment.

In July 1999, the then Premier (in his capacity as Minister for Local Government) directed councils to apply the GPOC guidelines to those water supply schemes where two-part pricing was not currently in place (85 schemes) and report on the outcomes by mid-September 1999. Five schemes were already applying two-part tariffs.

A review panel assessed council responses to ensure that the guidelines had been applied appropriately. Represented on the panel were the Departments of Primary Industries, Water and Environment (convenor), Treasury and Finance and Premier and Cabinet (Policy Division and the Local Government Division), and the LGAT.

The panel provided its final report to the Minister for Primary Industries, Water and Environment on 13 December 1999. The report analysed submissions covering 85 of Tasmania's water supply schemes. The submissions were analysed on a scheme-by-scheme basis (rather than a council-by-council basis), as water supply schemes within a council may have no common infrastructure and may draw water from different sources.

A full analysis of the cost-effectiveness of the change to two-part pricing was undertaken for 34 of the 85 water supply schemes. Of the remaining 51 schemes:

- 40 schemes were eliminated according to the screening test developed by GPOC; and
- 11 schemes were excluded as a firm commitment had been given by the relevant council to introduce two-part pricing prior to any assessment.

Of the 34 schemes assessed, 26 schemes returned negative values, demonstrating that two-part pricing would not be cost-effective. The remaining eight schemes, however, returned positive values. Subsequently, it was found that the analysis for the Ross scheme was incomplete and that two part tariff pricing was not cost-effective for this scheme.

This process confirmed that 18 water schemes should change from their existing pricing system to two-part tariffs. These schemes and implementation dates for two-part pricing have been previously reported. Seventeen of these schemes have now implemented two-part pricing.

The remaining scheme, operated by Derwent Valley Council, was due to commence two-part tariffs in July 2002. However, a revision of the costs of metering the scheme, as a result of practical experience with a trial installation of meters, identified that a further cost-effectiveness study was warranted. This was completed in July 2002 and established that it would no longer be cost-effective for consumption-based pricing to be implemented for the Derwent Valley Council water scheme. The results of the revised cost-effectiveness study were assessed by the Government Prices Oversight Commission as being NCP compliant.

The West Tamar Council introduced two-part tariffs for urban water pricing in July 2001 without undertaking a cost-effectiveness study. Following a petition by electors, an elector poll was held in conjunction with the October 2002 council elections asking electors whether the council should revert to the previous charging regime.

In the lead up to the poll, a cost effectiveness study was completed which found that two-part tariffs were cost-effective. By a very small margin, electors in the municipality voted to retain two-part tariffs. While the poll is not binding on the council, two-part tariffs have been maintained. The implementation dates for two-part pricing are shown in Table 5.2.

Table 5.2: Implementation dates for two-part pricing

Scheme	Committed Implementation date	Actual Implementation date
Cressy	2000-01	July 2000
Deloraine	2000-01	July 2000
Evandale	2000-01	July 2000
Longford/Perth	2000-01	July 2000
Kempton	2000-01	July 2001
Sorell	2000-01	July 2001
Bracknell	2001-02	July 2001
Exton	2001-02	July 2001
George Town	2001-02	July 2001
Hadspen	2001-02	July 2001
Hillwood	2001-02	July 2001
Launceston	2001-02	July 2001
Prospect Vale	2001-02	July 2001
Scottsdale	2001-02	July 2001
Westbury-Carrick	2001-02	July 2001
West Tamar	2001-02	July 2001
Wynard-Somerset	2001-02	July 2001

Source: Department of Primary Industries, Water and Environment

The current water prices set by many councils, including the larger urban 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.

Current pricing systems for the schemes are generally one of several basic types:

- two-part tariffs, with no free allowance[2];
- standard fixed tariff (all consumers pay the same amount);
- fixed tariff proportional to the assessed annual value of the property supplied; or
- fixed charge (standard charge or based on the assessed annual value) for a standard maximum water usage ("free allowance") with an "excess" charge for volumes used above this amount.

In its June 1999 report, GPOC also provided a set of principles to ensure that local councils successfully meet the asset renewal and asset maintenance requirements of the Water Pricing Guidelines agreed to by the Agricultural Resource Management Council of Australia and New Zealand.

Local councils are 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.

Additional papers provided by the Government to assist councils in complying with their urban water pricing obligations, including full cost recovery, are the *Community Service Obligation Policy and Guidelines*, November 2000 and a revision of the GPOC guidelines, titled *Urban Water Pricing Guidelines for Local Government in Tasmania*, January 2003.

The Urban Water Pricing Guidelines were revised to more closely align reporting requirements with the existing reporting requirements for significant business activities under section 84(2)(da) of the *Local Government Act 1993*. The inclusion of checklists and other interpretive material will further simplify the reporting process for Councils. The Guidelines also require councils to report environmental costs incurred, to explicitly report Community Service Obligations and to phase in asset valuation on a fair value basis in accordance with AASB 1041.

To assist councils with the new Guidelines, workshops for council officers were held in February 2003 in both the north and south of the State to address approaches to asset valuation, the appropriate identification of CSOs and identification of externalities.

An annual audit is undertaken by the Government Prices Oversight Commission to determine the extent of compliance of councils in meeting their obligations for full cost recovery as set out in the COAG Strategic Framework.

2002 Water Audit

The 2002 audit of performance for the year ended 30 June 2001 found a generally high level of compliance by Tasmanian councils in both water and wastewater pricing. However, in the case of water pricing, four councils (Central Highlands, Clarence, Glenorchy and Hobart) were assessed as recovering insufficient revenue to meet the minimum requirement for full cost recovery, while the revenue of one council (Latrobe) was found to exceed the maximum allowable return.

[2] A free allowance is a specified maximum quantity of water consumed before a charge above the fixed charge is incurred.

Of the under-recovering councils, three have bulk water supplied by HRWA. Part of their under-recovery is the result of an exceptionally dry 2000-01 summer, which resulted in the quantities and costs of water being higher than anticipated, and therefore not recovered through those councils' rates-based charges. The remaining council, Central Highlands, is one of the smallest councils and has several very small schemes totalling less than 700 connections. In addition, the council has been subject to an extended period of drought.

In the case of wastewater pricing, three councils (Central Highlands, Hobart and West Coast) were assessed as recovering insufficient revenue under the Guidelines, and two (Derwent Valley and Glenorchy) were found to have exceeded the maximum allowable return.

Each of the seven councils found to be non-compliant with respect to their water and/or wastewater pricing committed to a program of changes to reach full compliance within two to three years.

2003 Water Audit

The 2003 audit of performance for the year ended 30 June 2002 again found a generally high level of compliance by Tasmanian councils in both water and wastewater pricing. In the case of water pricing, 21 councils were found to be in practical compliance with the Guidelines. Of these Central Highlands, Clarence, and Latrobe were in the process of a two year transition to compliance with full cost recovery under agreed strategies following the results of the 2002 audit. The remaining four councils achieved results below the lower limit, with Waratah-Wynyard requiring an estimated revenue increase of 6.8 per cent, Southern Midlands requiring an estimated revenue increase of 8.9 per cent, Launceston requiring an estimated revenue increase of 18 per cent and Break-O'Day an estimated revenue increase of 19.8 per cent, all to reach the lower limit.

In the case of wastewater pricing, only three councils (Sorell, King Island and West Coast) were assessed as recovering outside the limits under the Guidelines.

The terms of reference for the 2003 audit also required GPOC to investigate the use of property-based charges for the fixed component of two-part tariff structures and for single-part tariffs. In particular, GPOC was required to examine whether the use of property-based charges constitutes a cross-subsidy that is likely to create inefficiencies in the use and provision of water and wastewater services.

GPOC found that, in the case of single-part tariffs, there will inevitably be inefficiencies and cross-subsidies, irrespective of whether property values, connections size or any other measure is used to allocate costs. However, these inefficiencies may be less than those when the cost of administering a metering scheme outweighs the benefits.

In the case of two-part tariffs, GPOC found that, where the volumetric price is set correctly, the fixed charge represents the cost to the consumer of the capacity to obtain water services.

In determining whether property-based fixed charges are likely to create inefficiencies, GPOC used two tests of efficiency:

- the fixed charge must be independent of the volume consumed, otherwise it would influence the consumer's choice of volume; and
- allocative efficiency requires that no consumer pay an 'excessive fixed charge', that is, one which is greater than the consumer's value of connection to the water network. Allocative efficiency is therefore guaranteed if the fixed charge is less than the value of the water connection.

Property-based charges were found to satisfy the requirement of independence of water use. However, GPOC found that as AAV is not perfectly correlated to a consumer's value from the water network, it could potentially require a prospective customer to pay a fixed charge that is greater than his or her value of being connected to the water network. Nevertheless, GPOC found no evidence that the AAV-based fixed charge has caused any customers to change their decisions about connecting to the water network.

On this basis, GPOC found that a property-based fixed charge, of a magnitude just sufficient to cover the fixed cost of the urban water authority, is likely to be the most efficient practically achievable approach.

2004 Water Audit

In March 2004, GPOC delivered its third report on councils' compliance with NCP water reform obligations as they apply to urban water and wastewater services for the 2002-03 financial year.

The 2004 audit of performance for the year ended 30 June 2003 found the same generally high level of compliance by Tasmanian councils in both water and wastewater pricing. In the case of water pricing, 21 councils were found to be in practical compliance with the Guidelines. Of these Central Highlands, Clarence, and Latrobe remain in the process of a transition to compliance with full cost recovery by 2004-05 under agreed strategies following the results of the 2002 audit. Hobart achieved results below the lower limit. The remaining three councils (Northern Midlands, Circular Head and Glamorgan/Spring Bay) achieved results above the upper limit.

Water Pricing

Central Highlands

Central Highlands is continuing to improve its rate of return with a rate of -1.9 per cent in 2002-03, a significant improvement on its -5.4 per cent rate of return in 2001-02. GPOC found that in 2001-02, it required a 63.9 per cent increase in revenue to meet the lower limit and that it is difficult for small councils to achieve a large increase in revenue in a short term.

Hobart

Hobart was deemed to be in practical compliance last year, but is now under-recovering revenue with returns of --0.3 per cent due, in part, to using an estimate of 2 per cent written down value for its asset consumption component. The audit results suggest an increase in revenue in the order of 7 per cent will be required to achieve the lower limit.

Clarence

Clarence was also found to be under-recovering, with a rate of return in 2002-03 of –1.1 per cent, also due, in part, to it using an estimate of 2 per cent written down value for its asset consumption component. Clarence will be required to increase its revenue in the order of 5.4 per cent to comply with the Guidelines.

Circular Head

Circular Head was deemed to be in practical compliance last year but has over-recovered in 2002-03 with a return of 10.1 per cent. This appears to be due to the fact that its asset valuations are based on pre-1999 valuations. Revaluation is likely to result in higher asset values which would reduce the rate of return to be within acceptable levels. GPOC noted in its report that Circular Head would have achieved practical compliance if its asset valuations were indexed to CPI.

Glamorgan/Spring Bay

Glamorgan/Spring Bay was also in practical compliance last year, but over-recovered significantly in 2002-03. As with Circular Head, Glamorgan/Spring Bay's asset valuation is relatively out-dated. Also it was noted that the council had received $567 000 in grants and subsidies in 2002-03, and that without these subsidies, the council would achieve a complying rate of return of 3.8 per cent. The audit results suggest a reduction in revenue in the order of 19.8 per cent will be required to be at the upper limit.

Latrobe

Although Latrobe is significantly over-recovering, it continues to reduce its over-recovery (from 25.3 per cent rate of recovery in 2000-01, 22.6 per cent in 2001-02 and to 15 per cent in 2002-03). This demonstrates significant progress towards compliance with the Guidelines, which it previously indicated that it would not achieve until after 2003-04.

Northern Midlands

Northern Midlands has also over-recovered, with an 11.7 per cent rate of return in 2002-03 representing a change from its previous strict compliance. This would appear to be due to receipt of $520 000 in grants and subsidies. If the grants were removed, Northern Midlands would have a rate of return of 5.4 per cent, which would have been in strict compliance.

Wastewater Pricing

In the case of wastewater pricing, 21 of the 27 councils that provide wastewater services were found to be in practical compliance with the Guidelines. One council (Central Highlands) was assessed as recovering below the lower limit. Five councils' rate of return exceeds the upper limit.

Central Highlands

Central Highlands has continued to improve its rate of return since 2000-01 (-6.2 per cent) to its -0.8 per cent rate of return in 2002-03. It requires a 12 per cent increase in revenue to meet the lower limit. This progress is significant given its difficulty as a small council to achieve proportionately large increases in revenue on short periods.

Clarence

Clarence met the Guidelines last year but has gone significantly above the upper limit in 2002-03. This is due to its receipt of the Effluent Re-use Grant of $2.75 million. If the effect of the grant were removed, Clarence would achieve a rate of return of 4.1 per cent, which would fall within the acceptable range.

King Island

King Island has also over recovered with a return of 12.9 per cent, representing a reduction from 16 per cent recorded for the previous year. This is largely due to receipt of a grant of $123 000 for system upgrades. If the grant were removed, King Island would record a rate of return of –10.1 per cent. It should be noted that a grant of $123 000 has significant impact on the rate of return for a council with a budgeted revenue of $180 000 for wastewater services.

Waratah/Wynyard

Waratah/Wynyard over recovered significantly in 2002-03 with a rate of return of 15.6 per cent. It appears that the over recovery was due to a grant of $1.37 million for a sewerage project at Boat Harbour Beach. If this grant were removed, Waratah/Wynyard would have achieved a rate of return within the Guidelines.

West Coast

West Coast reported rate of return of 20.3 per cent in 2002-03 was well above the upper limit for cost recovery. This was largely due to a major grant of $2.5 million for Strahan Sewerage, which, if removed, would allow West Coast to record a real rate of return of -0.2 per cent.

West Tamar

West Tamar was within the Guidelines last year, but its revenue exceeded the upper limit by 12.9 per cent in 2002-03. The reason again for this over recovery appears to be an unbudgeted grant of $309 000. If the grant were removed, West Tamar would record a rate of return of 6.8 per cent, which would be within the acceptable range.

The terms of reference for the 2004 audit also required GPOC to investigate the use of cross-subsidies, the adequacy of reporting Community Service Obligations (CSOs) and councils' own use of water and wastewater services.

GPOC identified the use of cross-subsidies by those councils that reported rates of return outside the acceptable range. By definition, a cross subsidy occurs when the consumption by one user or group of users subsidises the consumption by another. Therefore, the water or wastewater service is *prima facie* subsidising other council activities if the relevant water or wastewater service obtains a rate of return higher than the acceptable limits. Conversely if it is under performing, the water or wastewater service is being subsidised by the general rate base. As reported above, seven councils reported rate of return for water services outside the practical compliance limits. For wastewater services, six councils' rates of return were outside these limits. For these councils a cross subsidy is identified. GPOC does not comment specifically on the identification and reporting of cross subsidies between different classes of users of water and wastewater services.

In regard to CSOs, GPOC found that for water services, ten councils identified a CSO and eleven councils in the case of wastewater. This represents an increase in the number of identified CSOs from 2001-02 (where six councils identified a CSO for water, and five for wastewater).

Comparatively, similar overall increases were found in regard to councils' identification of own-use transfers. However, GPOC noted that although more councils were identifying CSOs and own-use consumption, not all councils were identifying or disclosing their use. GPOC observed that although not all councils will have CSOs, they must all have own-use consumption and it is important for disclosing cross subsidies that own-use consumption is identified.

The Government has closely considered the audit findings, including the following NCP compliance related matters:

- most councils that have adopted two-part pricing appear to be pricing well above their volumetric costs;
- a small number of councils using two-part pricing have a free water allowance in excess of the Guidelines;
- many of the councils' most recent asset revaluations were prior to 2000, which potentially impacts on their compliance with the Guidelines and council decision-making; and
- some councils are still applying the cost basis for asset valuation rather than the fair value method.

The Government has commenced discussions with individual councils regarding the above issues of non-compliance with NCP obligations and is committed to ensuring that councils are in a position to address the report findings in time for the next audit to commence.

Bulk water authorities

As a result of GPOC's 2001 investigation into the pricing policies of the three bulk water authorities, the Government has determined the maximum allowable revenues (MAR) and maximum volumetric price (MVP) to be charged by the three bulk water pricing authorities for the period beginning 29 September 2001 and ending 29 September 2004 (in real dollars 2000-01) areas as listed in Table 5.3, except for Hobart Water, where the MVP applies to 2003-04 only.

Table 5.3: Maximum Allowable Revenue and Volumetric Prices for Tasmania's Bulk Water Authorities

	2001-02	**2002-03**	**2003-04**
	$'000	$'000	$'000
Hobart Regional Water Authority:			
Maximum Allowable Revenue (MAR)	25 957	26 063	26 049
Maximum Volumetric Price (MVP)	n/a	n/a	17 cents/kl
Esk Water Authority:			
MAR	12 770	12 815	12 773
MVP	40 cents/kl	40 cents/kl.	40 cents/kl to Jun 2004 and 30 cents/kl thereafter.
Cradle Coast Water:			
MAR	9 436	9 454	9 512
MVP	20 cents/kl for treated water.	20 cents/kl for treated water.	20 cents/kl for treated water.

The Government has also advised the bulk water authorities that GPOC's Final Report should be regarded as a prudent guideline for target revenues and for pricing policies. The target revenues for each bulk water authority (as in the recommendations contained in the Final Report and in real dollars 2000-01) are listed in Table 5.4.

Table 5.4: Target Revenues for Tasmania's Bulk Water Authorities

Water Authority	**2001-02**	**2002-03**	**2003-04**
	$'000	$'000	$'000
Hobart Regional Water Authority	22 053	22 265	22 368
Esk Water Authority	10 386	10 483	10 497
Cradle Coast Water	8 052	8 102	8 194

Rural water supply

Water pricing for 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 on-farm storages utilising privately funded infrastructure.

There are three Government-owned irrigation schemes in the State: Cressy-Longford, South-East and Winnaleah, with ownership vested in the Rivers and Water Supply Commission (RWSC). On 1 April 2002, the management of the Cressy-Longford Irrigation Scheme was devolved from the RWSC to the Cressy-Longford Irrigators Association (CLIA). On 1 December 2003, the RWSC devolved the management of the Winnaleah Irrigation Scheme to the Winnaleah Irrigators Association (WIA). CLIA and WIS are required to operate the schemes on a commercial basis with water prices set to recover at least the lower limit of the COAG pricing benchmark.

The South-East Irrigation Scheme is currently 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 is set through the business plan for the scheme which forms part of the RWSC's Corporate Plan.

Water prices cover operational, management, maintenance, finance and asset consumption (as depreciation or renewal annuities) costs. All schemes receive an equity injection 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 government equity injections 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.

Cressy/Longford Irrigation Scheme (CLIS)

Water pricing for CLIS is based on a two-part pricing system with a fixed charge per mega-litre (ML) of irrigation right and a volumetric charge per ML of water actually used to cover variable costs.

In the previous seven years, water prices have risen to achieve full recovery of operational, maintenance, administration and asset consumption costs. This has been achieved by establishing a revenue target and then setting water prices to meet this target, based on the rolling five year average of water sales. The financial costs (interest and repayment of the loans taken out to establish the scheme) are not included in the revenue target as they are treated as a government subsidy to the scheme.

It was considered that full cost recovery (as defined above) had been achieved in 1997-98. However, a 1999 review of the price fixing model being used by the RWSC indicated that the model was not appropriately accounting for depreciation. The model was corrected and used to set the 1999-00 prices which included an asset renewal levy. Prices were set for the 2003-04 financial year based on the same methodology (refer to Table 5.5).

In consultation with scheme users, the following initiatives have been implemented since 1995 to reduce the revenue target:

- a reduction in CLIS employees from three to two;
- an extension of the scheme district and allocation of additional irrigation rights to spread the fixed costs;
- restrictions on the amount of water allowed to be used per ML of irrigation right before a price penalty is incurred (changed from no restriction to twice the relevant irrigation right);

- the staged removal of a cross subsidy for a specific group of users relying on a pumping system (previously power charges for the pump were paid by all scheme users); and
- the replacement of the depreciation charge with an asset renewal levy.

Table 5.5: Cressy/Longford Irrigation Scheme water prices

CLIS: Price charged	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Irrigation Rate (per ML irrigation right)	$18.70	$21.82	$21.82	$21.82	$21.82	$22.40
Irrigation Charge (per ML for all water used)	$15.30	$15.90	$15.90	$15.90	$15.90	$15.90

Prior to 2003-04, water prices for the Cressy Longford Irrigation Scheme were set by the RWSC in consultation with scheme users. For 2003-04, the prices were set by the CLIA.

Winnaleah Irrigation Scheme (WIS)

Water pricing for WIS is based on a modified two-part pricing system, consisting of a fixed charge per ML of irrigation right and a volumetric charge per ML of water actually used, with the volumetric charge varying over the irrigation season.

The current pricing system was suggested by scheme users and adopted by the RWSC in 1999-00. It aims to encourage greater water use in the off-peak seasons and to discourage use (or at least fully account for marginal costs) at the peak of the season (refer to Table 5.6).

Over the previous seven years, water prices have risen to achieve full recovery of operational, maintenance, administration and asset consumption costs. This has been achieved by establishing a revenue target and then setting water prices to meet this target, based on the rolling five-year average of water sales. As with CLIS, the financial costs (interest and repayment of the loans taken out to establish the scheme) are not included in the revenue target as they are treated as a government subsidy to the scheme.

Full cost recovery was achieved in 1998-99. At this time, the costing for asset consumption was changed from straight-line depreciation to an asset renewal levy.

In consultation with scheme users, the following initiatives have been implemented since 1995 to reduce the revenue target:

- the sale of additional irrigation rights to spread the fixed costs;
- the introduction of a quota system by which irrigators incur a price penalty for any water used over a percentage of their irrigation rights at peak usage times;
- the replacement of the depreciation charge by an asset renewal levy; and.
- the replacement of the previous scheme operator with a contracted employee.

Table 5.6: Winnaleah Irrigation Scheme water prices

WIS: Price charged	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Irrigation Rate (per ML Irrigation Right)	$53.50	$55.50	$44.00	$47.00	$47.00	$47.00	$47.00
Irrigation Charge (per ML for all water used)	$0.00	$0.00	$9.00[1]	$8.50[1]	$8.50	$8.50	$8.50

[1]The irrigation charge varies from zero in off peak seasons, to 50 per cent of the prices above in the shoulder seasons, and to the full price in the peak season.

As of 1 December 2003 the management of the Winnaleah Irrigation Scheme was devolved to the Winnaleah Irrigators Association which will set the prices in the coming years.

South East Irrigation Scheme (SEIS)

Water pricing for SEIS is a fixed charge based on the amount of irrigation right held, reflecting the high proportion of fixed costs for the scheme. Over the previous seven years, water prices have risen with the intention of achieving full recovery of operational, maintenance, administration and asset consumption costs by 2006 (refer to Table 5.7).

