

National Competition Council

**Compendium of National
Competition Policy Agreements**

Second Edition

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Abbreviations

ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
AGA	Australian Gas Association
ARMCANZ	Agriculture and Resource Management Council of Australia and New Zealand
ANZECC	Australian and New Zealand Environment and Conservation Council
ANZMEC	Australian and New Zealand Minerals and Energy Council
APIA	Australian Pipeline Industry Association
APPEA	Australian Petroleum Production and Exploration Association
ATAC	Australian Transport Advisory Council
ATC	Australian Transport Council
BCA	Business Council of Australia
CAB	Coverage Advisory Body
CDM	Coverage Decision Maker
COAG	Council of Australian Governments
CO ₂	carbon dioxide
CPA	Competition Principles Agreement
DC	direct current
EHV	extra high voltage
FAG	Financial Assistance Grants
GRIG	Gas Reform Implementation Group
GTE	Government Trading Enterprise
IPART	Independent Pricing and Regulatory Tribunal (NSW)
IP&RC	Independent Pricing and Regulatory Commission (ACT)

kph	kilometres per hour
kW	kilowatt
MCRT	Ministerial Council for Road Transport
MNC	Multiple Network Corporation
MW	megawatt
NCC	National Competition Council
NCP	National Competition Policy
NECA	National Electricity Code Administrator
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company
NEVDIS	National Exchange of Vehicle and Driver Information System
NGMC	National Grid Management Company
NGPAC	National Gas Pipelines Advisory Committee
NRTC	National Road Transport Commission
NSW	New South Wales
NT	Northern Territory
ORG	Office of the Regulator General (Vic)
PRRT	Petroleum Resource Rent Tax
QCA	Queensland Competition Authority
QLD	Queensland
SA	South Australia
SPPs	Special Purpose Payments
TAS	Tasmania
TER	tax equivalent regime
TPA	Trade Practices Act 1974
VIC	Victoria
WA	Western Australia
WACC	weighted average cost of capital

Introduction

In April 1995, all Australian governments reached agreement on a National Competition Policy (NCP) for Australia. Three intergovernmental agreements underpin the NCP:

- the Competition Principles Agreement (CPA);
- the Conduct Code Agreement; and
- the Agreement to Implement the National Competition Policy and Related Reforms (Implementation Agreement).

The three agreements outline the reforms which governments undertook to put in place under the NCP process. ‘Related’ reforms in the electricity, gas, water and road transport industries also form part of the NCP package. Reforms in these areas have been agreed at several recent meetings of the Council of Australian Governments (COAG) and of Heads of Governments and Premiers and Chief Ministers.¹ For some reform areas, agreements reached by interjurisdictional bodies such as Ministerial Councils are also relevant.

This document reproduces the three agreements and relevant extracts of agreements reached by COAG and other inter-jurisdictional bodies.

Some background - a national approach to microeconomic reform

Over the past decade, microeconomic reform issues have been at the forefront of the economic policy agendas of all spheres of government. Landmark decisions in the early 1980s to float the currency, deregulate financial markets and systematically reduce trade barriers helped to establish a more flexible and outward looking economy. These reforms in turn revealed other priorities, leading governments to focus on a range of matters including, for example, the performance of their business enterprises, the harmonisation of regulations among jurisdictions and the creation of competitive national energy markets.

¹ Outcomes of meetings are reported in Communiqués, which are the public account of key discussions and agreements released following each meeting.

Increasingly, governments saw a benefit in adopting a nationally coordinated approach to reform, and the annual and biannual meetings of COAG became a key mechanism. The meetings of COAG and Heads of Governments since October 1990 are listed in the table below.

Meetings of Heads of Australian Governments since October 1990

<i>Meeting</i>	<i>Venue</i>	<i>Date</i>
Special Premiers' Conference	Brisbane	30-31 October 1990
Special Premiers' Conference	Sydney	30 July 1991
Premiers and Chief Ministers	Adelaide	21-22 November 1991
Heads of Government	Canberra	11 May 1992
Council of Australian Governments	Perth	7 December 1992
Council of Australian Governments	Melbourne	8-9 June 1993
Council of Australian Governments	Hobart	25 February 1994
Premiers and Chief Ministers	Sydney	29 July 1994
Council of Australian Governments	Darwin	19 August 1994
Premiers and Chief Ministers	Melbourne	25 November 1994
Leaders' Forum	Adelaide	24 February 1995
Council of Australian Governments	Canberra	11 April 1995
Leaders' Forum	Brisbane	3 November 1995
Leaders' Forum	Adelaide	12 April 1996
Council of Australian Governments	Canberra	14 June 1996
Leaders' Forum	Melbourne	27 September 1996
Council of Australian Governments	Canberra	17 November 1997

