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NATIONAL COMPETITION POLICY PAYMENTS TO STATES AND TERRITORIES FOR 2005

The Treasurer today announced that the Commonwealth will make competition payments to the States and Territories (States) totalling approximately \$834.0 million in 2005-06.

The payments follow an independent assessment by the National Competition Council (NCC) of progress by the States in implementing National Competition Policy (NCP) reform commitments.

Significant progress has been made by the States since NCP was agreed to in 1995 and this has resulted in good outcomes for business and consumers. As identified by the Productivity Commission in its inquiry report, *Review of National Competition Policy Reforms*, observed productivity and price changes in key infrastructure sectors in the 1990s, to which NCP and related reforms have directly contributed, have increased Australia's GDP by 2.5 per cent, or \$20 billion.

In 2005 four jurisdictions were assessed as meeting the majority of their obligations and are therefore receiving their full entitlement for 2005-06. These jurisdictions were New South Wales, Victoria, Tasmania, and the Australian Capital Territory.

The estimated maximum level of competition payments available for the 2005-06 year is \$800.3 million. The actual payment of approximately \$834.0 million reflects adjustments for penalties and reimbursements. Reimbursements of 2004-05 suspensions, totalling \$74.5 million, were recommended for certain States in recognition of the progress made in the past 12 months. Permanent deductions of \$40.7 million of 2005-06 payments were agreed to by the Government where obligations remained outstanding.

Permanent deductions were recommended by the NCC for Queensland (\$7.8 million), Western Australia (\$23.8 million) and South Australia (\$9.1 million). No deduction has been applied to the Northern Territory in relation to liquor licensing in view of the fact that the Northern Territory is working to address the significant social and health issues associated with excessive alcohol consumption, and that the restrictions contained in the Northern Territory's legislation are directed at achieving harm minimisation objectives.

This assessment is the final such assessment under the current NCP arrangements. Since NCP payments were first made in 1997-98, and including the payments announced today, the States will have received approximately \$4.9 billion in competition payments. This is in addition to the \$150 billion that the States have received in GST payments since 2000-01.

The Council of Australian Governments (COAG) is currently undertaking a review of NCP, including the NCC's assessment role. Given that COAG is yet to make any recommendation regarding the assessment process beyond 2005, in this assessment the NCC only made penalty recommendations in the form of permanent deductions.

The competition payments are still subject to the assessment of jurisdictions' progress in relation to their water reform obligations. This is to be conducted by the National Water Commission (NWC), in line with the National Water Initiative, rather than the NCC. The NWC will provide its recommendations to the Australian Government in the first half of 2006.

Payments and penalties for 2005-06 (subject to adjustment for changes in CPI, population estimates and for the NWC's assessment) and reimbursements for 2004-05 are:

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2004-05								
Reimbursements	\$26.0m	-	\$30.1m	\$15.4m	\$3.0m	-	-	-
2005-06								
Maximum Available Payments	\$266.5m	\$197.9m	\$156.4m	\$79.4m	\$60.4m	\$19.0m	\$12.7m	\$8.0m
Permanent Deductions	-	-	(\$7.8m)	(\$23.8m)	(\$9.1m)	-	-	-
Actual Payments	\$292.5m	\$197.9m	\$178.7m	\$71.0m	\$54.3m	\$19.0m	\$12.7m	\$8.0m

(Totals may not add due to rounding)

These competition payments are separate from the \$36.7 billion in GST revenue the States will receive in 2005-06.

NCP does not require governments to repeal all restrictions on competition or to deregulate or privatise industries. It requires governments to undertake transparent and rigorous reviews of legislation that restrict competition and to reform those restrictions on competition, except where it would be contrary to the public interest to do so.

Details of the 2005 assessment will be available on the NCC's website (www.ncc.gov.au).

MELBOURNE

15 December 2005