Severe drought, major mechanical problems with the pumping system for the scheme in 1999-00, and ongoing water quality issues led to modifications to the scheme infrastructure in 2000-01 to increase overall water supply surety and water quality in Stage 2. These modifications were undertaken after extensive consultation with scheme users (including scheme users' agreement to the proposed price path involved).

These modifications involved the change of the source of supply for Stage 2 users from Craigbourne Dam to HRWA. Under this arrangement, Stage 2 is supplied with fully treated water originating from water resources in the Derwent Valley via HRWA's urban supply line. The full capacity of Craigbourne Dam is now available for supply of Stage 1.

These modifications led to a major increase in water prices in 2000-01 as the RWSC is required to meet the full price of water supplied by Hobart Water ($155 per ML).

This has required a modification of the original price path to full cost recovery (defined as full recovery of operational, maintenance, administration and asset consumption costs while financial costs [interest and repayment of the loans taken out to establish the scheme] are treated as a government subsidy to the scheme).

Calculations indicate that full cost recovery under present operating arrangements is $90 per ML for Stage 1 and $245 per ML for Stage 2. The price path chosen by the RWSC involved a large increase in price for the 2000-01 season (to enable the RWSC to meet the full cost of water supply from HRWA) followed by a straight-line increase to the target price (increased appropriately for CPI increases) over the following 10 years.

Hence, the price path is an annual increase of $1 per ML + CPI and $6 per ML + CPI for Stage 1 and Stage 2 respectively from 2001-02 to 2010-11. The endpoint price for Stage 2 is $215 (+ accumulated CPI increases) as the capital charge currently being included by HRWA in the water price ($30 per ML) will be eliminated in 10 years' time as the result of the repayment of a 10 year loan for capital works.

However, it is expected that the cost of scheme operation will reduce significantly in the next few years due to:

- reduced staffing costs as a result of new arrangements (including a change from two part-time operators to one part-time operator and use of casual operators as necessary);
- a significant reduction in maintenance costs as a result of the switch from on-demand pumping to gravity feed; and
- a significant reduction in asset consumption costs as the most expensive expendable short-term asset (the on-demand pumping system) is not expected to be renewed as its function has largely been replaced by the new water supply system for Stage 2.

In addition, the RWSC has put additional irrigation rights on the market in both stages of the scheme. Sale of additional rights will spread the scheme costs and hence reduce the cost per ML of irrigation right.

Thus it is expected that full cost recovery will be achieved much sooner than 2010-11 on the above price path.

Table 5.7: South East Irrigation Scheme water prices

SEIS Price charged	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Stage 1 - Irrigation Right (per ML)	$52.50	$59.00	$66.00	$80.00	$83.00	$86.00	$90.00
Stage 2 - Irrigation Right (per ML)	$52.50	$59.00	$66.00	$155.00	$166.00	$176.00	$186.00
Stage 2 – Pumping charge (per ML used)	$62.23	$60.16	$59.60	$0.00	$0.00	$0.00	$0.00

Raw water pricing

Prior to the enactment of the WMA, pricing for "raw water" (water taken directly from rivers, lakes and aquifers by commercial water users) varied widely, from a nil cost to $26 per ML.

Previously, the majority of commercial water users (holders of Commissional water rights under the now repealed *Water Act 1957*) were charged a biennial fee. However, the fees were not reflective of the direct costs, including licensing, monitoring and compliance auditing incurred by the RWSC in managing the water resources. Other water users generally did not contribute to the regulatory and monitoring costs, although they derived benefits from these services.

With the introduction of the WMA, the Government confirmed its commitment to introduce a new user-pays pricing policy.

To this end, the WMA provides that water licence fees can vary according to 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 Hydro Tasmania's licensed take of around 25 million ML to a take of one ML by a landholder into a farm dam.

The *Water Management Regulations 1999* (proclaimed on 1 January 2000) established the new water licence fees. The fee-setting system for water taken from unregulated streams, lakes and groundwater provides for:

- clear separation of public and private good costs incurred in water management;
- 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 compliance auditing, streamflow monitoring etc);
- the creation of eight different pricing regions to reflect the variations in the cost of servicing users in different catchments of the State;
- a broader base for revenue collection to ensure that all direct beneficiaries contribute equitably to the costs of the services provided;
- 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
- opportunities for licensees to reduce their costs by changing the level of service received from the Government.

During 2003-04, DPIWE conducted a review of water licence fees to take account of changes in water allocations and in water management costs since the current fees were established. A discussion paper on the review and the proposed new fees was advertised and released for public comment for a period of four weeks in November 2003. Comments were received from the Tasmanian Farmers and Graziers Association of Tasmania, the Tasmanian Conservation Trust, Inland Fisheries Service and the Tasmanian Chamber of Commerce and Industry. The comments were generally supportive of the fee setting methodology and the resulting proposed changes to the current fees. The lack of any responses from individual water users was taken as widespread acceptance of the methodology and the fees, indicating that the fees are deemed to be reasonable and equitable. DPIWE is currently drafting regulations in relation to the new fees which will come into force on 1 July 2004.

Groundwater

Groundwater resource assessment work by Mineral Resources Tasmania within the Department of Infrastructure, Energy and Resources 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 in most areas of the State, current usage is generally having no adverse impact on groundwater quantity or quality.

Currently, the only significant government activity in relation to groundwater management is the monitoring of the impact of use. This is undertaken by DPIWE as a public good activity with no charge being directly levied on groundwater users. However, as part of the 2003 Great Forester Water Management Plan, a groundwater licensing system will be implemented within the first five years of the Plan. Groundwater allocations will be established for all users of groundwater within the plan area except where groundwater is used for stock and domestic purposes.

Groundwater management is an integral part of freshwater management and is also undertaken by DPIWE under the WMA. The Act 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.

Proposed amendments to the WMA in 2004 will facilitate the introduction of groundwater licensing and regulation of bore construction in areas where groundwater usage needs to be regulated to ensure sustainable and equitable usage. Appropriate licence fees will be introduced where licensing of groundwater taking is implemented.

Institutional reform

Responsibility for water management

Prior to the commencement of the WMA, there were several public and private bodies managing water resources in the State, for example, the RWSC, Hydro Tasmania, Mineral Resources Tasmania, councils and private companies. Almost all of these bodies also had responsibilities for the provision of water services.

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

A separate Act, the *Rivers and Water Supply Commission Act 1999*, which was also proclaimed on 1 January 2000, makes provision for the continuation of the RWSC as a GBE with responsibility for the commercial management of government water schemes. The RWSC now has no natural resource management role (other than to meet the conditions of its water licences or to implement a Water Management Plan as discussed below).

Under the WMA, service providers are able to manage water resources as part of their licence conditions or in situations where an approved Water Management Plan is in place. In these situations, DPIWE is accountable for compliance auditing of the provider to ensure that the agreed licence conditions or water management requirements of the Plan are met.

Service provision

Under the WMA, DPIWE no longer has a role in the delivery of water services. The transfer of responsibility for major urban water services to local government leaves the Prosser Water Supply Scheme as the only State Government-owned urban water supply scheme. This Scheme is currently operated by Glamorgan/Spring Bay Council under contract to the RWSC and serves several small towns on the East Coast. The full transfer of this Scheme is being negotiated with the Glamorgan/Spring Bay Council.

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 RWSC) against planned performance targets.

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

- 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 bulk water authorities.

The RWSC is participating in the national performance monitoring program for irrigation schemes developed by the Standing Committee on Agriculture and Resource Management and now being managed by the Australian National Committee on Irrigation and Drainage (ANCID). The three RWSC schemes were reported on in the first benchmarking report released by the Standing Committee in January 1999 and prepared for the 1997-98 financial year and have participated in all subsequent benchmarking reviews.

However, recent changes to the benchmarking system by ANCID mean that it is no longer cost-effective for small schemes such as those in Tasmania to participate in the national system. Hence, the RWSC and DPIWE will determine appropriate benchmarks for ongoing monitoring of the performance of the Tasmanian irrigation schemes.

Commercial focus for water services

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

- all of the major customer 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.

The transfer of the bulk water authorities from the State Government to local government was 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 NCP Agreements. This means that joint authorities are subject to tax equivalent, dividend and guarantee fee regimes.

The establishment of the HRWA, the EWA and CCW 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 considered 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, riverworks and drainage schemes. In particular, in accordance with section 7 of the GBE Act, the RWSC 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."

Under the GBE Act, governance of the RWSC is undertaken jointly by the Stakeholder Minister (the Treasurer) and the Portfolio Minister (the Minister for Primary Industries and Water).

The RWSC must undertake its responsibilities in accordance with a Ministerial Charter under Division 1 of Part 6, and an annual Corporate Plan under Division 2 of Part 6, of the GBE Act.

The RWSC sets water prices under section 48 of the *Irrigation Clauses Act 1973*, in accordance with the requirements of the GBE Act.

Under section 24 of the GPO Act the Treasurer may direct GPOC to undertake an investigation into the pricing policies of a monopoly provider. The RWSC may therefore potentially be declared to be a monopoly provider under the Act.

Management of irrigation schemes

For many years, the RWSC has fostered the establishment of separate management committees for each of the three irrigation schemes for which it is responsible. The committees have a majority membership of elected irrigator representatives. While the committees are only advisory, the RWSC has sought their advice on all significant matters affecting scheme operations.

In 1998, the RWSC appointed Stanton Associates/GHD Joint Venture to undertake an investigation of alternative management options for the schemes, including commercialisation, individual corporatisation or privatisation. The consultants finalised their reports on the Cressy-Longford and Winnaleah Schemes in 1999 and for the South East Scheme in early 2000. Scheme users were actively involved in establishing the guidelines for the investigation and in directing the consultancy work as it progressed.

The reports indicated that commercialisation or privatisation of the irrigation schemes is economically feasible, with some cost savings in scheme operation possible if the required services could be obtained on the open market (rather than through the RWSC).

The RWSC subsequently entered into negotiations with elected representatives of the Cressy-Longford Irrigators Association (CLIA), including funding independent financial, business and legal advice for the CLIA, with a view to reaching agreement for the devolution of day to day management of the CLIS.

In 2000, the RWSC reached agreement in principle for the CLIA to take over the management of the scheme from 1 July 2001. The proposal was agreed in principle at the CLIA annual general meeting in October 2000 and details were agreed at a general meeting of the CLIA on 6 March 2001.

The proposal was for the RWSC to retain ownership of the fixed assets while the CLIA (as an incorporated company) takes over the role of the responsible water entity under the WMA. Under this arrangement, CLIA would have responsibility for day-to-day scheme operations, administration and management, including price setting and staff management, and own the operational assets. Fixed water delivery and/or water storage assets would be retained by the RWSC, at least for the time being.

Just prior to the proposed handover date, the Australian Taxation Office retracted previous advice to the CLIA that its operations would qualify as a tax-free entity. Given that the new irrigator association would be a taxable entity, a review of the CLIA's business plan was necessary and hence the handover was postponed. Negotiations between the RWSC and CLIA then re-commenced in January 2002. Agreement was reached for handover, under the new tax ruling, on 1 April 2002. CLIA has been operating the scheme since that date.

Negotiations commenced with Winnaleah Scheme Irrigators at a meeting in August 2001 for the handover of the Winnaleah Scheme on similar grounds to those agreed to with the CLIA. Further discussions were put on hold pending consideration and settlement of a revised agreement with CLIA to provide for the change in tax status of the new entity. A draft agreement was discussed with irrigators on 21 March 2003 and the handover occurred on 1 December 2003.

In expectation that agreement for the transfer to self-management would be settled with both the Cressy-Longford and Winnaleah Irrigators, it was agreed with both groups that they make the selection and arrange employment of new irrigation scheme staff. With assistance from private consultants, irrigators appointed new scheme managers for the Cressy Scheme in January 2001 and Winnaleah Scheme in September 2001.

The devolution of the South-East Irrigation Scheme is complicated by the more complex nature of scheme operations and the current pricing regime. However, negotiations on devolution of the scheme are a priority for the RWSC during 2004.

Allocation and trading reforms

Rights to take water

Prior to the enactment of the WMA, water users had access rights to water through a wide range of statutory provisions, for example:

- owners of riparian tenements were able to take water for stock and domestic purposes under common law;
- the vast majority of commercial water users (around 2 400) were licensed under the earlier *Water Act 1957*;
- other specific groups (eg. Hydro Tasmania and holders of prescriptive rights and rights in fee) had entitlements under separate provisions of the *Water Act 1957*;
- other surface water users had rights under several specific pieces of legislation; and
- groundwater users could be licensed under the Groundwater Act.

The WMA has the following provisions:

(a) all rights to surface and groundwater are vested in the State;

(b) 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 fire fighting (“riparian rights”). In addition, electricity generation for private use is 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 users other than those outlined above are required to be licensed;

(c) the above 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 his or her reasonable requirements for the above purposes and maximum takes may be prescribed by regulation (and are in place for “riparian rights” under the *Water Management Regulations 1999*);

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

(e) the Minister may grant a water licence to a person to take water from a water resource. Licences are required to take water for a purpose, or in a manner, other than that listed above under paragraph (b);

(f) 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;

(g) a water licence is separate to a land title and is the property of the licensee; and

(h) 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 previous licensing system to the new system under the WMA provided that pre-existing legal entitlements to water were preserved where they were sustainable. The Act allows the Minister to vary the conditions or reduce the allocation of a licence, or impose restrictions on the taking of water as necessary to meet environmental requirements.

Following the enactment of the WMA, in January 2000, the State commenced a process of converting the water access entitlements that existed prior to that date to new water licences that are quantified and tradeable.

The water licence conversion process started with the conversion of Commissional water rights to water licences under the Act. This action is now complete and around 2 300 Commissional water rights, except those of two of the three bulk water authorities, have been converted to licences under the Act and are now able to participate in water trading arrangements. The Commissional water right of one bulk water authority (Esk Water) has been converted and work is progressing on conversion of the other two. This process has been complicated by the lack of clarity regarding the quantity of the historical water access entitlements of the authorities and the priority of those entitlements. While interim arrangements are in place enabling the authorities to meet their obligations under the WMA, full conversion of the entitlements may need to wait until Water Management Plans for the relevant catchments are completed.

The conversion of previous prescriptive rights to licences and allocations under the Act has also been largely completed. A small number of conversions are outstanding where the registered owner of the right cannot be located.

All town water supply rights previously held under the *Local Government Act 1993* have also been converted to licences and allocations under the new Act apart from one, for Burnie Council, which is far more complicated than for all other councils. As with the entitlements for Hobart Water and Cradle Coast Water, final resolution of this issue may only be possible through development of a Water Management Plan.

On proclamation of the WMA, the previous powers of the RWSC to grant water entitlements and to manage water resources was removed. Parliament's intention was that the RWSC's previous water entitlements were preserved by virtue of the cognate *Rivers and Water Supply Commission Act 1999*, as licences issued under the WMA. The WMA provides that the RWSC is subject to the same statutory framework as other water licensees, including being bound by the provisions of a relevant Water Management Plan and the ability to transfer its licences or part or all of its water allocations.

Legal advice received in 2003 from the Office of the Solicitor-General indicated that, notwithstanding Parliament's intention in passing the WMA and the *Rivers and Water Supply Commission Act 1999* to preserve the water entitlements of the RWSC applying at that time, a drafting error meant that those entitlements had not been preserved. To rectify this situation, the Minister has exempted the RWSC, under section 11 of the Act, from the need to hold a water licence and allocation for these schemes. The exemption includes conditions that would have otherwise been conditions of the licences. This matter will be more appropriately addressed through amendments to the WMA in 2004.

Assessment of water allocations and dam permits

Water allocations

In 1995, the RWSC imposed a moratorium on the issue of new water entitlements for direct taking of water during summer and the moratorium has been continued by DPIWE. The moratorium will only be lifted on particular water resources when appropriate environmental flow regimes have been established which clearly show that further allocations are ecologically sustainable.

The Department of Primary Industries, Water and Environment 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 stream flow reaches environmental risk levels at any time.

Under the WMA, in areas where a Water Management Plan does not exist, the Minister may approve applications for new water allocations (including water taken into dams) only where that can be done in accordance with the objectives of the Act. The objectives of the Act in this regard are those set out in Tasmania's Resource Management and Planning System (RMPS), which establish principles for sustainable development in the State, as well as the specific objectives of section 6 of the WMA. All proposals for new water allocations are assessed on the basis of the objectives and provisions of the Act.

In 2002, DPIWE developed a model, using all reliable stream gauging available for Tasmania, to better estimate water yields available in any subcatchment or catchment for allocation after allowing for a conservatively set environmental flow requirement. The model is used to assist in the assessment of water licence applications for winter flows to fill proposed dams and forms the basis of guidelines for assessing new allocations of surface waters for winter storage.

Following public comment and stakeholder consultation during early 2003, the guidelines were endorsed by the Minister in July 2003 as Water Resources Policy Number 2003/1 *Guidelines to assess applications for new water allocations from watercourses during winter*. The guidelines are available on the DPIWE web site at http://www.dpiwe.tas.gov.au.

The guidelines are used to assess whether an application for a water allocation can be considered without the need for further information (where water is available at 80 per cent reliability after allowing for a basal environmental flow requirement) or whether further information on water yields and environmental requirements is required before the application can be considered.

In general, where the model indicates that an application for a water allocation may reach the total available yield from the catchment and/or subcatchment, the applicant will be asked to provide information to demonstrate that the granting of the allocation can be made without adversely impacting on the needs of the ecosystems that depend on that water resource for water and the commercial operations of major users of water from that water resource.

In some catchments, such as the Jordan River in Southern Tasmania, where all the winter water available at 80 per cent reliability has been allocated, no further allocations are being approved until studies detailed below are completed:

- a comprehensive assessment of the environmental flow requirements of the Jordan River including the need for certain flood flows to maintain the geomorphology of the channel and the in-stream and riparian ecosystems and the estuary at Herdsmans Cove; and
- an in-depth hydrological study to establish surface water hydrological models for the Jordan catchment.

It is anticipated that these studies for the Jordan catchment will be completed by May 2004.

During 2003-04, DPIWE initiated a new project, the Water Use Sustainability Project, in response to observations that suggested that water use in some catchments may be greater than the total licensed allocations. The aim of the Water Use Sustainability Project is to increase the security for water dependent businesses and reduce the risk of unsustainable water use by arresting the ongoing creep in surface water irrigation extractions in advance of Water Management Plans.

The project will formalise existing summer irrigation extractions from rivers and streams to the levels of water extraction used by individual irrigators in the 2002-03 irrigation season. Irrigators will need to provide documented evidence of their water use in the 2002-03 irrigation season (or the average of the past three seasons if that was greater) and will be granted access to this water via a low surety allocation on their licence. In return for acknowledging this level of past water use, the Department will require all direct extractions from rivers and streams to be metered at the licence holder's expense. Such meters are to be installed within an agreed time frame and will provide essential information on water use necessary for water management planning. Three staff have been appointed to implement this project which has begun by targeting catchments in the northeast, northwest and the south of the State where water use creep is most evident.

Similar arrangements are being implemented in the South Esk Basin through a Memorandum of Understanding between DPIWE, Hydro Tasmania and the Tasmanian Farmers and Graziers Association. Under the MOU, historical irrigation water use has been recognised through low surety allocations on licences via transfers of water allocations from Hydro Tasmania. As with the Water Use Sustainability Project, licensees are required to install meters on all direct water takes.

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 WMA, a statutory committee, the Assessment Committee for Dam Construction (ACDC), is the body responsible for assessing applications for the construction of dams. The Act provides a planning procedure to be followed by the ACDC.

Environmental and other technical matters in regard to proposed dams are considered by a subcommittee of the ACDC, the Technical Advisory Committee, that makes recommendations to the ACDC on requirements for environmental impact assessments. The Technical Advisory Committee 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 a 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.

During 2002-03 the ACDC issued 160 permits for dam works as indicated in Table 5.8 below.

Table 5.8: Classification of dam permits issued in 2002-03

Dam Classification	No. permits issued
On-stream (for all purposes)	92
Catchment (off-stream)	19
Other (off-stream)	18
Treated Effluent	11
Modifications to existing dams	20
TOTAL PERMITS ISSUED	**160**

Source: Department of Primary Industries Water and Environment.

The proportion of approvals for off stream dam works and modifications to existing dams is increasing as the number of economic on-stream dam sites in catchments decreases.

In 2003, the ACDC adopted a new co-ordinated process for the assessment of applications for medium to large sized dams; with a capacity greater than 500ML. Medium to large proposals that trigger one or more of the following characteristics generally require assessment under this process:

- significant environmental issues including threatened species, reserves, significant native vegetation, fish passage;
- high potential for receiving representations based on other water user concerns in the catchment, location of irrigation areas or environmental issues;
- consideration of water availability, allocation and licence issues required to be conducted simultaneously;
- significant land tenure issues including assessment of Crown Land and other public land values; or
- assessment of new irrigation areas.

Proponents for dam applications falling in this category are issued with individually tailored *Guidelines for the Preparation of the Dam Development Effect and Management Statement* that sets out those studies that are required to be conducted prior to submission of the application. The completed Dam Development Effect and Management Statement (DDEMS) then forms part of the application that is advertised prior to consideration of the application by the ACDC and the Director of Environmental Management. The Chimney Hill dam proposal on the Elizabeth River is the first one to use this new process and an application from this proponent, including the comprehensive DDEMS, is expected early in 2004.

Mechanisms to provide the ACDC with information on the strategic protection of riverine and estuarine ecosystems and water quality are being considered as part of the project on conservation of freshwater ecosystem values currently being conducted by DPIWE.

During 2003, dam safety amendments to the WMA were proclaimed and the *Water Management (Safety of Dams) Regulations 2003* were implemented. The aim of the new statutory framework is to ensure consistency in the application of required levels of competency for safe dam construction, operation and maintenance. The framework was developed in full consultation with stakeholders and dam safety experts and adopts accepted design, construction and operational standards.

The State Government publicly launched the *Water Development Plan for Tasmania* in August 2001. The Plan, among other things, identifies key water development opportunities that could benefit from public-private partnership funding arrangements.

Since the Plan was released in August 2001 a number of investigations have been undertaken to assess water development proposals around the State. These include the Meander Dam and water resource development options in the South Esk Basin, North East, Central Highlands, Greater South East, East Coast and Circular Head region. More detailed investigations into the Christian Marsh dam (Shannon River), Edith Creek dam (Circular Head region), Maloneys Hill dam (Macquarie River) and Benham dam (St Pauls River) identified significant feasibility issues and as a result these proposals are no longer being progressed under the Water Development Plan. Investigations are continuing into solutions for domestic water supply shortages for the East Coast communities of Swansea and Bicheno and irrigation water developments including the Chimney Hill dam, the Headquarters Road dam (tributary to Great Forester River) and the Wesley Vale pipeline proposal. Regional water development options for the South East, Southern Midlands, Parramatta Creek, South Esk and North East are also being investigated.

A dam permit and environment protection notice for the Meander Dam project were issued on 10 October 2002, giving statutory approval under the WMA and *Environmental Management and Pollution Control Act 1994* (EMPCA). The Tasmanian Conservation Trust and a private individual appealed to the Resource Management and Planning Appeal Tribunal (RMPAT) against the approvals under the WMA and EMPCA. On 23 January 2003, RMPAT released its determination that the appeal was upheld and the previous approvals were overturned.