Governments created the vision for a national approach to competition policy reform in October 1992 when they established an independent Committee of Inquiry into a National Competition Policy for Australia. The Committee, which became known as the Hilmer Committee after its chairperson, made recommendations in six policy areas:

- extension of the reach of the Trade Practices Act 1974 (TPA) to unincorporated businesses and State and Territory government businesses;
- extension of prices surveillance to State and Territory government businesses to deal with those circumstances where all other competition policy reforms had proven inadequate;

- application of competitive neutrality principles so that government businesses do not enjoy a competitive advantage simply as a result of public sector ownership;
- restructuring of public sector monopoly businesses;
- reviewing all legislation which restricts competition; and
- providing for third party access to nationally significant infrastructure.

The three April 1995 competition policy agreements committed governments to reforms broadly in line with the Hilmer recommendations, and to changes in the electricity, gas, water and road transport industries which had been previously agreed by governments. These agreements are reproduced in Part 1.

Under the Implementation Agreement, the Commonwealth Government undertook to make on-going National Competition Policy payments (NCP payments) to each State and Territory over the period 1997-98 to 2005-06, subject to that State or Territory making satisfactory progress against their NCP and related reform obligations. NCP payments are to be made in three tranches: prior to July 1997, July 1999 and July 2001, the NCC assesses whether each State or Territory has met the conditions for the payments to commence. There are two components to the NCP payments: a guarantee to maintain the real per capita value of the Financial Assistance Grants (FAG) pool available to each State and Territory and an indexed competition payment.

In several areas, the reforms compiled in the April 1995 competition policy agreements have been augmented by subsequent COAG and Heads of Governments meetings. The Communiqués of these meetings provide the detail of the reform obligations against which the NCC assesses progress. Part 2 of this document reproduces extracts from Communiqués which are relevant to NCP and related reform matters. For completeness, Part 2 also provides details of decisions relevant to the overall NCP program taken by other inter-jurisdictional bodies such as Ministerial Councils. However, these do not form part of the formal assessment framework.

State and Territory policy statements

As a first step in the NCP reform process, all governments published two policy statements covering competitive neutrality reform and the application of the

competition principles to local government.² Each government also developed a timetable for the review and, where appropriate, reform of legislation that restricts competition by the year 2000.

All governments provided their policy statements and review timetables to the NCC in accordance with the competition policy agreements. All statements are publicly available documents and can be obtained from the relevant government. Contact details are provided at Appendix A.

Progress with implementing National Competition Policy and Related Reforms

The CPA requires each government to report annually to the NCC on progress with implementing their legislation review and competitive neutrality programs. State and Territory governments provided their first reports to the NCC in March 1997. These reports covered all aspects of their progress with NCP, including in relation to local government and the infrastructure reforms. The reports can be obtained from the relevant government.

Based primarily on governments' policy statements and annual reports, the NCC conducted an assessment of the progress achieved by each government, as required under the Implementation Agreement. On 30 June 1997, the NCC provided its assessment and the related recommendation on NCP payments to the Commonwealth Treasurer.

The NCC recommended that each State and Territory receive all of the first (1997-98) component of their initial tranche of NCP payments, but that the second (1998-99) component be subject to assessment by the NCC, prior to July 1998, of first tranche matters for each jurisdiction which the NCC had identified as unresolved in its June 1997 assessment. The Treasurer agreed with the Council's recommendation. Some \$403 million in NCP payments was allocated to States and Territories in 1997-98, as shown in the table below.

² Local government policy statements are not required from the Commonwealth and ACT Governments as these jurisdictions have no local government sphere.

**Payments to States and Territories under the
National Competition Policy, 1997- 98 (\$million)**

	Real per capita growth in FAGs pool	Competition payment	Total
New South Wales	56.4	72.3	128.7
Victoria	41.4	53.0	94.3
Queensland	36.4	39.4	75.8
Western Australia	18.4	20.8	39.2
South Australia	18.0	17.0	35.0
Tasmania	7.5	5.4	12.9
ACT	2.8	3.6	6.4
Northern Territory	9.4	2.2	11.6
Total	190.3	213.6	403.0

Source: Commonwealth Treasury

As a party to the NCP agreements, the Commonwealth Government must also provide annual reports on progress with legislation review and competitive neutrality, although there are no NCP payments linked to the Commonwealth's performance.

The NCC will make its second tranche assessment of progress with implementation and recommendations on NCP payments prior to July 1999, and the third tranche assessment prior to July 2001.