Subsequently, the Government introduced enabling legislation into Parliament to reinstate the dam permit and environment protection notice that were set aside by the RMPAT decision. The *Meander Dam Project Act 2003,* providing for the implementation of the project, subject to existing permits and notices, passed through both Houses of Parliament in April 2003.

On 18 September 2003, the Federal Minister for Environment and Heritage approved the construction and operation of the Meander Dam under the *Environment Protection and Biodiversity Conservation Act 1999.* An application for an Order of Review of this decision was filed in the Federal Court on 26 November 2003 on behalf of the Tasmanian Conservation Trust.

Trading arrangements for water allocations or entitlements

Unregulated water resources

Prior to 1 January 2000, the majority of water entitlements, known as Commissional water rights, were legally attached to land titles and hence were not transferable separately from the land.

The WMA established a new water entitlements system whereby water licences are not legally attached to land titles and are transferable. The key elements are set out below:

- a licensee may transfer all or part of the water allocation on his or her water licence to another person. The transfer may be absolute (i.e. permanent sale of the water) or for a limited period (i.e. 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 Act;

- 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; and
- 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).

Details of water transfers since January 2000 are set out in Table 5.9 below:

Table 5.9: Water transfers since January 2000

Period	Number of Permanent Transfers	Total Volume Permanently transferred (ML)	Number of Temporary Transfers	Total Volume Temporarily transferred (ML)
Jan 2000 – June 2001	38	3,400	0	0
Jul 2001 – Feb 2002	151	48,579	32	3,670
Mar 2002 – Feb 2003	63	7,677	3	215
Mar 2003 – Feb 2004	34	1,914	0	0

Source: Department of Primary Industries, Water and Environment

In addition to the above, a Memorandum of Understanding (MOU) between DPIWE, Hydro Tasmania and the Tasmanian Farmers and Graziers Association will result in over 50 000 ML of water being transferred from Hydro Tasmania to irrigators over the next three to four years. Under the MOU, the transfer arrangements provide security of water entitlements for irrigators while not significantly impacting on Hydro Tasmania's commercial operations. In addition, separate water transfers are being negotiated with Hydro Tasmania for large dam developments in the South Esk Basin and Derwent catchment, including the Meander Dam and Chimney Hill Dam proposals.

During 2003, to assist with the implementation of water trading in Tasmania and as part of the Tasmanian Government's commitment to the Bilateral Agreement for the implementation of the National Action Plan for Salinity and Water Quality, a policy paper titled "Guiding Principles for Water Trading in Tasmania" was developed by DPIWE. The paper provides guiding principles for the assessment of all applications for the transfer of water allocations under Part 6 of the WMA. The principles are aimed at providing greater certainty in the Government decision-making process and assisting water users who are considering entering into water transfer arrangements. In situations where additional certainty at a local level is needed, further trading rules can be established through Water Management Plans.

Irrigation schemes

A system of irrigation 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 have been able, with the approval of the RWSC, to transfer them to other users.

Amendments to the *Irrigation Clauses Act 1973* in 1997 and 2001 provided a more robust and "free-market" mechanism for transfers.

The *Irrigation Clauses Act 1973* 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 conditions imposed by the managing authority under its transfer rules. Rights can be leased or sold.

The transfer of irrigation rights under the Act commenced 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. In May 2003, the RWSC revised their conditions of transfer to enable irrigation rights to be transferred to other users.

Table 5.10 shows the amount of irrigation right transferred temporarily and permanently for each of the government irrigation schemes over the past four financial years.

Table 5.10: Irrigation right transferred for government irrigation schemes

	1999-2000	**2000-01**	**2001-02**	**2002-03**	**2003-04** (to 31 Jan 2004)
Cressy/Longford Irrigation Scheme*					
Water supplied (ML)	7 505.1	7162.0	5489.1	9980	Not available
Number of trades	13	8	7	22	Not available
Water traded (ML)	850	373	550	948	Not available
Percentage water traded	11%	4.8%	10%	9.5%	Not available
South East Irrigation Scheme					
Water supplied (ML)	3 536.64	4292.5	1831	3822	2402
Number of trades	63	48	15	59	14
Water traded (ML)	677	394	241	833	265
Percentage water traded	19%	11%	13%	22%	11%
Winnaleah Irrigation Scheme					
Water supplied (ML)	3 546.2	3 507.3	3523	4777	2715
Number of trades	10	4	15	23	6
Water traded (ML)	245	74	525	868	297
Percentage water traded	7%	2.1%	15%	18%	11%

Source: RWSC

* Figures for 2001-02 are up to 30 March 2002.

Environment and water quality reforms

Integration of environmental values into water management

The *State Policy on Water Quality Management 1997* (State Policy) established a Tasmanian framework that reflects the intent of the National Water Quality Management Strategy's policy objective in achieving sustainable management of the waterways while allowing for sustainable development.

The State Policy refers to the National Strategy's guidelines to assist in the management of water resources, decisions on quality aspects of water, sewerage and drainage services, and the coordination of various strategies of government.

The State Policy provides a process for determining Protected Environmental Values (PEVs) and Water Quality Objectives for Tasmania's fresh and estuarine surface waters under the policy. PEVs have now been set for the State's fresh waters. The State Policy is currently being amended to allow a process to be developed to set PEVs for coastal and ground waters.

DPIWE is developing statutory Water Management Plans that integrate the PEVs with other consumptive and non-consumptive use values for catchment water resources. This process is established through extensive community consultation.

Progress in the identification of water values by the community

Good progress has been made on setting PEVs in Tasmania's fresh and estuarine surface waters. Table 5.11 and Diagram 1 show the progress achieved to date. Community consultation associated with the setting of PEVs has been completed for all fresh surface waters and the Board of Environmental Management and Pollution Control has endorsed the PEVs for all freshwater. Final endorsement of PEVs by some planning authorities is yet to occur.

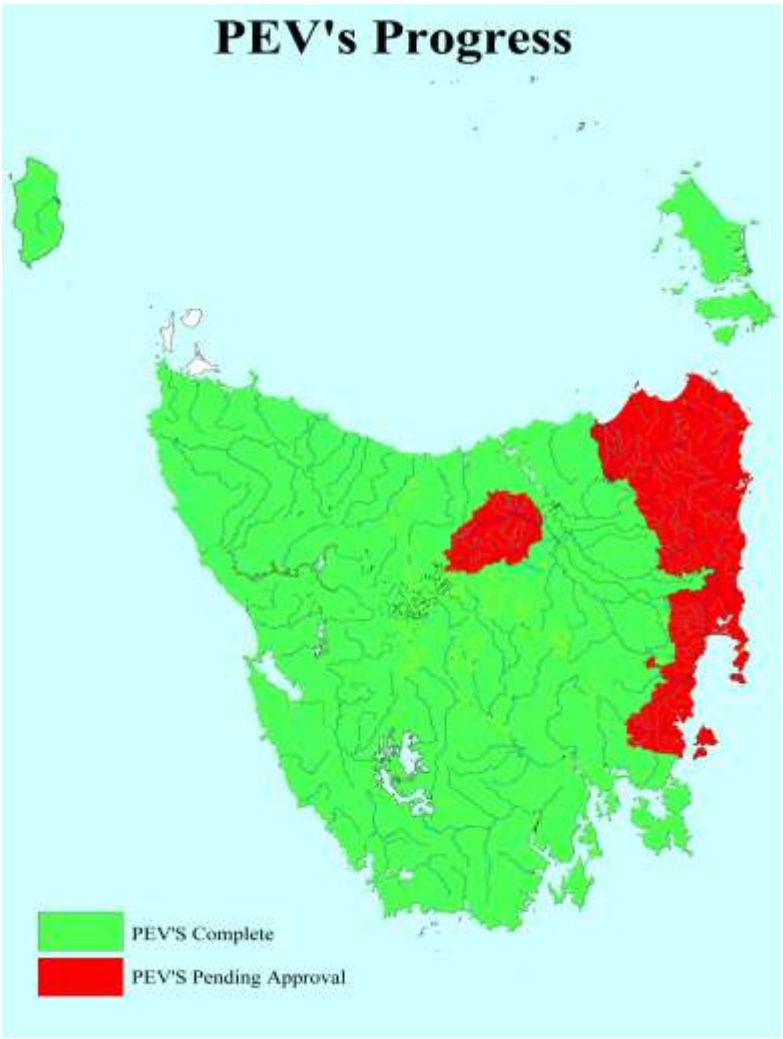


Diagram 1: Progress in setting Protected Environmental Values

Table 5.11. Progress with the setting of PEVs in the State (March 2004)

Water body	Council municipal area
Water bodies that have been completed	
Blythe River Estuary, Minna Creek and Tip Creek	Burnie
All water bodies in the Circular Head Municipality	Circular Head
All water bodies in the Waratah/Wynyard Municipality	Waratah/Wynyard
All water bodies in the West Coast Municipality including the Gordon and Pieman River Catchments	West Coast
Little Swanport River	Southern Midlands
Gordon River Catchment	Derwent Valley
Great Lake and Brumby Creek Catchments and Lower Macquarie and South Esk Rivers	Central Highlands, Northern Midlands, Meander Valley, West Tamar, Launceston
Macquarie and South Esk River Catchments	Northern Midlands, Break O'Day, Central Highlands, Dorset
Mersey Catchment	Devonport, Latrobe, Kentish, Central Highlands, Meander Valley
Penguin Sewage Treatment Plant, Preservation Bay – Westcombe Beach	Central Coast
Tas Alkaloids, Quamby Brook between Railway Bridge and confluence with Meander River	Meander Valley
All water bodies in the Southern Midlands Municipality (excluding Little Swanport River Catchment – see above)	Southern Midlands
Huon Valley Catchments	Huon Valley, Kingborough, Derwent Valley, Glenorchy
Kingborough Catchments and D'Entrecasteaux Channel	Kingborough, Huon Valley, Hobart
Flinders Municipal area Catchments	Flinders Island
River Derwent Estuary	Derwent Valley, Brighton, Clarence, Glenorchy, Hobart, Kingborough
Upper River Derwent Catchment	Central Highlands, Derwent Valley, Meander
North Central Coast Catchments and the Greater Rubicon Catchment	Burnie, Central Coast, Kentish, Latrobe, Devonport, Meander Valley, West Tamar
King Island	King Island
South East Coast Catchments	Clarence, Sorell, Tasman
Greater Pipers River Catchment	George Town, Launceston
Water bodies pending approval by local government	
Meander	Meander Valley, West Tamar, Northern Midlands, Central Highlands
North East	Break O'Day, Dorset
Tamar Estuary and North Esk	Launceston, West Tamar, Georgetown, Northern Midlands, Break O'Day, Meander, Dorset, Latrobe
Glamorgan Spring Bay Catchment	Glamorgan Spring Bay, Northern Midlands

Environmental flow assessment

Relevant Policies

The *Water for Ecosystems Policy*, an administrative policy under section 8(1)(b) of the WMA, provides guidance on the setting and implementing of environmental allocations for the State's rivers.

The Policy provides guidelines for determining environmental flows in catchments with different levels of hydrological stress. The policy also formally adopts the principles as set out in the *National Principles for the Provision of Water for Ecosystems* (1996).

For some time, Tasmania has implemented a policy that no further summer water allocations be allocated from a catchment until the relevant environmental flow has been identified and implemented. This would normally occur through the development of a Water Management Plan. The recently adopted "Guidelines to Assess Applications for New Water Allocations from Watercourses During Winter" Water Resources Policy Number 2003/1, provides guidance on how the environments water requirements are to be determined for all further allocations for the remainder of the year.

Priority Setting

Commencing in 1999, a project was undertaken to prioritise the assessment of environmental flows for Tasmania's 96 major rivers and streams. The priorities for setting environmental flows were based on the ecological status of the receiving estuary, water quality and riverine health, threatened species issues, existing water allocations and predicted water development pressure. These factors were combined to form an "impact matrix" (see Appendix D). The matrix was developed in consultation with relevant experts from State Government and the University of Tasmania.

Stressed rivers were identified from the "impact matrix" by giving particular weight to the water use priority which compares the relative allocation of water with the available resource. The State priority setting process and timelines for completion of environmental flows assessments were based upon consideration of the level of stress, recognising the logistics necessary to undertake work in a given area of the State.

Progress Against NCC Environmental Flows Timetable

Tasmania has completed environmental flow assessments for 43 of the 45 priority rivers that required environmental flow assessments. Of the two outstanding assessments, the Ouse River is not scheduled for completion until 2006 and the Montagu River is close to completion. The reason for the delay in finalising the Montagu River assessment is the need for one further flood gauging in order to run the habitat simulation models required for the assessment. There are occupational health and safety issues concerning this gauging that require very specific flows to occur before the assessment can be undertaken. DPIWE is waiting for these flows to occur to complete the assessment.

In addition to the priority rivers identified in the impact matrix, several other rivers have been identified through the National Action Plan for Salinity and Water Quality and NHT II as priority rivers for environmental flow assessments. Progress on environmental flow assessments for all Tasmanian rivers is detailed in Appendix D.

Improved methods for determining environmental flows

The environmental flows work undertaken to date has been concentrated on the high-stress period of the year, namely the summer. The work has specifically focussed on providing data to establish the low, medium and high risk flow levels for the general aquatic environment.

In December 2003, Tasmania commenced a one-year major project funded through the National Action Plan for Salinity and Water Quality to develop a holistic method for determining environmental flows for the State's rivers. This method will build on the internationally recognised Instream Flow Incremental Methodology currently used for most Tasmanian assessments. As part of the new method, protocols for formally assessing the water requirements of ephemeral streams, riparian and other flood dependent vegetation and estuaries are being developed. The method will explicitly address the flow regime required to maintain geomorphic as well as biotic processes. Once the methodology has been trialed, existing assessments will be updated using this method as required. A two-day workshop involving expert environmental flows scientists from throughout Australia was convened in December 2003 to progress this work.

Special Licences

The water licence agreement between DPIWE and Hydro Tasmania as a special licence holder provides that the provisions of environmental flows are a necessary requirement of Hydro Tasmania's operations and are not subject to compensation claims by the licence holder. Under the agreement, environmental water provisions will be investigated and implemented as part of statutory Water Management Plans.

As part of the investigations related to the consequential impacts of the introduction of Basslink, substantial environmental flows work has been completed on the King River, the Gordon River and the Macquarie River downstream of the Poatina power station. This scientific work has provided the basis for negotiation of environmental flow regimes on these systems. Even prior to the final deliberations of the Basslink Joint Assessment Panel, Hydro Tasmania has made a number of significant commitments towards the implementation of environmental flow regimes and regulation of hydro-peaking in these rivers.

Water Management Planning

Tasmania has adopted one Water Management Plan under section 28 of the WMA and is close to public release of draft Plans for a further three catchments: the Clyde, Little Swanport and the Upper and Lower Mersey.

In addition, Hydro Tasmania has completed the South Esk - Great Lake Water Management review. While not a Water Management Plan under the Act, the reviews coordinated by Hydro Tasmania contain several main elements of water management planning including broad stakeholder consultation, identification of environmental values and implementation of management systems to protect them. Hydro Tasmania has commenced the Derwent Water Management review. Further information on Hydro Tasmania's review process is available at http://www.hydro.com.au/environment/waterreviews/environment.html. Progress on water management planning activities is presented in Table 5.12.

The time taken to progress the Great Forester Catchment Water Management Plan and the other three Plans currently in progress has been far longer than anticipated and has delayed a start on the other Plans as scheduled above.

As noted below, various measures are being developed to accelerate the planning process so that the overall original program to the end of 2005 can be achieved as originally planned. In the interim, the moratorium on the granting of new water allocations for summer extraction and the guidelines for ensuring sustainable allocation of water for winter taking are being used to prevent any erosion of sustainable water extraction limits. In addition, the Memorandum of Understanding between DPIWE, Hydro Tasmania and TFGA has enabled significant progress in formalising and metering water takes on the South Esk, Meander, Macquarie and Elizabeth Rivers in preparation for the development of Water Management Plans.

Table 5.12: Status of water management planning timelines for priority river systems

Catchment	Original timeline	Current work status
Great Forester River	December 2004	Plan adopted and river managed accordingly.
Little Swanport River	N/A	Consultative Group established Draft Plan under negotiation
Upper and Lower Mersey River	2001	Consultative Group established Draft Plan under negotiation
Clyde River	June 2005	Consultative Group established Draft Plan under negotiation
Meander River	December 2001	Process is on hold pending the outcome of the Meander dam issue.
South Esk – Great Lake Water Management Review (Hydro Tasmania)	N/A	Completed
Derwent Water Management Review (Hydro Tasmania)	N/A	Consultation in progress Data collection progressing
Lower and Upper Ringarooma River	December 2003	Environmental flows studies and economic impact assessment completed Hydrological modelling in progress
Liffey River	December 2002	Hydrological modelling in progress
Elizabeth River	December 2002	Environmental flows studies completed
Tooms River	December 2002	
Macquarie d/s of Ross	December 2003	
Coal River	June 2004	
South Esk River	December 2004	
Lake River and Macquarie below Lake River	December 2004	
North Esk River	December 2005	
St Patrick's River	December 2005	

Source: Department of Primary Industries, Water and Environment

Great Forester Catchment Water Management Plan

The Great Forester Catchment Water Management Plan was adopted in accordance with section 28 of the WMA on 30 July 2003. An appeal was subsequently lodged against the environmental provision within the Plan in accordance with section 275 of the WMA by the Tasmanian Conservation Trust. Ten parties then joined to the appeal, nine supporting the Plan and one objecting. The appeal was heard by Tasmania's Resource Management and Planning Appeal Tribunal (RMPAT) in October 2003.

The RMPAT decision was that the Great Forester Catchment Water Management Plan be affirmed with several minor amendments. The amendments to the Plan clarify matters associated with the scheduled review of the Plan, the definition of the environmental water provision and the issuing of further Surety 6 water allocations. These changes do not alter the intent of the Plan or influence its day-to-day operation.

The Plan has been in effect since 30 July 2003 and has worked efficiently and effectively during one of the driest summers on record. The local Consultative Group formed to advise in the development of the Plan has been retained to provide advice on any ongoing water management issues associated with the implementation of the Plan.

Generic Principles to Guide Water Management Planning

The development of the Great Forester Catchment Water Management Plan has provided an opportunity for DPIWE to better understand issues and processes associated with Tasmania's Water Management Planning legislative framework. In light of these experiences, DPIWE has reviewed the water management planning process and is implementing strategies to significantly increase the progress of Water Management Planning in Tasmania.

An outcome of this review is the proposed development, in partnership with peak stakeholder bodies, including the Tasmanian Farmers and Graziers Association, the Tasmanian Conservation Trust and NRM Council, of generic principles to guide the development of future Plans. These generic principles are currently being negotiated and will consider several matters including:

- metering of irrigation abstractions;
- protocols for dealing with historical use that is outside of the current licensing system;
- adoption of statewide priorities for the protection freshwater ecosystem values;
- the extent and quality of water resource information on which to develop a plan; and
- ongoing monitoring requirements.

Work to support several of these matters has commenced and is outlined in the following sections.

Water Use Sustainability Project

In some areas of Tasmania, water users have historically extracted greater quantities of water than strictly permitted by their licences. Continuation of this problem would lead to an unsustainable situation in Tasmania's rivers and streams as legal water users may not be able to obtain reliable water supplies and implementation of environmental flows will be difficult. The problem is compounded by the lack of water metering to regulate water extractions and monitor actual water usage.

The Water Use Sustainability Project has been implemented as part of the Water Development Plan to prevent further creep in the taking of over-allocation of water in advance of Water Management Plans and to provide greater certainty of access entitlements for water users. The Project provides a mechanism to quantify current irrigation water usage and to monitor this usage for future sustainability of river systems. In consultation with catchment water users, the project is determining, and where appropriate formally recognising, historical water use (as low surety water allocations capped at 2002-03 season usage), and coordinating the installation of meters on all irrigation abstractions. The Project is also identifying water management protocols, such as restriction management, to sustain the environmental values of these catchments.

The catchments targeted in 2003-04 are Mountain River, Flowerdale River, Inglis River, Rubicon River, Brid River, Legerwood River, Upper and Lower Mersey River, and Buttons River.

Resource information to support Water Management Planning

The review highlighted the requirement for more comprehensive information about the catchments water resource prior to entering negotiations on proposed Water Management Plans with local consultative groups. To this end, Tasmania has commenced a major initiative to develop comprehensive catchment water balance models for the State's agricultural catchments. The first 13 of these, which include Tasmania's entire NAPSWQ region, will be completed by December 2004.

The review also highlighted the limitations of Tasmania's current methods for determining a river's Environmental Water Requirement. While the current methodologies used in the State provide highly conservative assessments of the instream water requirements of the ecosystem, the methods do not explicitly consider intra- and inter-annual variability in streamflows. This makes it exceedingly difficult to put into operation the environmental water requirements for Tasmania's unregulated streams and rivers and to provide catchment communities with confidence that the environmental flow provisions are appropriate. To address this issue DPIWE has commenced a major project to develop a holistic methodology for determining environmental flows. The methodology is due for completion in December 2004.

Conservation of Freshwater Ecosystem Values Project

In 2002, Tasmania commenced a project to identify and strategically manage the key natural values of the State's freshwater dependent ecosystems. This project will facilitate water management planning by explicitly identifying natural ecosystem values at the State, bioregional, catchment and subcatchment scales. Agreement on these priorities by peak stakeholder groups will result in a more efficient planning process and environmental outcomes at the catchment scale that contribute to statewide environmental objectives. The project will report on conservation values and priorities by September 2004 and the outputs will be incorporated into all future Water Management Plans.

Amendments to Legislation

The Government has approved the development of the *Water Management Amendment Bill 2004* to, *inter alia*, amend the legislative framework for the development of Water Management Plans to make it consistent with other similar statutory planning processes under Tasmania's Resource Management and Planning System. Stakeholder and public consultation on the proposed amendments occurred in February and March 2004.

Key changes proposed are requirements for Water Management Plans to formally specify environmental and socioeconomic objectives for the relevant water resource and for an independent review of DPIWE's responses to representations on a draft Plan by the Resource Planning and Development Commission.

Integrated approach to natural resource management

Tasmania's Resource Management and Planning System (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 Act), 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 occurs 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 above; 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:

- sustaining the potential of natural and physical resources to meet the reasonably foreseeable needs of future generations;
- safeguarding the life-supporting capacity of air, water, soil and ecosystems; and
- 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. It had previously been proposed to develop a State Policy on integrated catchment management under this Act. However, the development of a State Policy on integrated catchment management was put on hold in 2000 pending a review of the future direction for State Polices under the State Policies and Projects Act and the State's involvement in consultation with the Commonwealth, and all state and territory governments on the proposed COAG natural resource management policy and the National Action Plan for Salinity and Water Quality.

The Government subsequently initiated the development of a Tasmanian Natural Resource Management (NRM) Framework. Following extensive consultation with stakeholders, the NRM Framework was completed in February 2002. It covers issues such as administrative arrangements at state and regional level, proposed legislation, natural resource management principles and priorities, and integration with existing relevant statutory and non-statutory instruments.

The *Natural Resource Management Act 2002* was passed by Parliament in early November 2002. In accordance with the Act, the Natural Resource Management Council was appointed in February 2003 and three regional NRM committees (North, South and North-West) have all been appointed. Two (North and South) are incorporated associations while the North-West is a joint committee of the Cradle Coast Authority.

The principal initial duty of the three Regional Committees is the development of Regional NRM Strategies. The development and accreditation of the regional strategies by the State and the Commonwealth, in accordance with the bilateral agreements for NAPSWQ and the new National Heritage Trust Bilateral Agreement 2 (NHT II), will require the setting and monitoring of targets on a range of nationally-agreed matters. These are being developed

to provide integrated natural resource management outcomes, a process that subsumes and implements "integrated catchment management". Regional strategies are to build where possible on existing work. In Tasmania, a significant number of plans and strategies have been developed specifically on Integrated Catchment Management lines (eg. for the Huon, Mersey and Tamar catchments). Such work will be an important building block in the regional strategies.

The Regional NRM Committees have developed discussion papers on each of the key NRM assets and issues and initial consultation with key stakeholders and the public occurred over the period December 2003 to the end of March 2004. Feedback from this consultation will be used by the Committees in developing the draft Regional NRM Strategies for further consultation in the first half of 2004. The Committees are aiming to finalise the draft Strategies for consideration by the State and Commonwealth Governments around mid 2004.

Environmental regulation

In undertaking its water management responsibilities under the Water Management Act, DPIWE is required to maintain agreed environmental flows, to not compromise PEVs established under the State Policy, to abide by environmental protection measures and to 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 1994*.

The Board of Environmental Management and Pollution Control established under the Act determines both a set of broad PEVs in consultation with stakeholders and water quality objectives, in accordance with the State Policy.

Water quality management

State Policy on Water Quality Management

The State Policy on Water Quality Management 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 (National Strategy) 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 National Strategy 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 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 National Strategy;
- the policy adopts the waste minimisation hierarchy promulgated in the National Strategy;
- the policy deals with groundwaters in accordance with the guidance set out in the National Strategy document entitled *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 National Strategy, eg. the *Australian Water Quality Guidelines* and *Guidelines for Urban Stormwater Management*. Other National Strategy guidelines are expected to be applied in implementing other components of the policy.

The policy is currently being amended to align the PEVs with those in the *Australian and New Zealand Guidelines for Fresh and Marine Waters 2000*.

DPIWE has received funding through the NAPSWQ to trial the development of Water Quality Objectives to meet the PEVs. This work will be of benefit for the setting of water quality targets in the development of the Regional NRM Strategies.

Water quantity and quality monitoring

As part of a major infrastructure funding program, the State Government committed $500 000 to the establishment of continuous water quality and quantity monitoring sites around Tasmania in the 2001-02 financial year. This program has been extended with additional funding from the National Action Plan for Salinity and Water Quality. Currently 51 stream flow sites are functioning, many of which are telemetered to allow real-time access to stream flow data. Water quality instrumentation has been installed at 24 sites with a further 10 sites to be installed by December 2004. The 34 continuous water quality monitoring sites will allow real-time management of salinity, turbidity and other water quality parameters.

In addition, monthly samples are taken from 50 of the 51 gauges. These samples are analysed for a range of nutrients and other water quality parameters. This information, coupled to the real-time monitoring, will allow nutrient export loads to be calculated for Tasmania's catchments critically informing the efficient targeting and assessment of catchment management activities.

The establishment of such a network was a recommendation of the Tasmanian Surface Water Quality Monitoring Strategy (previously drafted as the State Water Quality Monitoring Strategy). The new network will be fundamental to the delivery of National Action Program (Salinity and Water Quality) outcomes, as well as meeting the Tasmania *Together* benchmarks.

State of River reporting

State of River reports provide a catchment overview of water quality, river health, hydrology, water use and water allocations. State of River reporting is a cost-effective way of providing fundamental information sets for supporting catchment and natural resource management in Tasmania, including the development of Water Management Plans. State of River reports are also a major vehicle for providing water quality information for use in the implementation of the National Water Quality Management Strategy and the State of Environment reporting process.

Tasmania has completed 11 State of River reports and three Water Quality Technical reports since the program's inception, with six of the State of River reports completed in 2002-2003 (see Diagram 2). Tasmania is currently mid-way through a State of Rivers study in the Little Swanport catchment. Future priorities for State of Rivers reports will be determined by the requirements of the Water Management Planning Program and the priorities of the Regional NRM Strategies.

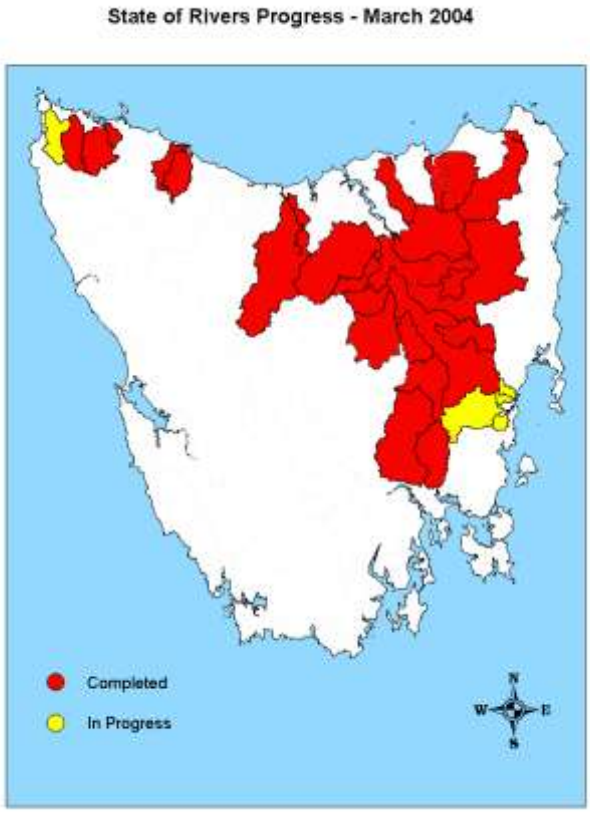


Diagram 2: State of Rivers Progress – March 2004

River health program

As part of the Tasmanian Government's commitment to the Tasmania *Together* initiative, river health is assessed twice yearly at 60 permanent sites across the settled parts of the State using the Australian River Assessment Scheme (AusRivAS) protocol. In addition, during 2003 the river health program assessed a further 17 sites to support natural resource management in the NAPSWQ region and 61 sites to support water management planning in the Great Forester catchment, Mersey catchment and the Little Swanport catchment. This commitment is continuing in 2004.

The river health program is currently implementing an accredited training program for local government, NRM facilitators and others in AusRivAS river health assessment techniques and interpretation. The purpose of these courses is to build capacity amongst the natural resource management community to undertake quality river health assessments. The program is supported by the National Action Plan for Salinity and Water Quality.

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, titled *Integrated Catchment Management - What it is and How to do it*, and an NRM Facilitator network to assist groups with facilitation and technical issues associated with their catchment management projects. A total of 28 catchment management and sub-regional natural resource management groups are now operating in the State, with catchment and natural resource management plans and strategies at various stages of development and implementation.

In addition, the State Government is now moving to establish improved co-ordination of this program, and sees this being more effectively achieved through its Partnership Agreements with local government, rather than through the State Policy process as previously proposed. Through the *Natural Resource Management Framework*, there is a shift to natural resource management planning on a regional basis rather than on a catchment basis.

A significant development in recent years has been the implementation of a number of large devolved grant projects in which funding for property based landcare practices, specified in the catchment plan, has been made available to groups and individuals to undertake works.

Landcare practices

The State Water Quality Management 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.

Best practice guidelines for control of erosion and stormwater runoff from land disturbance have been developed by the Hobart metropolitan councils, and Launceston City Council. Both packages describe appropriate best practice environmental management for the minimisation of contaminated runoff from individual construction sites, subdivisions, civil infrastructure and road works. They also include adequate measures for the protection of streamside vegetation, as required by the State Policy on Water Quality Management.

Both packages are promoted to all councils around the State as appropriate tools for meeting the requirements of clauses 31, 33 and 35 of the policy by the Board of Environmental Management and Pollution Control. 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.

DPIWE, jointly with the Tasmanian Farmers and Graziers Association (TFGA), undertook a Natural Heritage Trust funded project, titled Guidelines for Good Agricultural Land Practice in Tasmania. The aim of the project was to develop a set of guidelines for good agricultural land practice to assist in improving soil, water and vegetation management and in reducing the impact of agriculture on Tasmania's land and water resources. The guidelines have been produced in modular form with the first module being "Guidelines for Good Soil Management" which has been distributed to TFGA members and other interested farmers.

Whilst the project has a broader focus than simply meeting the requirements of the State Policy, the guidelines address the issue of the impact on water quality of stormwater runoff from agricultural land.

In the case of forestry operations, Tasmania already has in place a legally enforceable Forest Practices Code which facilitates the achievement of the requirements on private and public forestry land. During 2001, the code was amended to tighten restrictions on clearing of forest trees.

Wastewater discharge

There are several measures in place in Tasmania, including the State Policy on Water Quality Management, to manage wastewater discharges, remove existing discharges from waterways, particularly inland waters, and actively promote the re-use of wastewater.

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 between 1993 and 1995 to investigate design parameters for increasing the efficiency of lagoons under Tasmanian conditions. The main project output was a manual, titled *Design and Management of Tasmanian Sewage Lagoon Systems,* for engineers and lagoon operators that is being used to upgrade sewerage lagoon systems in the State.

For the period 1999-2003, funding through the Natural Heritage Fund was obtained to provide for design and capital works for the upgrading of sewage treatment lagoons and some public water supply schemes throughout the State. The project, known as the Clean Quality Water Program, was managed by DPIWE and aimed at enhancing treatment to a standard where lagoon effluent is suitable for direct re-use for irrigation or, where this is not feasible, disposal to rivers with insignificant environmental impact. Providing acceptable potable water supplies for small communities was another aim of the project.

From 1999, NHT funding of $10 671 754 was made available to councils for up-grades to 37 wastewater and water supply schemes, with further funding of $20 779 704 provided by the councils themselves. By May 2003, all funds under the Program were fully committed and all projects will be completed by June 2004. These projects will result in a significant decrease in the amount of harmful discharge into Tasmania's inland waters and a significant improvement in the number of small communities supplied with acceptable quality potable water.

Progress has continued in relation to stormwater management. A draft State stormwater management strategy has been finalised and includes components on water sensitive urban design. The State Policy on Water Quality Management is currently being amended to make reference to the Strategy. The Strategy is being utilised to develop storm water management plans for the Derwent Estuary catchments and provides a framework for councils to set priority management actions for catchments in their municipal areas. The Strategy will also be of use to regional NRM committees in the planning and implementation of NRM regional strategies.

Public consultation and education

Public consultation on water issues

Public consultation on a range of water issues has occurred throughout the State and has been fundamental to the success of implementing the WMA. During 2003, DPIWE undertook public consultation on a range of water related issues:

- a Regulatory Impact Statement was prepared and released for public comment in relation to dam safety regulations;
- a discussion paper was prepared and released for public comment on proposed amendments to fees payable under the WMA;
- public comment was also sought in relation to a policy developed under section 8(1)(b) of the WMA *Guidelines to assess applications for new water allocations from watercourses during winter*; and
- a paper setting out guiding principles for water trading in Tasmania was made available publicly to clarify the water licence transfer provisions of the WMA.

In September 2003, the Water Use Sustainability (WUS) project commenced. The aim of the project is to increase the security for water dependant businesses by arresting the on-going creep in irrigation extractions. To date six public meetings have been held with irrigators in relation to this project.

Public consultation has been a crucial component of the PEV and water values setting process and the development of water management plans. Up to March 2003, more than 40 public and stakeholder meetings have been held around the State in these processes. Since March 2003, an estimated further 40 public and stakeholder meetings have been held as part of the water management planning work undertaken by DPIWE.

Approximately 30 community and broader stakeholder meetings have been held in the development and implementation phases of the Water Development Plan for Tasmania. Newsletters have also been circulated that provide regular updates on progress of a number of projects.

A Project Reference Group of stakeholder representatives has been established to participate in the Conservation of Freshwater Ecosystem Values Project.

Community partnerships

The Tasmanian Surface Water Quality Monitoring Strategy promotes the sharing of water resource information. The Community Access to Water Information project has developed a user friendly water information management system with a single access point on the internet. Called the Water Information Resources and Electronic Data system (WIRED), the site can be accessed at http://www.wired.tas.gov.au. The outcomes of this project have been to achieve better promotion of water management activities, provide access to relevant on-ground management information, and to facilitate improved water communications across all sectors.

The WIRED internet site continues to be supported with regular updates on river flows from the state's stream gauging network. Updates are provided daily during critical periods for water management. During 2004 the site will be expanded to provide real-time access to continuous water quality and river health information.

The Water Quality Linkages and Baseline Data Project, supported by the National Action Plan for Salinity and Water Quality, is providing technical and software support to community organisations to improve their capacity to collect, manage and interpret water resource information. Software is currently being developed and will be delivered during 2004 to enable community organisations and local government to directly access and query the State's water resource information database to undertake sophisticated analyses relevant to their interests. For example, a local catchment committee could determine sediment load from its catchment during a single storm event.

As part of the Local Government Partnership Program, water quality data sharing agreements have been developed with the Latrobe Council, Break O'Day Council, Meander Valley Council and Central Highlands Council. Further partnerships will be developed with relevant councils in line with the State's program of developing future Partnership Agreements. These partnerships allow for the coordination and data sharing of water sampling activities between local and state government, with the State Government providing software and technical and logistical support to actively manage water quality information.

Public education

The Water Resources Division of DPIWE undertook various public education activities during 2003. Being the International Year of Freshwater, there was an increased interest from school teachers and community groups in water education, initiating many requests for education resources. DPIWE responded to this interest via continuing development of its website, providing education materials to teachers and producing a poster "River Life", which depicts a Tasmanian river scene.

In conjunction with local council and community groups, the Division took part in a World Environment Day "Year of Freshwater" display. During 2003, approximately 250 copies of the Healthy River Flows video were distributed to schools and community groups. The Division continued its presence at Agfest, concentrating on the Year of Freshwater theme. The "River Journey" interactive display proved very popular and will be used again at Agfest 2004.

From October 2003 to January 2004, the Division embarked on a review of its website, which has resulted in the introduction of an on-going content review system. The "Water Facts" note sheets are being reviewed as part of this process.

The Water Development Branch of DPIWE is committed to educating industry groups and stakeholders about sustainable water development in Tasmania, with branch staff regularly addressing such groups as the Tasmanian Agricultural Productivity Group and Tasmanian Farmers and Graziers Association and conducting project related meetings around the State. It also puts out a regular newsletter about branch activities, which is distributed to 350 stakeholders. Water Development reports and project updates are made available on the DPIWE website at hppt://www.dpiwe.tas.gov.au.

The Branch provides the public with results of its water assessment programs. State of River reports provide local communities with a snapshot of the condition of their water resources. Six State of River reports were made publicly available in 2002-2003, and a study of the Little Swanport catchment will be progressed during 2004. Environmental Water Requirement reports for a number of rivers around the state are now available on the water resources website, with more to follow during 2004.

Other public education and training programs to be progressed during the year include a river health project which will provide AusRivAStraining for local government and NRM groups, and the Baseline project which will develop software to enable community groups to access State water resources information databases. The WIRED on-line database currently provides regular updates on river flows and will be expanded to provide real time water quality and river health information.

The Environment Division of DPIWE continues to inform the public about the health of the Derwent River with regular newsletter and website updates. Its *State of the Derwent Estuary Report* was released in November 2003.

Waterwatch

Waterwatch, Tasmania's community water monitoring and education network was seriously cut back in 2003 following withdrawal of NHT funding. Several Waterwatch groups are still operating as at February 2004. However, the network as a whole is in a state of transition. There are currently three regionally based waterwatch facilitators who provide assistance to community waterwatch groups. During 2004, the NAPSWQ Water Quality Linkages program will help to resurrect the statewide network by providing assistance in the creation of new groups and a new support system under the NRM framework. In addition, Tasmania's three NRM regions received funding to continue Waterwatch for another six months in 2004, and are exploring means to best support the network through their Regional NRM Strategies and Investment Plans in the long-term.

Waterwatch Tasmania continues to provide reference manuals, monitoring guides and education resources on its website. The Derwent Waterwatch group released the "Diving into the Derwent" teacher support package and interactive CD-rom in 2003.

Local Councils

The Local Government Act provides a mechanism for public education and consultation through the annual reporting requirements.

During 2002-03, a number of councils prepared and released educational material on water conservation and two part pricing. Hobart City Council is working to implement its Water Reform Package, which has a number of public education components. These include a school based "Waterwise" program and the development of related curriculum projects, a water sensitive urban design pilot (which will be publicly accessible at the Royal Tasmanian Botanical Gardens), and a water conservation rebate scheme which was implemented in December 2003.

Hobart Water continues to provide its school education program.

Rivers and Water Supply Commission

The Rivers and Water Supply Commission meets with users of the government irrigation schemes regularly to discuss aspects of scheme operation, including service delivery standards and water pricing.

Education programs for water services

During 2002, a number of councils prepared and released educational material on water conservation and two-part pricing. The Local Government Division has also facilitated workshops to assist councils with completion of cost recovery reporting for water and wastewater services. Workshops were held in Hobart and Devonport in February 2003.

The Division has also established a website to consolidate information relating to urban water pricing principles and to outline the objectives of water reform.

The RWSC meets with users of the government irrigation schemes regularly to discuss aspects of scheme operation, including service delivery standards and water pricing.

TRANSPORT INDUSTRY REFORMS

Prior to 14 January 2004, national road transport reforms are developed under a process which has its genesis in the Heavy Vehicles Agreement signed by Heads of Government in 1991 and the Light Vehicles Agreement signed in 1992.

In 1991, Commonwealth, State and Territory governments agreed to develop uniform national legislation for vehicles over 4.5 tonnes gross vehicle mass (known as the Heavy Vehicles Agreement). The Heavy Vehicles Agreement and the *National Road Transport Commission Act 1991* established co-operative arrangements between the Commonwealth, States and Territories to progress national road transport reform through the National Road Transport Commission (NRTC) and associated processes.

In 1992, all governments agreed that uniform national legislation should also be developed to cover light vehicles (Light Vehicles Agreement).

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 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.

In April 1995, the NCP Agreements linked national competition payments to, among other conditions, the implementation of "agreed road transport reforms". 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.

In October 1998, the Standing Committee on Transport (SCOT) formed a Working Group to develop 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 held 4 December 1998. The framework was subsequently endorsed by the Coalition of Australian Governments (COAG) and adopted by the NCC as part of its second tranche assessment process.

The road transport reforms recommended as assessable by the SCOT Working Group for the second tranche assessment consisted of the following reforms:

- dangerous goods;
- national heavy vehicle registration scheme;
- national driver licensing scheme;
- vehicle operations;
- heavy vehicle standards;
- truck driving hours;
- bus driving hours;
- common mass and loading rules;
- one driver/one licence;
- improved network access;
- common pre-registration standards (for heavy vehicles);
- common roadworthiness standards;
- enhanced safe carriage and restraint of loads;
- adoption of national bus driving hours;
- interstate conversion of driver licence;
- alternative compliance;
- short term registration;
- driver offences/licence status; and
- NEVDIS (National Exchange of Vehicle and Driver Information System) Stage 1.

In November 1999, the ATC agreed that the third tranche assessment framework be developed on a similar basis to that of the second tranche. The ATC also agreed that industry should be consulted on the development of the criteria for successful implementation.

For the purposes of establishing the assessment framework, road transport reforms were categorised as either:

- under development; or
- available for implementation and assessable.

The transition between the two occurs when a formal vote by Ministers has occurred and a detailed proposal of action and implementation has been approved.

On this basis, the SCOT Working Group considered the following six reforms as assessable under the third tranche:

- combined vehicle standards;
- australian road rules;
- combined truck and bus driving hours;
- consistent on-road enforcement for roadworthiness;
- second heavy vehicle charges determination; and
- ultra-low floor bus axle mass increase.

SCOT emphasised that the NCC's assessment of jurisdictional performance should focus more on the date on which a reform first became available for implementation and each jurisdiction's stage of progress rather than on a binding implementation date for all jurisdictions (which would tend anyway to be set for the slowest jurisdiction). For this reason, the assessment framework provides dates on which reforms became available and, if not already implemented, target dates for completion on a jurisdictional basis.

The *National Road Transport Commission Act 1991 (NRTCA)* provided for its own sunset to be 14 January 2004. The *NRTCA* required ATC to prepare a written report to Heads of Government at least twelve months before the sunset date, advising whether the NRTCA should cease to be in force or be re-enacted (including in a modified form).

In December 2001, ATC established a Steering Committee to conduct a review of the *NRTCA* and develop a report for consideration by the Standing Committee on Transport (SCOT), ATC and finally by Heads of Government.

The review, conducted over seven months, provided 28 recommendations and concluded that road transport reform through the NRTC had been successful and that the focus should continue. It also recommended that the scope of regulatory reform should be extended beyond road transport to rail and intermodal operations and suggested the formation of a National Transport Commission (NTC) to replace the NRTC to better reflect the expanded role.

The new Commission was formally announced in November 2003 when the Governor-General approved the Proclamation of the National Transport Commission Act 2003 (NTC Act). It was gazetted a few days later, ensuring the operative provisions of the NTC Act commenced on 15 January 2004.

The Inter-Government Agreement (IGA) titled *Regulatory and Operational Reform in Road, Rail and Intermodal Transport* was signed by the Commonwealth, State and Territory Transport Ministers in late 2003. The IGA sets out the principles and processes for cooperation between the Commonwealth, States and Territories (through the NTC) to progress such regulatory and operational reform.

Transport reforms implemented since the 2003 Progress Report

Tasmania has successfully implemented all reforms contained in the third tranche obligations. Future NCP funding is reliant on *"continued observance of road transport reforms".* Tasmania continues to work with the NRTC (now NTC) and other jurisdictions in maintaining consistency of implemented reforms and development and implementation of road transport reforms contained in the Third Heavy Vehicle Reform Package.

Additional comments

In May 2000, the ATC approved a Third Heavy Vehicle Reform Package. The package comprises a comprehensive program of reform for the road transport industry to achieve safety, productivity and environmental objectives.

The purpose of the package is to build on the momentum of achievements of the national reform program to date and to respond to the significant growth in the road freight task forecast to occur over the next two decades.

The package contains 30 separate projects, grouped into the following nine major areas of reform:

- industry sector reforms;
- performance based standards;
- driver health and fatigue management;
- load restraint guide;
- heavy vehicle noise and emissions;
- compliance and enforcement;
- bus productivity and safety;
- local road access; and
- code of practice for operators and drivers.

Considerable progress has been made on the following Third Heavy Vehicle Package reforms:

Performance-Based Standards

Performance-Based Standards (PBS) represent an internationally pioneering approach to regulating heavy vehicles to protect road safety and infrastructure. PBS will be a voluntary alternative to the current prescriptive regulations and involves regulating vehicles according to how they perform, how they are driven and operated, and the characteristics of the road network. The PBS project, established in a number of separate phases, is in the development stage and Tasmania is actively participating with the NTC and other jurisdictions in the development of this reform. The first PBS project to be developed, a set of nationally agreed safety and infrastructure protection standards, is currently with Transport Ministers for approval. The standards will form the criteria for establishing whether proposals for vehicle operations meet the required safety and infrastructure standards to operate under the PBS approach to regulating heavy vehicle operations.

Compliance and Enforcement

The Compliance and Enforcement (C&E) module is seen as being essential to the ongoing administration of the Road Transport Law package. The C&E module deals with a range of matters, necessary to secure compliance with the requirements and standards developed in the various reforms. Model laws have been developed which apply to all areas of heavy vehicle regulations, including driving hours, speeding heavy vehicles, vehicle standards and heavy vehicle mass, dimension and load restraint. The provisions introduce stronger powers for enforcement officers, provide evidentiary provisions and a range of innovative sanctions and penalties. The model laws also introduce the chain of responsibility principle. This principle means that all responsible parties may be held accountable for their role in any breach of the road transport laws. In this way, responsible off-road parties can be held accountable for on-road breaches.

The compliance and enforcement package was approved by Transport Ministers in November 2003 and national implementation is currently progressing. At this stage it is estimated that it will take approximately 18 months to implement in Tasmania.

Driver Health and Fatigue

Heavy vehicle driver fatigue has been identified as a considerable road safety issue at the national level. Excessive driving hours is now being identified as a growing concern in Tasmania. The objective of the driver health and fatigue management project is to improve road safety and transport productivity through the development and implementation of policies and practices to assist in the management of fatigue in drivers of heavy vehicles. The NTC in consultation with industry, road transport and occupational health and safety agencies, fatigue experts and union representatives have developed a proposed Heavy Vehicle Driver Fatigue: Policy Proposal.

The policy proposal is an integrated package that addresses three issues; standard driver hours, basic fatigue management and advanced fatigue management supported by a number of additional elements. This approach is based on risk management, in that greater flexibility in work and rest arrangements is linked to increased requirement to demonstrate control over factors affecting fatigue. On 16 March 2004, the policy proposal was submitted to the ATC for approval. Development of the necessary model legislation will commence following a vote of approval. Implementation in Tasmania will take twelve to eighteen months following ATC approval of the model legislation.

Load Restraint Guide

The safe loading of vehicles is vitally important in preventing injury to people and damage to property. There are economic benefits to all if the load arrives at its destination intact and without damage. The load restraint guide will achieve safer practice by providing drivers, owners, operators, freight consignors, vehicle manufacturers, equipment manufacturers and suppliers with the basic safety principles that should be followed to ensure the safe carriage of loads. The new national load restraint guide is currently being printed and will be distributed by mid-2004.

Heavy Vehicle Noise and Emissions

With forecasters predicting rapid growth of the freight task over the next decade, it is imperative that steps are taken to minimise the potential adverse effects of road transport, such as noise and air pollution. Noise is repeatedly identified by both transport and environment agencies as a growing problem, and one capable of adversely affecting transport growth. The approach by NTC and jurisdictions has been to set new vehicle design standards and lock them in through a new approach to in-service noise measurement and to address the issue of engine brake noise, which is notorious for causing sleep disturbance and significant loss of amenity in towns and cities throughout Australia. This approach has led to the development of new Australian Design Rules (ADRs) for noise standards for all motor vehicles. The new ADR was gazetted in Tasmania in March 2003 and implementation will see a significant reduction in noise levels from all classes of vehicles. In the longer term, this will help alleviate the amenity issues associated with the forecast growth in road transport.

The NTC has commissioned extensive research to identify and measure the characteristic ‘bark’ of an engine brake. After taking around 600 roadside measurements and testing new trucks under controlled conditions, a characteristic has been measured and identified. The equipment needed to detect this characteristic is relatively simple and can take a measurement at the roadside without stopping the vehicle, making enforcement simple and cost effective. Equipment will be available shortly for local use.

6 CONCLUSION

Tasmania has demonstrated that it is fully committed to meeting its NCP obligations, as set out in the three Agreements, and has adopted an open and transparent approach both in applying the competition principles and also through its reporting obligations. Tasmania continues to make very significant progress in all of the key areas, as detailed in this report and has established good policy processes to ensure that reforms are properly targeted and well-considered.

Key tasks for 2004 include: implementing the very small number of outstanding legislative reform obligations; the continued implementation of gas and electricity reforms; the continued implementation of the water industry reforms; working with councils on areas of non-compliance identified in the 2002-03 Audit of Local Government Water and Wastewater businesses; and completion of the revised Application Statement for Local Government.

The benefits accruing from NCP-related reforms have been significant and have contributed to a stronger and more flexible economy. Given the on-going nature of NCP, Tasmania is keen to ensure that the *Conduct Code Agreement*, the *Competition Principles Agreement* and the *Agreement to Implement the National Competition Policy and Related Reforms* continue to contribute to good public policy outcomes in the years ahead. Tasmania, therefore, looks forward to the opportunity to contribute to the review of the Agreements and the NCC's assessment role, due to be completed by September 2005.

7 PUBLICATIONS AND CONTACTS

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

- *Agreement between the State and Local Government Association of Tasmania on the Application of National Competition Policy and related matters to Local Government*, Government of Tasmania, July 1998.
- *Application of the Competitive Neutrality Principles under National Competition Policy*, Government of Tasmania, June 1996.
- *Application of the National Competition Policy to Local Government*, 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.

Public information papers

- *Community Service Obligation Policy and Guidelines for Local Government in Tasmania*, Department of Premier and Cabinet, November 2000.
- *Corporatisation Principles for Local Government Business Activities*, Department of Treasury and Finance, December 1998.
- *Extension of Part IV of the Trade Practices Act to all Businesses in Tasmania*, Department of Treasury and Finance, July 1996.
- *Full Cost Attribution Principles for Local Government*, Department of Treasury and Finance, June 1997.
- *Guidelines for Considering the Public Benefit Under the National Competition Policy*, Department of Treasury and Finance, March 1997.
- *Guidelines for Implementing Full Cost Attribution Principles in Government Agencies*, Department of Treasury and Finance, September 1997.
- *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*, Government Prices Oversight Commission, June 1999.
- *Monopoly Prices Oversight and the Tasmanian Government Prices Oversight Commission*, Department of Treasury and Finance, January 1996.

- *National Competition Policy Competitive Neutrality Principles Complaints Mechanism*, Government Prices Oversight Commission, February 1999.
- *National Competition Policy Progress Report, April 1995 to 31 July 1997*, Government of Tasmania, August 1997.
- *National Competition Policy Progress Report, 1 August 1997 to 31 August 1998*, Government of Tasmania, November 1998.
- *National Competition Policy Progress Report, April 1999*, Government of Tasmania, April 1999.
- *National Competition Policy Progress Report, April 2000*, Government of Tasmania, April 2000.
- *National Competition Policy Progress Report, May 2001*, Government of Tasmania, May 2001.
- *National Competition Policy Progress Report, May 2002*, Government of Tasmania, May 2002.
- *National Competition Policy Progress Report, May 2003*, Government of Tasmania, May 2003.
- *Report on the Cost-Effectiveness of Implementation of Two-Part Pricing for Urban Water Supply Services in Tasmania*, Tasmanian Government, December 1999.
- *Tasmania's Reform Obligations and the New Financial Arrangements*, Department of Treasury and Finance, August 1995.
- *The Public Benefit Test for the Corporatisation of Local Government Public Trading Enterprises*, Department of Treasury and Finance, December 1998.
- *Urban Water and Wastewater Pricing Guidelines Consistent with the COAG Water Reforms for Local Government in Tasmania*, Department of Premier and Cabinet, January 2003.
- *Urban Water Pricing: Principles for Efficient Water Pricing*, Dr Hugh Sibly, Government Prices Oversight Commission, September 2003.
- *Urban Water Pricing Guidelines Consistent with the COAG Water Reforms for Local Government in Tasmania – Two-Part Tariffs, Full Cost Recovery Pricing*, Tasmanian Government, revised, March 2001.

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:

Assistant Director, Regulation Review Unit
Economic Policy Branch
Department of Treasury and Finance
GPO Box 147
HOBART TAS 7001

Ph: 03 6233 3407
Fax: 03 6233 5690
Email: regulation.review@treasury.tas.gov.au

ACRONYMS AND ABBREVIATIONS

AAV	Assessed Annual Value
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACDC	Assessment Committee for Dam Construction
AHMAC	Australian Health Ministers' Advisory Council
Alinta	Alinta Limited
ANCID	Australian National Committee on Irrigation and Drainage
APRA	Australian Prudential Regulation Authority
ATC	Australian Transport Council
Aurora	Aurora Energy Pty Ltd
AusRivAS	Australian River Assessment Scheme
BBPS	Bell Bay Power Station
BOD	Biochemical Oxygen Demand
CCA	Conduct Code Agreement
CCW	Cradle Coast Water
CLIA	Cressy-Longford Irrigators Association
CLIS	Cressy-Longford Irrigation Scheme
COAG	Council of Australian Governments
Code	*National Third Party Access Code for Natural Gas Pipeline Systems*
CPA	Competition Principles Agreement
CPI	Consumer Price Index
CSO	Community Service Obligation
DA	Development Agreement
DDEMS	Dam Development Effect and Management Statement
DE	Department of Education
DIER	Department of Infrastructure, Energy and Resources
DHHS	Department of Health and Human Services
DOJ	Department of Justice
DOPPS	Department of Police and Public Safety
DPAC	Department of Premier and Cabinet
DPIWE	Department of Primary Industries, Water and Environment
Duke	Duke Energy International
EMB	Energy Markets Branch, Department of Treasury and Finance
EMPCA	*Environmental Management and Pollution Control Act 1994*
EWA	Esk Water Authority
FAGs	Financial Assistance Grants
FCA	Full Cost Attribution

FT	Forestry Tasmania
GBE	Government Business Enterprise
GPOC	Government Prices Oversight Commission
IFC	Inland Fisheries Commission
IGA	Inter-Government Agreement
HRWA	Hobart Regional Water Authority
LGAT	Local Government Association of Tasmania
LRP	Legislation Review Program
MAIB	Motor Accidents Insurance Board
MAR	Maximum Allowable Revenues
Metro	Metro Tasmania Pty Ltd
ML	Mega-litre
MOU	Memorandum of Understanding
MVP	Maximum Volumetric Price
NAPSWQ	National Action Plan for Salinity and Water Quality
NCC	National Competition Council
NCP	National Competition Policy
NCPP	National Competition Policy Payments
NEC	*National Electricity Code*
NECA	National Electricity Code Administrator
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
NGPAA	Natural Gas Pipelines Access Agreement
NHT	National Heritage Trust
NHTII	New Bilateral Natural Heritage Trust Agreement
NRM	Tasmanian Natural Resource Management
NRTC	National Road Transport Commission
NRTCA	*National Road Transport Commission Act 1991*
NTC	National Transport Commission (replaced NTRC in November 2003)
NTER	National Taxation Equivalent Regime
PAHSMA	Port Arthur Historic Site Management Authority
PEVs	Protected Environmental Values
PFE	Public Financial Enterprise
PPC	Pipeline Planning Corridor
PTE	Public Trading Enterprise
RIS	Regulatory Impact Statement
RMPS	Resource Management and Planning System
RRU	Regulation Review Unit, Department of Treasury and Finance
RTE	Registered Tax Entity
RWSC	Rivers and Water Supply Commission
SBA	Significant Business Activities
SCOT	Standing Committee on Transport
SEIS	South East Irrigation Scheme
SFC	State Fire Commission
SLA	*Subordinate Legislation Act 1994*
TAO	Tasmanian Audit Office

TAR	Tender Approval Request
TAS	Tasmanian Ambulance Service
Tascorp	Tasmanian Public Finance Corporation
TEC	Tasmanian Electricity Code
TER	State Taxation Equivalent Regime
TFGA	Tasmanian Farmers and Graziers Association
T&F	Department of Treasury and Finance
TGEB	Tasmanian Grain Elevators Board
TNTS	The New Tax System
TOTE	TOTE Tasmania Pty Ltd
TPA	*Trade Practices Act 1974* (Commonwealth)
Transend	Transend Networks Pty Ltd
WIA	Winnaleah Irrigators Association
WIRED	Tasmanian Water Information Resources and Electronic Data system
WMA	*Water Management Act 1999*
WSA	Workplace Standards Authority

APPENDICES

APPENDIX A

Background to National Competition Policy

In October 1992, following the agreement of all Australian governments, the Prime Minister established a Committee of Inquiry to investigate and report on a recommended course of action to achieve consistent competition rules across Australia. The Committee was chaired by Professor Fred Hilmer and its final report was released in August 1993.

The Hilmer Report recommended that a number of steps be taken to achieve the universal application of the Commonwealth's *Trade Practices Act 1974* (TPA) to both private and public business enterprises and that a series of "additional policy elements" be implemented by governments. These additional policy elements include:

- the structural reform of public monopolies;
- the application of competitive neutrality principles to public sector businesses;
- processes for reviewing anti-competitive legislation;
- the establishment of State-based prices oversight regimes to apply to public sector monopolies; and
- guaranteed third party access to essential infrastructure facilities.

The Hilmer Report also recommended the establishment of two national bodies to oversee the administration of a National Competition Policy (NCP) framework, namely the Australian Competition and Consumer Commission (ACCC) and the National Competition Council (NCC).

The recommendations contained in the Hilmer Report were the subject of discussion and negotiation between the Commonwealth, state and territory governments for nearly two years. At the Council of Australian Governments' (COAG) meeting on 11 April 1995, the parties agreed on the elements of NCP, which are to be progressively implemented over time to boost the competitiveness and growth prospects of the national economy. The following three Agreements were signed:

- the *Conduct Code Agreement* (relating to the TPA extension);
- the *Competition Principles Agreement* (relating to the "additional policy elements"); and
- the *Agreement to Implement the National Competition Policy and Related Reforms* (relating to the sharing of the financial benefits expected to flow from the implementation of NCP).

The NCP Agreements are summarised below and are available in full at the NCC's Internet site at http://www.ncc.gov.au.

The Conduct Code Agreement (CCA)

The CCA provides for:

- the wider application of the restrictive trade practice provisions of Part IV of the Commonwealth's TPA to encompass all private and public sector business activities. This includes the removal of the 'Shield of the Crown' protection for certain State business activities, which previously did not have to comply with the requirements of Part IV of the TPA; and
- the establishment of the ACCC, which is charged with administering the TPA and the *Prices Surveillance Act 1983*.

The Competition Principles Agreement (CPA)

The CPA effectively commits all Australian governments to progressing micro-economic reforms in a wide range of areas in accordance with a set of well-defined principles. The principles included in the Agreement require:

Monopoly Prices Oversight

- consideration to be given to the introduction of a regime to oversee the prices charged by Government Business Enterprises that are monopoly, or near monopoly, suppliers of goods or services;

Competitive Neutrality

- government businesses to operate such that they do not enjoy any net competitive advantage simply as a result of their public ownership;

Reform of Public Monopolies

- the conduct of an independent review before either privatising, or introducing competition to, a traditional monopoly;

Legislation Review

- the review and, where governments consider it appropriate, the reform of all legislation that restricts competition by the year 2000 (this deadline has since been extended by COAG to 30 June 2002); and

Access to Services Provided by Significant Infrastructure Facilities

- consideration to be given to introducing a legislated right for third parties to negotiate access to services provided by means of significant infrastructure facilities.

The CPA also makes all Australian governments responsible for the application of these principles to local government, establishes the NCC and sets out the consultative processes to be followed in relation to appointments to the NCC and the establishment of its work program.

The Agreement to Implement the National Competition Policy and Related Reforms

This Agreement provides for a sharing of the financial benefits flowing to the Commonwealth as a result of the states and territories implementing the proposed reforms. The financial arrangements are outlined below. It also requires each state and territory to effectively implement COAG and other Agreements on:

- the establishment of a competitive National Electricity Market (for relevant jurisdictions);
- the establishment of a national framework for free and fair trade in gas (for relevant jurisdictions);

- a strategic framework for the efficient and sustainable reform of the Australian water industry; and
- an agreed package of road transport reforms.

The benefits of National Competition Policy

The general aim of NCP is to promote free and open competition where this is in the public benefit and therefore increase efficiency and productivity in the economy.

The benefits of greater competition extend to all participants in the economy:

- to consumers - through lower prices, more product choice and better service;
- to businesses - through cheaper inputs, better service from input suppliers, greater choice of suppliers and access to improved technology, all of which lead to greater competitiveness;
- to governments - through increased revenue from expanding the economy, lower expenditure and improvements in government services; and
- to the economy as a whole - through lower inflation, increased growth, improved international competitiveness, greater investment, a greater choice of jobs and improved standards of living.

Financial arrangements

In April 1995, the Commonwealth and the States concluded the *Agreement to Implement the National Competition Policy and Related Reforms*, which set out the details relating to the Commonwealth's undertaking to provide additional financial assistance to the states and territories, contingent on satisfactory progress being made with the implementation of NCP and related reforms. The Agreement provided for a sharing of the benefits flowing from the Commonwealth as a result of the states agreeing to implement NCP and related reforms.

Under that Agreement, the Commonwealth committed to maintaining the existing real per capita guarantee on Financial Assistance Grants (FAGs), which had been introduced at the 1994 Premiers' Conference and also applied to Commonwealth general-purpose payments to local government. In addition, three tranches of ongoing NCP payments (NCPPs) were provided for, commencing in July 1997 at an annual level of $200 million, and increasing to $400 million in July 1999 and $600 million from July 2001. The NCPP tranches were originally specified in 1994/95 currency terms, and are indexed in subsequent years to reflect movements in the ANTS[3] inclusive national Consumer Price Index between successive March quarters.

Payment of the per capita guarantee component of the FAG pool and the NCPs was linked to the progress made by each state and territory towards implementation of the agreed reforms. The National Competition Council (NCC) was charged with the task of assessing compliance by each jurisdiction with the conditions governing competition payments. States or territories that failed to undertake the required actions within the time frames specified would forfeit a share of their per capita guarantee of FAGs and NCP payments from the Commonwealth.

As a result of national tax reform measures from 2000-01 onwards, the per capita guaranteed FAG component of NCP related payments was replaced by the allocation of GST revenues between the States by the Commonwealth.

[3] A New Tax System

Table A1 outlines NCP payments to Tasmania since the commencement of the NCP Agreements, including the breakdown between the per capita guaranteed FAG and NCP components of payments received by the State until 1999-00.

Tasmania received all of its competition payments until 2003-03. The NCC's 2003 assessment recommended that Tasmania's competition payments in 2003-04 be subject to a 5 per cent pool suspension as the result of outstanding legislation review items. The NCC's recommendation was accepted by the Commonwealth Treasurer and Tasmania's 2003-04 competition payments were reduced by approximately $900 000. Unlike permanent deductions, the NCC reviews progress regarding suspension items in subsequent assessments. Therefore, the suspension may be lifted or reduced when the outstanding legislative review items are implemented.

Table A1: Competition Payments (2002-03 prices)[1]

	Per Capita FAG Guarantee[3]		Competition Payments	
Year	National Total	Tasmanian Share	National Total	Tasmanian Share
	$m	$m	$m	$m
1997-98 actual[2]	175.5	6.9	213.0	5.4
1998-99 actual[2]	377.5	14.6	216.1	5.4
1999-00 actual[2]	580.9	23.0	439.2	10.8
2000-01 actual[2]	n.a.	n.a.	448.0	11.2
2001-02 actual[2]	n.a.	n.a.	733.3	17.4
2002-03 actual[2]	n.a.	n.a.	739.8	17.4
2003-04 actual[2]	n.a.	n.a.	758.2	17.2[4]
2004-05	n.a.	n.a.	777.1	18.4
2005-06	n.a.	n.a.	796.5	18.6
2006-07[5]	n.a.	n.a.	796.5	18.5

Notes:
1. Based on the following assumptions: a continuation of current national and State population growth rates and the achievement of NCP targets.
2. These amounts are in nominal terms.
3. Due to the abolition of FAGs under the revised Commonwealth-State financial arrangements, the per capita FAG guarantee has not applied from 1 July 2000.
4. This allows for the deduction of approximately $900 000 as a suspended penalty. It is expected that some, or perhaps all, of this suspension will be lifted following the NCC's 2004 assessment.
5. No estimates of either the 2006-07 NCPP pool or Tasmania's share of that pool have been provided by the Commonwealth.

APPENDIX B

Legislation Review Program – Progress Report as at 31 March 2004

This Appendix deals with the status of all legislation listed for review under the Government's Legislation Review Program (LRP). The Appendix does not include a number of agreement and taxation Acts that have been excluded from the requirements of the LRP.

Table B1: LRP Progress Report as at March 2004

Primary Act	Agency	Status
Adoption Act 1988	DHHS	A minor review of this Act has been completed and the restrictive provisions have been justified as being in the public benefit. Licensing restrictions were retained in order to protect against trafficking in children.
Agricultural and Veterinary Chemicals (Control of Use) Act 1995	DPIWE	The recommendations from a national NCP review of were incorporated into this Act by the *Agricultural and Veterinary Chemicals (Control of Use) Amendment Act 2003*. The amendment Act received Royal Assent on 9 May 2003. The Act removes the requirement for a permit for low risk off-label use of agricultural chemicals and limits the exemption available to pharmaceutical chemists to situations where they are acting under the instructions of a veterinary surgeon.
Agricultural and Veterinary Chemicals (Tasmania) Act 1994	DPIWE	A national review was completed in 2001. The recommendations of this review, as they apply to Tasmania, have been endorsed by the Government. The Agricultural and Veterinary Chemicals (Tasmania) Amendment Act 2001 ensures that the Agvet Code is uniformly administered across jurisdictions. Amendments to the Agvet Code at Commonwealth level incorporating the major recommendations of the review will automatically be adopted in Tasmania.
Air Navigation Act 1937	DIER	The Productivity Commission's review of the International Air Services Agreement was completed in 1998. The Commonwealth Government issued a statement on international aviation policy in June 1999. This Act adopts by reference regulations made under the Commonwealth's *Air Navigation Act 1920* and applies them to air navigation and aircraft within the jurisdiction of the State of Tasmania. The Act was enacted following agreement between the Commonwealth and the states that there should be uniform rules throughout the Commonwealth applying to air navigation and aircraft. The Act does not restrict competition *per se*.
Aluminium Industry Act 1960	T&F	This Act was repealed by the *Legislation Repeal Act 1998.*
Ambulance Service Act 1982	DHHS	A minor review of this Act has been completed and the restrictive provisions have been justified as being in the public benefit. The restrictions relate to the requirement to obtain approval to operate a private ambulance service and the level of fees that may be charged by 'approved' ambulance services.
Animal (Brands and Movement) Act 1984	DPIWE	The review recommended that compulsory earmarking of cattle or sheep be removed. Following a reassessment of this recommendation by DPIWE in the light of recent events (eg bovine spongiform encephalopathy), these provisions were found to be in the public benefit.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Animal Farming (Registration) Act 1994	DPIWE	A State-based review has been completed. The review recommended sunsetting of deer farmer registration after three years, subject to DPIWE developing new regulations to minimise the spread of deer into new areas of the State and implementing permanent identification for farmed deer. However, no suitable permanent identification systems is available. Therefore, the Government has consequently decided to extend registration until February 2005 by which time a further review will have been completed.
Animal Welfare Act 1993	DPIWE	A minor review of this Act has been completed and the existing restrictions on competition contained in the Act relating to the licensing of institutions engaging in animal research have been justified as being in the public benefit.
Apiaries Act 1978	DPIWE	A review of this Act has been completed and the Act was repealed by the *Legislation Repeal Act 2001*.
Apple and Pear Industry (Crop Insurance) Act 1982	DPIWE	A review of this Act has been completed and the recommendations of the review have been presented to the Government. The Government has agreed that compulsory insurance for the apple and pear industry should be abolished and the Act repealed. An Act to provide for the repeal of this Act and the winding up of the scheme was passed by Parliament in November 1999. The insurance scheme was abolished on 30 June 2000 and the remaining provisions repealed in March 2001 upon satisfaction of all claims.
Architects Act 1929	DIER	All of the recommendations arising from the national review of the Act have been incorporated in the amendments to the *Building Act 2000* and *the Building (Consequential Amendments) Act 2003*, the latter of which amends the *Architects Act 1929* to provide for a broad role in the accreditation of architects under the Building Act. The Board of Architects Tasmania is a member of the Architects Accreditation Council of Australia, which supports the National Program of Assessment certification system for architects.
Auctioneers and Real Estate Agents Act 1991	DOJ	A review of this Act has been completed. The Government has considered its recommendations that include: removing the requirement of real estate agents to display fees; allowing multi-disciplinary partnerships; replacing the current Auctioneers and Real Estate Agents Council with an independent Board to oversee the regulation of the industry, deal with complaints and handle disciplinary procedures; and adopting the recommended licensing requirements. It is anticipated that a Bill to implement all of the NCP review recommendations and strengthen consumer protection measures will be introduced into Parliament in the Spring 2004 Session.
Australia and New Zealand Banking Group Act 1970	DOJ	This Act was repealed by the *Legislation Repeal Act 2000.*
Australian Titan Products Act 1945	DIER	This Act was repealed by the *Legislation Repeal Act 1998.*
Bank Holidays Act 1919	DIER	This Act has been substantially amended to remove all anti-competitive provisions and those that impact on business. On this basis it has been removed from the LRP timetable.
Bank of Adelaide (Merger) Act 1980	DOJ	This Act was repealed by the *Legislation Repeal Act 2000.*
Ben Lomond Skifield Management Authority Act 1995	DPIWE	A minor review of this Act has been completed. The restrictive provisions were assessed as being in the public benefit as part of the review of the *National Parks and Wildlife Act 1970*.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Biological Control Act 1986	DPIWE	This Act has been removed from the LRP timetable. Advice from the NCC, dated 28 July 1997, states that this Act does not contain restrictions on competition and therefore does not need to be reviewed.
Botanical Gardens Act 1950	DPIWE	This Act has been removed from the LRP timetable. The restrictive provisions were contained in the by-laws. The by-laws have now been rescinded and replaced with new by-laws that do not contain restrictions on competition.
Building and Construction Industry Training Fund Act 1990	DE	A review of this Act has been completed. No major restriction on competition was identified. However, the review recommended maintaining a central fund to provide for training in the industry as this restriction is justified as being in the public benefit. Cabinet endorsed the review's largely administrative recommendations and a working group was established to provide further advice on a number of the recommendations. The working group is presently working through the issues involved and will propose specific legislative changes to Cabinet, with a view to introducing this Bill into Parliament in the Budget 2004 Session.
Burnie to Waratah Railway Act 1939	DIER	This Act was to have been repealed following the proclamation of the *Rail Safety Act 1997*. The Government has received advice that third party access is guaranteed and the Act contains no provisions restricting competition.
Business Names Act 1962	DOJ	A minor review of this Act has been completed and the restrictive provisions were justified as being in the public benefit.
Casino Company Control Act 1973	T&F	This Act was repealed by the *Legislation Repeal Act 2000.*
Child Welfare Act 1960	DHHS	Parts of this Act were repealed by the *Children, Young Persons and Their Families and Youth Justice (Consequential Repeals and Amendments) Act 1998*. The remainder will be repealed on the commencement of relevant sections of the *Child Care Act 2001*.
Chiropractors Registration Act 1982	DHHS	This Act was repealed and replaced by the *Chiropractors and Osteopaths Registration Act 1997* that was assessed under the LRP gatekeeper requirements as imposing a minor restriction on competition (relating to registration) which was justified as being in the public benefit.
Christ College Act 1926	DE	This Act will not be subject to review under the LRP as it does not restrict competition.
Classification (Publications, Films and Computer Games) Enforcement Act 1995	DOJ	A minor review of this Act has been completed and the restrictive provisions have been justified as being in the public benefit. This Act is national legislation that prohibits the sale, hire, exhibition and production of certain materials and introduces a classification system for certain materials.
Clyde Water Act 1898	DPIWE	This Act was repealed by the *Water Management Act 1999.*
Commercial and Inquiry Agents Act 1974	DOJ	The review has been completed and this Act has been repealed and replaced by the *Security and Investigations Agents Act 2002*, which was assessed under the LRP gatekeeper requirements and proclaimed on 1 January 2003.
Commercial Bank of Australia Limited (Merger) Act 1982	DOJ	This Act was repealed by the *Legislation Repeal Act 2000.*
Commercial Banking Company of Sydney Limited (Merger) Act 1982	DOJ	This Act was repealed by the *Legislation Repeal Act 2000.*

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Companies (Acquisition of Shares) (Application of Laws) Act 1981 *Companies (Acquisition of Shares) (Tasmania) Code* *Companies (Application of Laws) Act 1982* *Companies (Tasmania) Code* *Companies and Securities (Interpretation and Miscellaneous Provisions) (Application of Laws) Act 1981* *Companies and Securities (Interpretation and Miscellaneous Provisions) (Tasmania) Code* *Companies and Securities (Miscellaneous Amendments) Act (No. 2) 1982* *Companies and Securities Legislation (Miscellaneous Amendments) Act 1982* *Companies Auditors and Liquidators Disciplinary Board Act 1982*	DOJ	The Acts listed will not be subject to review under the LRP as they do not restrict competition. They have no effect except in relation to breaches that occurred prior to the introduction of the *Corporations (Tasmania) Act 1990*.
Construction Industry (Long Service) Act 1997	DIER	The restriction on competition in this Act has been subject to a minor assessment and has been justified as being in the public benefit.
Consumer Credit (Tasmania) Act 1996	DOJ	A national review of the Consumer Credit Code was completed in 2002. In March 2003, Cabinet agreed to the drafting of amendments to the Consumer Credit (Tasmania) Act to implement the findings of this review. The amendments will remove doubt about the application of the Code to conditional sale agreements and to prohibit the charging of valuation fees for household goods. The *Consumer Credit (Tasmania) Act 1996* is template legislation based on the Uniform Consumer Credit Code, in accordance with the Uniform Credit Laws Agreement 1993. The implementation of the national review, completed in 2002, is being progressed at a national level by the Uniform Consumer Credit Code Ministerial Committee. Any further changes will be subsequently considered by the Government
Co-operative Housing Societies Act 1963	T&F	This Act was repealed by the *Legislation Repeal Act 2003*
Co-operative Industrial Societies Act 1928	DOJ	This Act was repealed by the *Co-operatives Act 1999* that commenced in May 2000.
Corporations (Tasmania) Act 1990	DOJ	A package of Tasmanian legislation was passed in 2001 as a result of the new Commonwealth *Corporations Act 2001*. The Commonwealth Office of Regulation Review assessed that no RIS was necessary.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Cremation Act 1934	DPAC	Following the commencement of a minor review, a decision was made to repeal and replace this Act with new legislation to include matters related to burials. The *Burial and Cremation Act 2002* was proclaimed on 21 June 2002.
Dairy Industry Act 1994	TDIA	A major review of this Act was completed in 1999 recommending that staged deregulation of milk production and prices commence in 5 years time or upon deregulation occurring nationally or in Victoria. The review also recommended that milk quality standards continue to be determined by the Tasmanian Dairy Industry Authority until such time as a national system for food safety is implemented. Licensing of producers, processors and manufacturers was retained to facilitate regulation of quality standards. Legislation implementing deregulation in line with the national agreement was passed in July 2000.
Dangerous Goods Act 1976	DIER	This Act has been repealed and replaced by new dangerous goods legislation. The new legislation is based on the National Road Transport Commission's legislative model for transport of dangerous goods by road, which has been expanded to include the use, storage and handling of dangerous goods. The new legislation has been assessed under the LRP gatekeeper requirements.
Dental Act 1982	DHHS	A new *Dental Practitioners Registration Act 2001* was passed in April 2001, removing some restrictions on practice and all specific restrictions on advertising, and clarifying that there are no restrictions on ownership. The remaining restriction, relating to the requirement to be registered, was assessed as being in the public benefit.
Devonport Airport (Special Provisions) Act 1980	DIER	This Act was repealed by the *Port Companies Act 1997*.
Dog Control Act 1987	P&C - LGO	This Act was replaced by the *Dog Control Act 2000* that received Royal Assent on 20 December 2000. It was assessed under the gatekeeper provisions.
Don River Tramway Act 1974	DIER	This Act was repealed by the *Legislation Repeal Act 2000.*
Door to Door Trading Act 1986	DOJ	A minor review of this Act has been completed and the restrictive provisions have been justified as being in the public interest.
Education Act 1994 and *Education Providers Registration (Overseas Students) Act 1991*	DE	A major review of the *Education Act 1994* and the *Education Providers Registration (Overseas Students) Act 1991* was completed in December 2000. The review found that the restrictions on competition contained in these Acts were justified in the public benefit.
Egg Industry Act 1988	DPIWE	A major review of this Act has been completed. The *Egg Industry Act 2002* repealed the former Act and was assessed in accordance with the gatekeeper arrangements.
Electricity Consumption Levy Act 1986	T&F	This Act was repealed by the *Hydro-Electric Corporation (Consequential and Miscellaneous Provisions) Act 1996*.
Electricity Industry Safety and Administration Act 1997	DIER	The restrictive provisions of this Act have been assessed as being in the public benefit and essentially uniform across all jurisdictions. The NCC has endorsed this decision.
Electricity Supply Industry Act 1995	T&F	A review of this Act has been completed. The review recommendations which proposed legislative change have either become redundant following Basslink and the subsequent legislation for Tasmania's entry to the National Electricity Market, or were specifically addressed in the *Electricity Supply Industry Amendment Act 2003*.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act 1995	DIER	This Act was reviewed as part of the implementation of the COAG reform agenda for the Australian water industry, and amended by the *Water Management Act 1999*.
Emu Bay Railway Act 1976	DIER	The Act has been replaced by the *Rail Safety Act 1997* which has now been proclaimed. This Act was initially introduced without complying with the LRP. A subsequent Minor Assessment Statement was endorsed as complying with the LRP.
Environment Protection (Sea Dumping) Act 1987	DPIWE	This Act was repealed by the *Legislation Repeal Act 2000.*
Environmental Management and Pollution Control Act 1994	DPIWE	A major review of this Act has been completed. All restrictions except one were found to be in the public benefit. The *Noise Regulations 1977*, which contained the remaining restriction, were rescinded on 1 January 2004. The new *Environmental Management and Pollution Control (Miscellaneous Noise) Regulations 2004* will not contain restrictions of the type identified and will be subject to a regulatory impact assessment.
Evidence Act 1910	DOJ	This Act was repealed by the *Evidence Act 2001* that was assessed under the LRP gatekeeper requirements as not restricting competition or having a significant negative impact on business. The new Act was proclaimed on 1 July 2002.
Fair Trading Act 1990	DOJ	A minor review of this Act has been completed and the restrictive provisions, namely the requirement for manufacturers to provide warranties for motor vehicles and to establish a system for dealing with customer complaints, have been justified as being in the public benefit.
Fertilizers Act 1993	DPIWE	A minor review of this Act has been completed. The restrictions on competition contained in the Act including labelling requirements, warnings to be placed on labels and adherence to standards have been justified as being in the public benefit.
Financial Management and Audit Act 1990	T&F	A minor review of this Act has been completed. The restrictions on competition arise from the Auditor General's power to audit all Government Departments and majority government-owned entities. No legislative changes were required. However, administrative separation has been put in place between the Auditor General and the Tasmanian Audit Office, competitive tendering with the private sector has been increased to 27 per cent of total audit expenditure and tender panels are formed to assess tender bids.
Fire Service Act 1979	SFC	A minor review of this Act has been completed. The sole restriction on competition relating to the creation of salvage corps has been justified as being in the public benefit.
Firearms Act 1996	DOPPS	A minor review of this Act has been completed. The restrictions on competition contained in the Act have been justified as being in the public benefit.
Fisheries Act 1959	DPIWE - IFC	This Act was repealed on 31 May 1996. The repealing Acts, the *Inland Fisheries Act 1995*, *Living Marine Resources Management Act 1995* and the *Marine Farming Planning Act 1995*, have been included on the LRP timetable in place of this Act.
Flammable Clothing Act 1973	DOJ	A minor review of this Act has been completed and the restrictive provision, the requirement to mark or label prescribed clothing (children's nightwear) with the flammability of the garment, has been justified as being in the public benefit.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Florentine Valley Paper Industry Act 1935	FT	This Act was reviewed as part of the implementation of the COAG reform agenda for the Australian water industry. The review recommended transfer of licensing of water rights to the *Water Management Act 1999*. This has been done.
Forest Practices Act 1985	FPB	A minor review of this Act has been completed and the restrictive provisions have been justified as being in the public benefit. The restrictions relate to the Forest Practices Code, Timber Harvesting Plans, Private Timber Reserves and Forest Practices Officers.
Forestry Act 1920	FT	A review of the Act was completed in 1998. It noted that minimum supply restrictions are anti-competitive and recommended simplifying the Act and removing certain conditions of wood supply agreements. The minimum supply restrictions were found to be of public benefit during the process to establish a Regional Forest Agreement. The Government accepted the review recommendations and removed all the restrictions other than the minimum supply levels, by way of the *Forestry Amendment (Miscellaneous) Act 1999*, which was assessed as complying with the requirements of the LRP.
Friendly Societies Act 1888	DOJ	This Act has been repealed.
Futures Industry (Application of Laws) Act 1987 and *Futures Industry (Tasmania) Code*	DOJ	These Acts will not be subject to review under the LRP as they do not restrict competition. They have no effect except in relation to breaches that occurred prior to the introduction of the *Corporations (Tasmania) Act 1990*.
Gaming Control Act 1993	T&F	A minor review of this Act has been completed as part of a review of the State's gaming legislation and restrictions contained in the Act were justified as being in the public benefit. The Government agreed to the recommendations of the Review Group. The review specifically excluded the 1993 Deed between the Crown and Australian National Hotels.
Gas Franchises Act 1973	DIER	This Act was repealed by the *Gas Pipelines Access (Tasmania) Act 2000*, which was assessed under the LRP gatekeeper requirements.
Goods (Trade Descriptions) Act 1971	DOJ	A minor review of this Act is complete. The key restrictive provision, the requirement for manufacturers to disclose the materials from which textile products are made, has been justified as being in the public benefit. New regulations have been made which replace provisions regarding safety footwear.
Grain Reserve Act 1950	DPIWE - TGEB	The review of this Act is complete with two anti-competitive sections of the Act repealed.
Groundwater Act 1985	DIER	This Act was repealed by the *Water Management Act 1999*.
Guns Act 1991	DOPPS	This Act was repealed on 13 November 1996. The repealing Act, the *Firearms Act 1996*, was reviewed under the LRP and the restrictions were assessed as being in the public benefit.
Hairdressers' Registration Act 1975	DIER	This Act was repealed following an internal review.
Henry Jones Limited (Huon Pine) Agreement Act 1978	FT	This Act was repealed by the *Legislation Repeal Act 1998.*
Hire-Purchase Act 1959	DOJ	This Act was repealed by the *Legislation Repeal Act 2000.*

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Historic Cultural Heritage Act 1995	DTHPA	The review of this Act, in conjunction with the review of the *Land Use Planning and Approvals Act 1993*, is being considered and a report will be provided to the Government by the end of March 2004. It is expected that legislative changes arising out of this review will be introduced into Parliament later in 2004.
HIV/AIDS Preventative Measures Act 1993	DHHS	A minor review of this Act has been completed and the restrictive provisions have been justified as being in the public benefit. The restrictions relate to the licensing/approvals involved in areas associated with testing, counselling and treatment of AIDS sufferers.
Hobart Bridge Act 1958	DIER	This Act was repealed by the *Legislation Repeal Act 1996.*
Hobart Regional Water Act 1984	DPIWE	This Act was repealed on 1 January 1997. The repealing Act, the *Hobart Regional Water (Arrangements) Act 1996*, was assessed under the LRP gatekeeper requirements as not restricting competition or imposing a significant impact on business.
Hobart Town Gas Company's Act 1854	DOJ	This Act was repealed by the *Gas Act 2000*, which was assessed as complying with the LRP gatekeeper requirements.
Hobart Town Gas Company's Act 1857	DOJ	This Act was repealed by the *Gas Act 2000*, which was assessed under the LRP gatekeeper requirements.
Hospitals Act 1918	DHHS	The Government will consider a reform proposal in March 2004. It is expected that amending legislation to address a minor restriction will be introduced into Parliament in the Spring 2004 Session.
Housing Indemnity Act 1992	DOJ	The review of this Act is complete and the restrictive provisions have been justified as being in the public benefit.
Huon Valley Pulp and Paper Industry Act 1959	FT	This Act was repealed by the *Legislation Repeal Act 1996*.
Hutchins School Act 1911	DE	This Act was repealed by the *Legislation Repeal Act 2000.*
Hydro-Electric Commission (Doubts Removal) Act 1972 and *Hydro-Electric Commission (Doubts Removal) Act 1982*	Hydro Tasmania	These Acts were repealed on 6 November 1996. The repealing Acts were included on the LRP timetable in place of a review of these Acts. The repealing Acts consist of the *Electricity Supply Industry Act 1995* and the *Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act 1995*.
Hydro-Electric Commission Act 1944	Hydro Tasmania	This Act was repealed on 6 November 1996. The repealing Acts were included on the LRP timetable in place of a review of these Acts. The repealing Acts consist of the *Electricity Supply Industry Act 1995* and the *Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act 1995*.
Ida Bay Railway Act 1977	DPIWE	This Act was repealed in April 2001.
Inland Fisheries Act 1995	DPIWE - IFC	A major review of this Act was completed in December 2000 and the recommendations have been implemented. These include abolition of the assistant fisher's licence, creation of a generic registration process for fish dealers and importers and provision of IFS permission for the possession of fertilised ova as a licence condition for fish farmers or owners of private fisheries, as necessary.
Iron Ore (Savage River) Agreement Act 1965	DIER	This Act has been repealed.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Iron Ore (Savage River) Arrangements Act 1996	DED	This Act does not restrict competition and will not be subject to review. The Act provides indemnity for a past operator of the mine for environmental damage.
Iron Ore (Savage River) Deed of Variation Act 1990	DIER	This Act was repealed by the *Legislation Repeal Act 2001*.
Irrigation Clauses Act 1973	DPIWE	This Act was reviewed as part of the implementation of the COAG reform agenda for the Australian water industry. It was amended by the *Water Management Act 1999* that was assessed under the LRP gatekeeper requirements and any restrictions were found to be in the public benefit.
Land Surveyors Act 1909	DPIWE	A major review of this Act has been completed. The *Surveyors Act 2002* repealed the former legislation. The relevant provisions of the new legislation are less restrictive than the recommendations of the review.
Land Use Planning and Approvals Act 1993	DPIWE	The review of this Act has been completed and the recommended amendments were made through the *Land Use Planning and Approvals Amendment Act 2001*.
Land Valuation Act 1971	DPIWE	A major review of this Act, which incorporated the *Valuers Registration Act 1974*, has been completed and the Government has accepted the recommendations of the review. The *Valuation of Land Act 2001* and the *Land Valuers Act 2001* were passed by Parliament and replace these Acts. The new Acts were assessed under the LRP gatekeeper requirements and commenced in 2002.
Launceston Gas Company Act 1982	DOJ	This Act has been substantially repealed, with remaining sections to be repealed once an accurate mapping of the pipeline network has been completed.
Launceston Savings Investment and Building Society Act 1955	DOJ	This Act was repealed by the *Legislation Repeal Act 1996.*
Legal Profession Act 1993	DOJ	A major review of this Act has been completed. The Standing Committee of Attorneys-General is progressing the adoption of uniform national laws for the legal profession. The Legal Profession Bill has been released for public consultation and it is anticipated that the Bill will be introduced into Parliament in the Autumn 2004 Session. At the time of writing, a conveyancing Bill that will provide the response of the Government to the review recommendations relevant to conveyancing, and a final Bill incorporating the remaining issues, will shortly be considered by the Government.
Lending of Money Act 1915	DOJ	This Act was repealed by the *Legislation Repeal Act 2000.*
Liquor and Accommodation Act 1990	T&F	A major review of this Act was completed in 2002. The Government has considered the recommendations and amending legislation in response to the recommendations was enacted in May 2003. The *Liquor and Accommodation Amendment Act* 2003 removed several restrictions. The Government has implemented the majority of the review recommendations but has retained the ban on the sale of packaged liquor from supermarket premises as it found this to be in the public benefit.
Living Marine Resources Management Act 1995	DPIWE	A major review of this Act has was completed in January 2000. The restrictions on competition contained in the Act have been justified as being in the public benefit and no changes were recommended.
Loan (Hydro-Electric Commission) Act 1957	Hydro Tasmania	This Act was repealed on 6 November 1996.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Local Government (Building and Miscellaneous Provisions) Act 1993 - (in so far as it relates to health issues)	DHHS	All issues have been transferred to the *Public Health Act 1997*. This Act has been removed from timetable.
Local Government (Building and Miscellaneous Provisions) Act 1993 - (except in relation to health issues and Part III (subdivisions))	DIER	Once proclaimed, the *Building Act 2000* will replace the building provisions of the existing *Local Government (Building and Miscellaneous Provisions) Act 1993*. The new legislation was assessed under the LRP gatekeeper requirements.
Local Government (Building and Miscellaneous Provisions) Act 1993 - (Part III)	DPIWE	New legislation has replaced this Act.
Local Government (Highways) Act 1982	P&C - LGO	A minor review of this Act has been completed and the amending legislation was passed by Parliament in late 2001, and proclaimed on 1 June 2002. The by-law making power of councils has been removed from this Act.
Local Government Act 1993	P&C - LGO	A review of this Act was delayed pending the outcome of the former Government's intention to pursue council amalgamations. The review has been completed and minor restrictions regarding the operation of a pound and council land certificates have been justified as being in the public benefit.
Marine Act 1976	DIER	This Act was repealed on 30 July 1997 and replaced by the *Marine and Safety Authority Act 1997*, the *Port Companies Act 1997* and the *Marine (Consequential Amendments) Act 1997*. These Acts were assessed under the LRP gatekeeper requirements as not restricting competition or imposing an impact on business.
Marine Farming Planning Act 1995	DPIWE	A major review of this Act was completed in April 2000 which found that the restrictions on competition contained in the Act were justified as being in the public benefit
Meat Hygiene Act 1985	DPIWE	A major review of this Act was completed in 1999 and legislation to implement the recommendations of the review was passed in April 2001. The amended legislation provides for a simplified licensing system, acknowledges Australian Meat Standards and removes overlap with building regulations. The Act remains the primary regulatory tool for meat processors but does incorporate provisions of the Model Food Act.
Medical Act 1959	DHHS	This Act was repealed on 21 August 1996. The repealing Act, the *Medical Practitioners Registration Act 1996*, is included on the LRP timetable in place of a review of this Act.
Medical Practitioners Registration Act 1996	DHHS	A review of this Act has been completed. The review recommended that the registration of medical practitioners is justified as being in the public benefit. The review also recommended the removal of restrictions on the ownership of medical practices and the removal of controls on advertising. The Government has accepted the review recommendations and amending legislation is expected to be introduced into Parliament in the Autumn 2004 Session.
Mental Health Act 1963	DHHS	This Act was repealed by the *Mental Health Act 1996.*
Merchant Seamen Act 1935	DIER	This Act was repealed by the *Legislation Repeal Act 1998.*

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Metropolitan Transport Act 1954	DIER	This Act has been replaced by the *Metro Tasmania Act 1997* and *Metro Tasmania (Transitional and Consequential Provisions) Act 1997*. The new legislation was assessed under the LRP gatekeeper requirements as not restricting competition or imposing an impact on business.
Mineral Resources Development Act 1995	DIER	A major review of this Act has been completed and all restrictions have been assessed as being in the public benefit.
Mining Act 1929	DIER	This Act was repealed on 1 July 1996. The repealing Act, the *Mineral Resources Development Act 1995*, was reviewed and all restrictions assessed as being in the public benefit.
Mock Auctions Act 1973	DOJ	This Act was repealed by the *Legislation Repeal Act 2000.*
Motor Accidents (Liabilities and Compensation) Act 1973	MAIB	A major review of this Act has been completed and the Government has agreed to the recommendations of the review body. The Government has decided that, following an examination of the results of the Victorian review of its compulsory third party legislation, which is similar to Tasmania's, no further amendments to the Act are required .
Mount Cameron Water Race Act 1926	DIER	This Act was repealed by the *Legislation Repeal Act 1998.*
Mount Dundas and Zeehan Railway Act 1890	DIER	This Act was repealed by the *Legislation Repeal Act 1998.*
Mount Dundas and Zeehan Railway Act 1891	DIER	This Act was repealed by the *Legislation Repeal Act 1998.*
Mount Lyell and Strahan Railway Act 1892	DIER	This Act was repealed by the *Legislation Repeal Act 1996.*
Mount Lyell and Strahan Railway Act 1893	DIER	This Act was repealed by the *Legislation Repeal Act 1996.*
Mount Lyell and Strahan Railway Act 1896	DIER	This Act was repealed by the *Legislation Repeal Act 1996.*
Mount Lyell and Strahan Railway Act 1898	DIER	This Act was repealed by the *Legislation Repeal Act 1996.*
Mount Lyell and Strahan Railway Act 1900	DIER	This Act was repealed by the *Legislation Repeal Act 1996.*
Mount Read and Rosebery Mines Limited Leases Act 1916	DIER	This Act was repealed by the *Mt Read and Rosebery Mines Limited Leases (Repeal) Act 1999*.
National Parks and Wildlife Act 1970	DPIWE	A minor review of this Act has been completed and the restrictive provisions regarding the commercial use of Crown land, trade in wildlife and wildlife exhibitions and displays have been justified as being in the public benefit.
North Esk Regional Water Act 1960	DPIWE	This Act was repealed by the *Northern Regional Water (Arrangements) Act 1997*.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
North Mount Lyell and Macquarie Harbour Railway Act 1897	DIER	This Act was repealed by the *Legislation Repeal Act 1996.*
North Mount Lyell Mining and Railway Act 1901	DIER	This Act was repealed by the *Legislation Repeal Act 1996.*
North West Regional Water Act 1987	DPIWE	This Act was repealed by the *North West Regional Water (Arrangements) Act 1997*, which commenced in 1999 and was assessed under the LRP gatekeeper requirements.
Noxious Insects and Molluscs Act 1951	DPIWE	This Act was repealed and replaced by the *Plant Quarantine Act 1997* which was assessed under the LRP gatekeeper requirements.
Noxious Weeds Act 1964	DPIWE	The *Noxious Weeds Act 1964* has been repealed and replaced by the *Weed Management Act 1999*, which was assessed under the LRP gatekeeper requirements.
Nursing Act 1987	DHHS	This Act was repealed on 1 July 1996. The repealing Act, the *Nursing Act 1995*, is included on the LRP timetable in place of a review of this Act.
Nursing Act 1995	DHHS	The review of this Act has been completed. Restrictions related to registration were assessed as providing a net public benefit as they provide information to the consumer. The restrictive provisions relating to advertising were removed by the *Nurses Amendment Act 1999*.
Optometrists Registration Act 1994	DHHS	A review of this Act has been finalised and recommendations have been considered by the Government. The amending legislation will be introduced into Parliament in the Autumn 2004 Session.
Partnership Act 1891	DOJ	A minor review of this Act has been completed and the restrictive provisions have been justified as being in the public benefit. The restrictive provisions relate to the ability of partners to compete with their partnership.
Pawnbrokers Act 1857	DOJ	This Act was repealed on 1 June 1996. The repealing Act, the *Second-hand Dealers and Pawnbrokers Act 1994*, has been included on the LRP timetable in place of a review of this Act.
Pesticides Act 1968	DPIWE	This Act was repealed on 1 January 1997. The repealing Act, the *Agricultural and Veterinary Chemicals (Control of Use) Act 1995*, was included on the LRP timetable in place of a review of this Act.
Petroleum (Submerged Lands) Act 1982	DIER	A national review was completed and endorsed by the Australia and New Zealand Minerals and Energy Council. Amendments are to be developed by the Commonwealth and reflected in state and territory legislation. It is anticipated that amending legislation will be introduced in the Autumn or Budget 2004 Sessions of Parliament.
Petroleum Products Business Franchise Licences Act 1981	T&F	This Act was repealed as a result of the High Court ruling of August 1997 that states are unable to collect franchise fees.
Petroleum Products Emergency Act 1994	DOPPS	This Act has been removed from the LRP timetable. The legislation requires that any restrictions must be justified in the public benefit, therefore no further justification is necessary.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Pharmacy Act 1908	DHHS	The Commonwealth has completed a national review, in conjunction with a review of the Commonwealth's Community Pharmacy Agreement. This Act has been replaced by the *Pharmacists Registration Act 2001,* which governs the registration of pharmacists and the ownership of pharmacies. The Government has considered the outcome of the national review and amending legislation implementing the recommendation reforms will be introduced into Parliament in the Autumn 2004 Session.
Physiotherapists Registration Act 1951	DHHS	This Act has been repealed and replaced by the *Physiotherapists Registration Act 1999*, which was assessed under the LRP gatekeeper requirements. Restrictions relating to registration were assessed as providing a net community benefit as they provide information to the consumer. Restrictions on ownership and advertising were removed from the new legislation.
Plant Diseases Act 1930	DPIWE	This Act was repealed and replaced by the *Plant Quarantine Act 1997* which was assessed under the LRP gatekeeper requirements. The new Act was recognised as containing a restriction on competition, but this was justified in the public benefit as being for the purpose of preventing the introduction and spread of plant and animal pests and diseases.
Plant Protection Act 1994	DPIWE	The *Plant Protection Act 1994* was passed by Parliament in 1994, but not proclaimed. The Act was repealed and replaced by the *Plant Quarantine Act 1997,* which was assessed under the LRP gatekeeper requirements as not imposing an impact on business. Other restrictions were justified in the public benefit in relation to preventing the spread of plant and animal pests and diseases.
Plumbers and Gas-fitters Registration Act 1951	DIER	The review of this Act is complete. Proposed new occupational licensing legislation is scheduled for introduction into Parliament in the Spring 2004 Session.
Podiatrists Registration Act 1974	DHHS	This Act was repealed on 1 July 1996. The repealing Act, the *Podiatrists Registration Act 1995*, is included on the LRP timetable in place of a review of this Act.
Podiatrists Registration Act 1995	DHHS	The review of this Act is complete. The advertising and ownership restrictions were removed from the Act in November 2000. All other restrictions were justified in the public benefit.
Poisons Act 1971	DHHS	A national review has been completed and the DHHS is drafting legislation to replace the *Poisons Act 1971* that will be progressed under the LRP gatekeeper requirements. Amending legislation will be introduced in the Spring 2004 Session, in line with COAG's decision that the outcomes of the national review should be implemented within 12 months from December 2003.
Police Offences Act 1935	DOPPS	A minor review of this Act has been completed. Two anti-competitive provisions have been repealed and those remaining have been justified as being in the public benefit.
Port Arthur Historic Site Management Authority Act 1987	PAHSMA	A minor review of this Act has been completed. The restrictive provisions were assessed as being in the public benefit as part of the review of the *National Parks and Wildlife Act 1970*.
Port Huon Wharf Act 1955	T&F	This Act was repealed on 30 July 1997.
Primary Industry Activities Protection Act 1995	DPIWE	A minor review of this Act has been completed. The restrictions on competition contained in the Act which protect existing primary producers pursuing legitimate activities adjoining new subdivisions have been justified as being in the public benefit.
Printers and Newspapers Act 1911	DOJ	This Act was repealed by the *Legislation Repeal Act 1998.*

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Psychologists Registration Act 1976	DHHS	New psychologists registration legislation (*Psychologists Registration Act 2000*) has replaced the existing Act and has been assessed under the LRP gatekeeper requirements as having no restrictions and only minor impacts on business. The new legislation removes restrictions on advertising and reservation of practice, and streamlines complaints and administration procedures.
Public Health Act 1962	DHHS	This Act has been repealed and replaced by the *Public Health Act 1997* and the *Food Act 1998* which were assessed under the LRP gatekeeper requirements. The Commonwealth has consulted with the states on national reviews relating to food regulation, including a review of the Australia and New Zealand Food Authority Council Act and the Model Food Act. As a result, the Food Act 1998 will be replaced by the yet to be proclaimed *Food Act 2003*, which is based on the Model Food Act.
Pulpwood Products Industry (Eastern and Central Tasmania) Act 1968	FT	This Act was repealed by the *Legislation Repeal Act 1995*.
Racing Act 1983	DIER	New racing legislation was drafted following the restructure of the racing industry in 2000. Three new Bills replacing the racing aspects of this Act were assessed under the LRP gatekeeper arrangements and a Regulatory Impact Statement was required. The RIS justified all major restrictions in the Bills, which are currently in the *Racing Act 1983*, as being in the public benefit. It is expected that the Bills will be debated in the Spring 2004 Session of Parliament. However, as the restrictions contained in the current legislation are the same as those proposed in the new Bills, they have been justified as being in the public benefit. Therefore, the LRP obligations in respect of this Act have been met.
Racing and Gaming Act 1952 (except minor gaming)	DIER	This Act is now called the *Racing Regulation Act 1952*. Progress as per *Racing Act 1983*.
Racing and Gaming Act 1952 (in so far as it relates to minor gaming)	T&F	A minor review of this Act was completed as part of a review of the State's gaming legislation. In 2001, the gaming components of this Act were transferred to the *Gaming Control Act 1993* and were assessed under the LRP gatekeeper requirements.
Radiation Control Act 1977	DHHS	A national review has been completed which recommended the continuation of a regulatory approach but with a move to an outcome based rather than prescriptive controls over the possession or use of radiation sources. The Government has considered the outcomes of the review and legislation will be introduced into Parliament in the Spring 2004 Session.
Radiographers Registration Act 1971	DHHS	This Act has been replaced by the *Medical Radiation Technologists Registration Act 1999*, which was assessed under the LRP gatekeeper requirements, and the minor restrictions justified in the public benefit.
Railway Management Act 1935	DIER	This Act has been repealed.
Railways (Transfer to Commonwealth) Act 1975	DIER	This Act was repealed by the *Legislation Repeal Act 1998.*
Railways Clauses Consolidation Act 1901	DIER	This Act was repealed by the *Legislation Repeal Act 2000.*
Renison Limited (Zeehan Lands) Act 1970	DPIWE	This Act was repealed by the *Legislation Repeal Act 1998.*

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Roads and Jetties Act 1935	DIER	A minor review of this Act has been completed and concluded that the restrictions that related to limited access provisions should be retained because they are in the public interest. The recommendations have been accepted by the Government.
Rossarden Water Act 1954	DPIWE	This Act has been repealed by the *Water Management Act 1999,* which was assessed under the LRP gatekeeper requirements.
Rules Publication Act 1953	DOJ	The restrictive provisions in this Act were repealed by the *Legislation Publication Act 1996* which was proclaimed in early 1998. The repealing legislation was assessed under the gatekeeper requirements as not restricting competition or impacting on business.
Sale of Condoms Act 1987	DHHS	A minor review of this Act has been completed. The Act has been repealed.
Sale of Hazardous Goods Act 1977	DOJ	A minor review of this Act has been completed. The restrictive provisions have been justified as being in the public benefit.
Salt-water Salmonid Culture (Supplementary Agreements Validation) Act 1992	DPIWE	This Act was repealed by the *Legislation Repeal Act 1998.*
Salt-water Salmonid Culture Act 1985	DPIWE	This Act was repealed by the *Legislation Repeal Act 1998.*
School Dental Therapy Service Act 1965	DHHS	This Act was replaced by the *Dental Practitioners Registration Act 2001* which was assessed under the LRP gatekeeper requirements. Most restrictions on practice were removed, including the limit on public sector employment. The remaining restrictions relating to the requirement to be registered was assessed as being in the public benefit.
Second-hand Dealers Act 1905	DOJ	This Act was repealed on 1 June 1996. The repealing Act, the *Second-hand Dealers and Pawnbrokers Act 1994*, was included on the LRP timetable in place of a review of this Act.
Second-hand Dealers and Pawnbrokers Act 1994	DOJ	A minor review of this Act has been completed. The restrictive provisions have been justified as being in the public benefit.
Securities Industry (Application of Laws) Act 1981	DOJ	This Act will not be subject to review under the LRP as it does not restrict competition *per se*. This Act currently has no effect except in relation to breaches that occurred prior to the introduction of the *Corporations (Tasmania) Act 1990*.
Securities Industry (Tasmania) Code	DOJ	This Act will not be subject to review under the LRP as it does not restrict competition *per se*. This Act currently has no effect except in relation to breaches that occurred prior to the introduction of the *Corporations (Tasmania) Act 1990*.
Seeds Act 1985	DPIWE	The *Seeds Amendment Act 1999* removed the restrictive provisions from this Act. The Act therefore has been removed from the timetable.
Sewers and Drains Act 1954	DPIWE	The restrictive provisions contained in this Act have been removed. The Act has been removed from the LRP timetable.
Shop Trading Hours Act 1984	DIER	The *Shop Trading Hours Amendment Act 2002,* which commenced operation on 1 December 2002, removed the restrictive provisions.
Stock Act 1932	DPIWE	This Act was repealed on 1 September 1996 and replaced with the *Animal Health Act 1995,* which has been included on the LRP timetable in place of a review of this Act.
Stock, Wool, and Crop Mortgages Act 1930	DOJ	A review of this Act has been completed and the restrictive provisions justified as being in the public benefit.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Substandard Housing Control Act 1973	DHHS	This Act is expected to be repealed following further assessment of the *Residential Tenancy Act 1997* and the *Public Health Act 1997* to ensure that these Acts can address the issues currently regulated by the *Substandard Housing Control Act 1973*. There are no major restrictions on competition in this Act. Legislation is expected to be introduced in the Spring 2004 Session.
Sunday Observance Act 1968	DIER	This Act was repealed by the *Sunday Observance Act (Repeal*) Act *1997.*
Survey Co-ordination Act 1944	DPIWE	The minor restrictive provision of this Act will be repealed by amending legislation to be introduced in the Spring 2005 Session of Parliament.
Tasmanian Government Insurance Act 1919	T&F	This Act has been repealed.
Tasmanian Harness Racing Board Act 1976	DPIWE - TRA	This Act has been repealed and replaced by the *Racing Amendment Act 1997*, which resulted from the Racing Industry Review. This legislation was assessed under the LRP gatekeeper requirements as not restricting competition or impacting on business.
Tasmanian Public Finance Corporation Act 1985	T&F	A minor review of this Act has been completed and the restrictive provisions justified as being in the public benefit.
*Taxi and Luxury Hire Car Industries Act 1995 (*formally the *Taxi Industry Act 1995)*	DIER	A major review of this Act has been completed. The Taxi and Luxury Hire Car Industries Amendment Act 2003 was passed by Parliament during the Spring 2003 Session. The amendments, including the Act and regulations, commenced on 12 March 2004 and took effect from 17 March 2004. This legislation provides for tendering of additional perpetual taxi licences and for a new category of licence for wheelchair accessible taxis. The *Taxi Industry Amendment Regulations 2004* enable taxi operators to offer discounted taxi fares to customers. (See page 7 for further information).
The Mount Lyell Mining and Railway Company Limited (Continuation of Operations) Act 1985	T&F	This Act was repealed by the *Legislation Repeal Act 1996*.
The Mount Lyell Mining and Railway Company Limited (Continuation of Operations) Act 1987	T&F	This Act was repealed by the *Legislation Repeal Act 1996*.
The Mount Lyell Mining and Railway Company Limited (Continuation of Operations) Act 1992	T&F	This Act was repealed by the *Legislation Repeal Act 1998.*
Therapeutic Goods and Cosmetics Act 1976	DHHS	This Act has been replaced by the *Therapeutic Goods Act 2001*. This legislation was assessed under the LRP gatekeeper requirements as not restricting competition or impacting on business.
Thomas Owen and Co. (Australia) Limited Act 1948	DPIWE	This Act was repealed by the *Water Management Act 1999*.
Threatened Species Protection Act 1995	DPIWE	A minor review of this Act has been completed and the restrictive provisions were justified as being in the public benefit.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Tobacco Business Franchise Licences Act 1980	T&F	This Act was repealed as a result of the High Court ruling of August 1997 that states are unable to collect franchise fees.
Tobacco Products (Labelling) Act 1987	DHHS	This Act was repealed by the *Public Health Act 1997*.
Traffic Act 1925	DIER	This Act has been substantially reviewed in terms of the restrictive provisions of Part III, by the independent Committee of Review into Public Vehicle Licensing in Tasmania, chaired by Mr David Burton (the "Burton Review"). The anti-competitive provisions in Part III were replaced by the *Passenger Transport Act 1997*, the *Passenger Transport (Consequential and Transitional) Act 1997* and the *Traffic Amendment (Accreditation and Miscellaneous) Act 1997*. All these Acts were assessed as complying with the requirements of the LRP.
Travel Agents Act 1987	DOJ	A national review of the Act has been completed and a final report released. National working parties have been appointed to assess the report's findings and to provide recommendations concerning their implementation. The majority of the recommendations from the review have already been implemented in Tasmania. The only outstanding issue is in relation to qualifications of licensed agents. Progress on this issue is dependent on the progress of the national working party.
Trustee (Insured Housing Loans) Act 1970	T&F	This Act was repealed by the *Trustee Amendment (Investment Powers) Act 1997* that was assessed under the LRP gatekeeper requirements as not restricting competition or imposing a significant negative impact on business.
Trustee Act 1898	DOJ/T&F	The restrictive provision, regulation of trustee investments, was repealed and replaced in 1997 with a 'prudent person' approach to trustee investments. This provision was progressed through the LRP gatekeeper requirements and assessed as not restricting competition or impacting on business. The Act will ultimately be repealed.
Trustee Banks Act 1985	T&F	This Act was repealed by the *Trust Bank Sale Act 1999* and was assessed as not restricting competition or imposing a significant negative impact on business.
Trustee Companies Act 1953	DOJ	A national review of trustee companies legislation is currently being finalised. Further negotiations in relation to an appropriate regulatory model are being progressed through the Standing Committee of Attorneys-General (SCAG). Progress is pending on SCAG negotiations.
TT-Line Gaming Act 1993	T&F	A minor review of this Act has been completed as part of a review of the State's gaming legislation and restrictions contained in the Act were justified as being in the public benefit. The restrictions provide for the overall integrity of the State's gaming industry and maintain the State's highly reputable probity environment.
United Milk Products Ltd (Amalgamation) Act 1981	DSD	This Act was repealed by the *Legislation Repeal Act 1998.*
Universities Registration Act 1995	DE	A minor review of this Act has been completed and the restrictive provisions have been justified as being in the public benefit. The restrictions relate to the registration and accreditation of private universities.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Valuers Registration Act 1974	DPIWE	This Act was reviewed with the *Land Valuation Act 1971*. The review is complete and new legislation has been passed to replace these Acts, which was assessed through gatekeeper provisions.
Van Dieman's Land Company's Waratah and Zeehan Railway Act 1895	DIER	This Act was to have been repealed following the proclamation of the *Rail Safety Act 1997*. The Government has received advice from the Solicitor-General that third party access is guaranteed and the Act contains no provisions restricting competition.
Van Dieman's Land Company's Waratah and Zeehan Railway Act 1896	DIER	This Act was to have been repealed following the proclamation of the *Rail Safety Act 1997*. The Government has received advice from the Solicitor-General that third party access is guaranteed and the Act contains no provisions restricting competition.
Van Dieman's Land Company's Waratah and Zeehan Railway Act 1948	DIER	This Act was to have been repealed following the proclamation of the *Rail Safety Act 1997*. The Government has received advice from the Solicitor-General that third party access is guaranteed and the Act contains no provisions restricting competition.
Vermin Destruction Act 1950	DPIWE	This Act was replaced by the *Vermin Control Act 2000*, which was assessed under the LRP gatekeeper requirements as not restricting competition or impacting on business.
Veterinary Medicines Act 1987	DPIWE	This Act was repealed on 1 January 1997. The repealing Act, the *Agricultural and Veterinary Chemicals (Control of Use) Act 1995*, was included on the LRP timetable in place of a review of this Act.
Veterinary Surgeons Act 1987	DPIWE	A minor review of this Act was completed in February 2000. The review recommended that the Veterinary Board of Tasmania continue to approve educational qualifications and training courses, regulate practice. Mandatory registration for veterinary surgeons and specialists and a requirement to keep records were retained. A number of restrictions on bodies corporate providing veterinary services were removed by the *Veterinary Surgeons Amendment Act 2002* which came into effect on 1 September 2002.
Vocational Education and Training Act 1994	DE	A major review of this Act has been completed. Amendments arising from the review of the Act were enacted through the *Vocational Education and Training Amendment Act 2003*, which was proclaimed on 17 November 2003.
Water Act 1957	DPIWE	This Act was repealed and replaced by the *Water Management Act 1999.* This legislation was assessed under the LRP gatekeeper requirements, and any restrictions justified in the public benefit.
Waterworks Clauses Act 1952	DPIWE	This Act was reviewed as part of the implementation of the COAG reform agenda for the Australian water industry. It was amended by the *Water Management Act 1999* that was assessed under the LRP gatekeeper requirements and any restrictions were found to be in the public benefit.
Wee Georgie Wood Steam Railway Act 1977	DIER	This Act was repealed by the *Legislation Repeal Act 2000.*
Weights and Measures Act 1934	DOJ	This Act has been repealed and replaced by State-based uniform trade measurement legislation, the *Trade Measurement Act 1999*, which was assessed under the LRP gatekeeper requirements. The restrictions in the 1999 legislation were assessed as being in the public benefit. A national review of trade measurement legislation is nearing completion with stakeholder consultation currently taking place.
Wellington Park Act 1993	DPIWE	A minor review of this Act has been completed. The restrictive provisions were assessed as being in the public benefit as part of the review of the *National Parks and Wildlife Act 1970*.

Table B1: LRP Progress Report as at March 2004 (continued)

Primary Act	Agency	Status
Wesley Vale Pulp and Paper Industry Act 1961	FT	This Act was reviewed as part of the implementation of the COAG reform agenda for the Australian water industry. It was amended by the *Water Management Act 1999* that was assessed under the LRP gatekeeper requirements and any restrictions were found to be in the public benefit.
Whales Protection Act 1988	DPIWE	A minor review of this Act has been finalised and all restrictions justified in the public benefit.
Workers' (Occupational Diseases) Relief Fund Act 1954	DIER	The restriction on competition initially identified was removed by the *Workers Compensation Legislation Amendment Act 1993* on 1 February 1994. This Act was subsequently removed from the LRP timetable.
Workers Rehabilitation and Compensation Act 1988	DIER	The Tasmanian Parliament established a Joint Select Committee to examine the further reform of this legislation. The Committee submitted its final report in May 1998. Minor amendments were recommended, mainly in relation to the design of the scheme. These have been passed by Parliament. In 2000, the NCC subsequently advised that no further review of this legislation was required.
Workplace Health and Safety Act 1995	DIER	The Labour Ministers' Council has undertaken a review of the National Occupational Health and Safety Commission (NOHSC). On 30 May 1997, the Labour Ministers' Council agreed on a new direction for the NOHSC and a new role for the Council in approving any new occupational health and safety standards. The *Workplace Health and Safety Act 1995* is consistent with occupational health and safety legislation in all other jurisdictions and gives effect to Ministerial decisions on national uniformity. Any restrictions in the Act were also addressed by the RIS prepared in relation to the *Workplace Health and Safety Regulations 1998*.
Wynyard Airport (Special Provisions) Act 1982	DIER	This Act was repealed by the *Port Companies Act 1997*.

APPENDIX C

Status of implementation of competitive neutrality principles across Government agencies

This Appendix deals with the status of the implementation of competitive neutrality principles across the Tasmanian Government agencies.

Table C1: Status of implementation of competitive neutrality principles across Government agencies as at 31 December 2003

Agency	Significant Business Activity	Status of implementation of competitive neutrality principles
Department of Primary Industries, Water and Environment	Research Farms and Stations	Research farms and stations are price takers in deregulated markets and enjoy no special arrangements regarding the sale of produce.
	Analytical Services Tasmania	These facilities are price takers in a competitive market that includes both private and interstate facilities. As such, they are subject to market forces and are adhering to competitive neutrality principles.
	Valuation Services	Government Valuation Services now competes by open tender for revaluation and maintenance services to local government. Bids are calculated in accordance with competitive neutrality principles.
Department of Education	Hire of School Facilities	The business activities in relation to the hire of school facilities are limited. The majority of schools and colleges hire out their facilities on a casual or once-off basis and charge a hire fee to recoup costs associated with the hire of the facilities. A small number of schools and colleges are engaged in what may be termed "significant hire activities". This includes certain child care facilities and the operation of student hostels which has been recognised as a SBA by GPOC. These schools generally charge hire fees based on commercial rates, with possible allowance made for facility use out of normal hours, which has positive community and site security benefits.

Table C1: Status of implementation of competitive neutrality principles across Government agencies as at 31 December 2003 (continued)

Agency	Significant Business Activity	Status of implementation of competitive neutrality principles
	Teacher Residences	The Department rents a number of teacher residences to employees in remote locations of Tasmania. The management of the residences has now been devolved to the Department and rentals previously set by the State Government Rental Committee are now determined by the Department. While rentals are based on market valuation, rentals for Departmental employees are generally below this level, taking into account existing tenancy arrangements and also the teacher transfer/employment policy. Teacher residence rental remains the subject of ongoing review.
Department of Premier and Cabinet	*Service* Tasmania	In 1999, the *Service* Tasmania Board undertook a full cost attribution study in accordance with competitive neutrality principles. In the same year, fees for service delivery to external partners (local government, Commonwealth organisations, government businesses and Westpac Banking Corporation) were set to reflect NCP principles, having regard for the social policy objective of extending government services within the reach of rural Tasmania. In 2003, the *Service* Tasmania Board reviewed and updated the schedule of service charges taking account of prevailing market prices.
Department of Infrastructure, Energy and Resources	*Land Transport Safety*	
	Road Safety • conducting safety audits	The Department continues to tender out most of this work and applies the Full Cost Attribution (FCA) model to the remainder of the work carried out internally.
	Vehicle Standards and Compliance • Light vehicle inspections	Fully outsourced.

Table C1: Status of implementation of competitive neutrality principles across Government agencies as at 31 December 2003 (continued)

Agency	Significant Business Activity	Status of implementation of competitive neutrality principles
	Motor Registry Business	
	• Drivers licences and registration	Delivered by *Service* Tasmania.
	• Motor cycle rider training and testing	Fully outsourced to the private sector.
	• Printing and personalisation of Registration Labels	Fully outsourced to the private sector.
	• Registration payments	Over-the-counter payments outsourced to *Service* Tasmania and Westpac.
	• Manufacture of number plates	Fully outsourced to the private sector.
	• Management of mail delivery	Fully outsourced to the private sector.
	• Production of driver licences	Fully outsourced to the private sector.
	• Programming requirements	Fully outsourced to the private sector.
	• Storage and distribution of forms	Fully outsourced to the private sector.
	Roads and Public Transport	
	• Delivery of Roads Program	Operated fully under competitive neutrality principles for all service and works tenders.
	• Collection of Asset Information for Roads	Fully outsourced to the private sector.
	• Collection of Asset Information for Traffic and Bridges	Bridge and traffic data are collected in-house, with FCA applied.
	• Delivery of Public Passenger Transport Services	Outsourced to the private sector.
	• Traffic signal maintenance and operational control	Service provided in-house with FCA applied.
	• Transport Planning studies	Fully outsourced to private sector

Table C1: Status of implementation of competitive neutrality principles across Government agencies as at 31 December 2003 (continued)

Agency	Significant Business Activity	Status of implementation of competitive neutrality principles
	Workplace Standards	
	• Inspection of Hazardous Plant in workplaces	Outsourced to the private sector.
	• Occupational licensing	Occupational Licensing legislation is being drafted. This legislation will replace the *Plumbers and Gas Fitters Registration Act 1951*. The new legislation will ensure uniform and equitable licensing processes which will facilitate a "level playing field" for those in the energy and plumbing industries, thus promoting competitiveness and simultaneously enhancing public safety.
Tasmanian Audit Office	Financial Audits	Competitive neutrality principles have been fully implemented since 1 July 1997.
Department of Economic Development	No SBAs identified.	
Department of Tourism, Parks, Heritage and the Arts	Interstate Tasmanian Travel Centres	The Consumer Direct Distribution Review was completed in June 2000, resulting in the closure of the Canberra, Brisbane and Adelaide Travel Centres and the establishment of a Customer Service Centre to accept phone and Internet enquiries. These activities are not considered to be significant business activities.
	Tasmanian-based travel wholesaling for interstate agents	A full cost attribution study of Tasmania's Temptations Holidays (TTH) has been completed. An appropriate structure for a public benefit test to determine whether the corporatisation of TTH is in the public interest is currently being researched and drafted.
Department of Treasury and Finance	No SBAs identified.	All previously identified SBAs have been outsourced to the private sector.
Department of Police and Public Safety	No SBAs identified	

Table C1: Status of implementation of competitive neutrality principles across Government agencies as at 31 December 2003 (continued)

Agency	Significant Business Activity	Status of implementation of competitive neutrality principles
Department of Justice	Correctional Enterprises	Tasmanian Prison Industries operates in accordance with the Prison Industries Competition and Service Policy. This policy is consistent with the National Code of Practice for the operation of prison industries. The policy requires, amongst other things, that new initiatives in prison industries at least meet identifiable capital and recurrent costs of production and where possible return a dividend, and avoid competing in the public retail market in circumstances where they may dominate or disadvantage private enterprise operations. The operation of Tasmanian Prison Industries was considered in the context of a funding review of the Department of Justice in early 2002. As a result of decisions made following that review, it will continue to operate in accordance with the above general framework. There will be an ongoing focus on ensuring that the industries meet the needs of the Prison Service as well as ensuring that the Tasmanian Prison Industries operate in accordance with the Prison Industries Competition and Service Policy.
Department of Health and Human Services	*Community and Rural Health*	
	Public Health Microbiology	The microbiology unit provides microbiological examination of food and water and the provision of advice to clients. A review of the fees for these services is currently underway to ensure fees are set at full unit costing.
	Adult Rehabilitation Services	In July 2003, the provision of adult rehabilitation services to the public sector was transferred back to the Department of Health and Human Services, following a review of the service provided by the private sector that identified the Department as the preferred supplier.

Table C1: Status of implementation of competitive neutrality principles across Government agencies as at 31 December 2003 (continued)

Agency	Significant Business Activity	Status of implementation of competitive neutrality principles
	Mental Health	The Derwent and Hobart Road Units were closed and the care of ten clients transferred to the non-Government sector through a 'Request or Proposal' process. The result was the delivery of a more cost effective service without a compromise in client service.
	Hospital Services	
	Royal Hobart Hospital	The Royal Hobart Hospital supplies meals to nursing homes and the Police Remand Centre. The meals are charged at agreed rates. Full cost attribution for meal services is currently being evaluated on a statewide basis.
	North West Regional Hospital	The North West Regional Hospital provides store and pharmacy supply functions to the North West Private and Mersey Hospitals. Different prices have been set for each facility – North West Private Hospital is charged the cost of the store item plus 15 per cent handling charge and GST; Mersey Hospital is charged the cost plus an annual charge. Prices will continue to be monitored utilising full cost attribution pricing.
	Launceston Regional Hospital	The Launceston General Hospital provides a variety of items to external consumers. Stores are supplied at cost plus10 per cent and GST. Food services are supplied to nursing homes at full cost attribution rates. Housing is provided to students and assistance has been requested from the Valuer-General to ascertain the correct market value due to the recent rapid price increase in property values. Linen is laundered for a variety of customers. The major linen customers have contracts with the Department; smaller clients are billed as the service is consumed, with all linen laundering prices set at full cost attribution rates. The central sterilising department sterilise a variety of items for external consumers from small medical practices to veterinarians, which are charged at full cost attribution rates. Pharmacy items are provided to external consumers at cost plus 15 per cent and GST.

Table C1: Status of implementation of competitive neutrality principles across Government agencies as at 31 December 2003 (continued)

Agency	Significant Business Activity	Status of implementation of competitive neutrality principles
	Ambulances	The Government has decided: • not to pursue the introduction of ambulance fees for the general public; • not to outsource ambulance service provision; and • to charge fully cost attributed fees for routine patient transport services (PTS) for the few areas where there is a contestable market with a commercial provider of PTS services. The Tasmanian Ambulance Service (TAS) completed a Full Cost Attribution (FCA) model for all classifications of ambulance transport with involvement of KPMG and Treasury in the FCA study. New fees for compensable ambulance transports have been implemented in accordance with the FCA analysis and following new fee regulations. The Subordinate Legislation Committee has endorsed the fee regulations. A public benefit assessment has been completed on the routine PTS in southern Tasmania with external involvement of KPMG. The PTS service will continue to operate as a ring fenced service providing free services to the general public and to all DHHS facilities, and will charge FCA costs for that small area of the market which is contestable (private hospital routine patient transfers). The fees set through the full cost attribution study have been adjusted annually under the Fee Units legislation.

APPENDIX D

Table A4: Environmental flows/water for ecosystems impact matrix and progress against NCC timelines

*Denotes catchments for the establishment of Environmental Water Requirements under Clause 10.6 and Schedule 5 of the Intergovernmental Agreement on a National Action Plan for Salinity and Water Quality between the Commonwealth of Australia and the State of Tasmania

** Denotes catchments for the establishment of Environmental Water Requirements under Attachment 11 of the Bilateral Agreement between the Commonwealth of Australia and the State of Tasmania to deliver the extension of the Natural Heritage Trust

Catchment	Water Development Priority	Water Quality Priority	Water Use Priority	Instream Ecology Priority	Estuary Conservation Status	Industry Priorities	NCC Priority	NCC TIMELINE AND CURRENT STATUS OF PROGRESS
Apsley River	L	6	M	2	High	IRRIGATION	n/a	n/a
Arthur River	L	7	L	5	High		n/a	n/a
Curries River	M		L	5	Degraded	WATER SUPPLY	n/a	n/a
Davey River	L	8	L	5	Critical	WORLD HERITAGE AREA	n/a	n/a
Denison River	L	8	L	5	Moderate	WORLD HERITAGE AREA	n/a	n/a
Flinders Island	L	3	L	5	High		n/a	n/a
Florentine River	M	6	L	5	Moderate	HYDRO-POWER	n/a	n/a
Forth River	H	5	L	5	Degraded	HYDRO-POWER	4	Jun-06
Franklin River	L	8	L	5	Moderate	WORLD HERITAGE AREA	n/a	n/a
Hellyer River	H	7	L	5	High	MINING	n/a	n/a
Henty River	L	7	L	5	High	HYDRO-POWER	n/a	n/a
Huon River	M	4	L	2	Moderate	INDUSTRY	n/a	n/a
Huskisson River	L	7	L	5	Moderate		n/a	n/a
Kermandie River	L	4	L	5	Moderate	INDUSTRY	n/a	n/a
King Island	L	2	M	5	Moderate, Yarra Degraded		n/a	
Lt Henty River	L	7	L	5	Moderate		n/a	n/a
Lune River	L		L	5	Moderate		n/a	n/a
Lyons River	L		L	5	High		n/a	n/a

Catchment	Water Development Priority	Water Quality Priority	Water Use Priority	Instream Ecology Priority	Estuary Conservation Status	Industry Priorities	NCC Priority	NCC TIMELINE AND CURRENT STATUS OF PROGRESS
MacClaines Creek	L		L	3	Degraded	WATER SUPPLY	n/a	n/a
MacIntosh River	L		L	5	Moderate	HYDROPOWER	n/a	n/a
Meredith River	M	6	M	3	Degraded	IRRIGATION	n/a	n/a
Murchison River	L		L	5	Moderate	HYDROPOWER	n/a	n/a
New River	L		L	5	Critical		n/a	n/a
Nile River*	H		M	2	Critical	HYDROPOWER		June 2005
Nive River	L		L	5	Moderate	HYDROPOWER	n/a	n/a
Orielton Rivulet*	M		M	3	Degraded	IRRIGATION		June 2006
Picton River	L	4	L	4	Moderate	WORLD HERITAGE AREA	n/a	n/a
Pieman River	L	7	L	5	Moderate	HYDROPOWER	n/a	n/a
Pipers Brook*	H		M	5	Moderate	IRRIGATION		June 2005
Plenty River	H		M	2	Moderate	IRRIGATION	n/a	n/a
Quamby Brook	H		M	5	Critical	HYDROPOWER	n/a	n/a
Rapid River	L		L	5	High		n/a	n/a
Russell River	M		M	5	Moderate	INDUSTRY	n/a	n/a
Samphire Creek	L	3	L	5	Moderate	IRRIGATION	n/a	n/a
Sandspit River	L		L	3	n/a		n/a	n/a
Savage River	H	7	L	5	Moderate	INDUSTRY	n/a	n/a
Scamander River	L	3	L	2	Degraded		n/a	n/a
Shannon River	H		M	5	Moderate	HYDROPOWER	n/a	n/a
Snug	L	4	L	5	Moderate		n/a	n/a
South East	L		M	5	Moderate		n/a	n/a
Southern Rivers	L		L	5	Louisa River Critical, Cockle Creek Moderate, Remainder High		n/a	n/a
Stanley River	L		L	5	Moderate	WORLD HERITAGE AREA	n/a	n/a
SW Rivers	L		L	5	Mulcahy High, Giblin High, Lewis High, Mainwaring High, Spero High, Hibbs Lagoon High	WORLD HERITAGE AREA	n/a	n/a

Catchment	Water Development Priority	Water Quality Priority	Water Use Priority	Instream Ecology Priority	Estuary Conservation Status	Industry Priorities	NCC Priority	NCC TIMELINE AND CURRENT STATUS OF PROGRESS
Cam River**	H	2	M	1	Badly Degraded	WATER SUPPLY	3	Dec-01 (Completed)
Dee River	L		L	5	Moderate	HYDROPOWER	n/a	Completed
Jordan River*	H		H	1	Moderate	IRRIGATION	4	Dec-02 (Completed)
Rubicon River**	H	5	H	5	Degraded	IRRIGATION	3	Dec-01 (Completed)
Ansons River	L		L	5	Moderate	IRRIGATION	2	Mar-00 (Completed)
Blythe River	H	2	M	2	Degraded	INDUSTRY	3	Dec-01 (Completed)
Boobyalla River*	H		L	5	High	IRRIGATION	2	Mar-00 (Completed)
Brid River*	H	3	H	5	Degraded	IRRIGATION	1	Aug-99 (Completed)
Browns River	L	4	M	5	Moderate	WATER SUPPLY	3	Dec-01 (Completed)
Claytons Rivulet**	H		H	5	Degraded	IRRIGATION		Jun 2005 (Completed)
Clyde River*	H	6	H	1	Moderate	IRRIGATION	2	Jun-00 (Completed)
Coal River*	H	6	H	1	Degraded	IRRIGATION	3	Jun-01 (Completed)
Derwent River below Meadowbank*	M	6	H	5	Moderate	HYDROPOWER WATER SUPPLY IRRIGATION	4	Jun-06 (Completed)
Duck River**	H	2	M	1	Degraded	IRRIGATION	2	Dec-00 (Completed)
Elizabeth River*	H	1	H	5	Critical	HYDROPOWER IRRIGATION	1	Jul-99 (Completed)
Emu River	H	2	M	1	Badly Degraded	INDUSTRY	3	Dec-01 (Completed)
Esperance River	L	4	H	3	Moderate	INDUSTRY	1	
George River	L	3	L	5	Degraded / Moderate	IRRIGATION	2	Mar-00 (Completed)
Gordon River	L	8	H	5	Moderate	HYDROPOWER (BASSLINK)	4	Jun-03 (Completed)
Gt Forester River*	H	3	H	5	Degraded	IRRIGATION	1	Nov-99 (Completed)
Gt Musselroe River	H		L	5	Moderate	IRRIGATION	2	Mar-00 (Completed)
King River	L		L	5	Degraded	HYDROPOWER (BASSLINK)	n/a	(Completed)
Lake River*	H		H	1	Critical	HYDROPOWER IRRIGATION	4	Jun-04 (Completed)
Leven River	H	5	L	1	Badly Degraded	IRRIGATION	3	Dec-01 (Completed)
Liffey River*	H	1	H	5	Critical	HYDROPOWER IRRIGATION	1	Aug-99 (Completed)
Lower Mersey River**	H	5	H	5	Badly Degraded	HYDROPOWER IRRIGATION	2	Mar-00 (Completed)
Lower Ringarooma River*	H	3	M	5	High	IRRIGATION	2	Jun-00 (Completed)

Catchment	Water Development Priority	Water Quality Priority	Water Use Priority	Instream Ecology Priority	Estuary Conservation Status	Industry Priorities	NCC Priority	NCC TIMELINE AND CURRENT STATUS OF PROGRESS
Lt Forester River*	M		M	5	Moderate	IRRIGATION	2	Jun-00 (Completed)
Lt Musselroe River	H		L	5	High		2	Aug-00 (Completed)
Lt Swanport River*	H	6	M	2	Moderate	IRRIGATION	3	Jun-01 (Completed)
Macquarie River*	H	1	H	5	Critical	HYDROPOWER IRRIGATION	1	Dec-99 (Completed)
Meander River*	H		H	5	Critical	HYDROPOWER IRRIGATION	1	
Mountain River**	H	4	H	1	Moderate	IRRIGATION	2	Mar-00 (Completed)
Nichols Rivulet**	H	4	H	5	Degraded	WATER SUPPLY	2	Sep-00 (Completed)
North Esk River*	H	1	H	5	Critical	WATER SUPPLY	1	Aug-99 (Completed)
NW Bay Rivulet**	H		H	2	Badly Degraded	WATER SUPPLY IRRIGATION	3	Mar-01 (Completed)
Pipers River*	H	3	H	5	Moderate	IRRIGATION	1	Aug-99 (Completed)
South Esk River*	H	1	H	5	Critical	HYDROPOWER	1	(Completed)
St Patricks River*	H	1	H	5	Critical	WATER SUPPLY	1	Aug-99 (Completed)
Swan River**	H		H	5	High		3	Jun-01 (Completed)
Tomahawk River*	H		L	5	Moderate		2	Jun-00 (Completed)
Tooms River*	H	1	H	5	Critical	HYDROPOWER	1	Jul-99 (Completed)
Upper Mersey River**	H	5	H	5	Badly Degraded	HYDROPOWER	1	(Completed)
Upper Ringarooma River*	H	4	M	6	High	IRRIGATION	1	Aug-99 (Completed)
Welcome River	H	2	M	1	Moderate	IRRIGATION	3	Dec-01 (Completed)
Inglis River**	M	2	L	1	Badly Degraded	IRRIGATION		Jun-05 (In progress)
Black River	M		L	2	Critical	IRRIGATION	n/a	(In progress)
Detention River	M		L	2	Moderate	INDUSTRY	n/a	(In progress)
Prosser River	L	6	L	2	Degraded	WATER SUPPLY		Jun -04 (In progress)
Flowerdale River**	M	2	L	2	Badly Degraded	IRRIGATION		Jun-04 (In progress)
Ouse River	H	6	H	5	Moderate	HYDROPOWER	4	Jun-06 (In progress)
Montagu River	H	2	M	1	Moderate	IRRIGATION	3	Dec-01 (In progress)
St Pauls River*	H	1	M	3	Critical	HYDROPOWER		Jun-05 (In progress)

Source: DPIWE