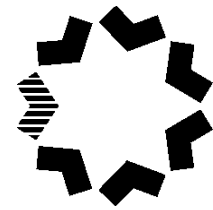


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MEDIA RELEASE

15 December 2005

National Competition Council calls for renewed commitment to economy-wide reform

*Release of 2005/06 assessment of governments' progress in implementing
the National Competition Policy and related reforms*

The Australian Government Treasurer has today released the National Competition Council's (NCC) 2005 assessment of governments' progress in implementing the National Competition Policy (NCP) and related reforms. This report is the Council's final assessment under the pro-competitive NCP reform program that the Council of Australian Governments (COAG) established in 1995.

Under the NCP the Council's role is to independently assess, and report publicly on, the progress of all Australian governments in implementing the pro-competition reforms those governments committed to in 1995. The Council's first assessment was in 1997.

The NCP commitments required all governments to, among other things: increase competition in key infrastructure services such as the gas, electricity and road transport sectors; improve the operation of the water sector; ensure competitive neutrality between competing private and government businesses; and review legislation restricting competition in order to prove that legislation is in the public interest. Governments agreed that legislation not demonstrated to be in the public interest would be reformed.

In some instances, where state and territory governments have not met their obligations under the NCP, the Australian Government has reduced annual competition payments to those jurisdictions in line with the Council's recommendations.

Up to 2003-04, approximately 97 per cent of the \$3.5 billion in available competition payments has been paid to state and territory governments. This recognises the considerable progress made in implementing their reform commitments.

The 2005 assessment, released today, sees the Council recommending that most of the 2004-05 competition payments that were suspended following the previous (2004) assessment be released. The Council is recommending that around 95 per cent of 2005-06 competition payments be paid.

The assessment, accessible from www.ncc.gov.au, also recommends that some competition payments be withheld from Queensland, Western Australia, South Australia and the Northern Territory. The deductions relate to a range of matters where these governments have not met their NCP commitments (see fact sheet –

'National Competition Council's recommendations on 2005-06 competition payments and suspended 2004-05 competition payments').

The case for ongoing reform

This economy-wide reform programme has greatly contributed to Australia's enviable economic performance over the past decade.

The Productivity Commission has conservatively estimated that a subset of National Competition Policy reforms up to the year 2000 contributed 2.5% of Australia's GDP growth, or \$20 billion.

National Competition Council Acting President, Mr David Crawford, said today's release of the Council's final assessment was a timely reminder of the contribution NCP has made to Australia's economic prosperity over the last ten years.

"National Competition Policy reform has delivered real benefits to Australia, in the form of greater economic efficiency, increased international competitiveness, lower prices for goods and services and better choice. The Productivity Commission estimates NCP has contributed to the highest productivity growth rates in forty years, boosting average Australian household incomes by \$7000," said Mr Crawford

"However the world is not standing still. As COAG recognises, Australia must maintain the momentum generated through NCP by embarking on a new and comprehensive reform program if we are to continue enjoying strong economic performance.

"NCP shows that economic reform delivers the greatest benefits when it is guided by an economy-wide perspective, rather than narrowly focused on a handful of industries or sectors," said Mr Crawford.

Preserving the gains

In 1996 governments identified around 1800 pieces of legislation and scheduled these for review under the NCP. By June 2005, governments had reviewed and, where appropriate, reformed around 85 per cent of this legislation.

Preserving the hard-won economic gains of the NCP reforms necessitates that all governments also test new legislation to ensure restrictions on competition are in the public interest.

Such 'gatekeeping' mechanisms, whereby new legislation is reviewed before being passed into law, ensures that the proven and ongoing benefits of completed reforms are locked in. Without suitable gatekeeping mechanisms, there is a risk that vested interests will exert undue pressure on governments to implement regulation restricting competition that favours them rather than addresses the interests of the whole community.

While the Council's assessments have found that all jurisdictions have gatekeeping mechanisms that in principle meet their NCP commitments, it has reservations about whether all gatekeeping process are delivering appropriate outcomes in practice.

“The Council urges governments to ensure that they protect the gains of the last 10 years by ensuring their gatekeeping mechanisms are sufficiently independent to genuinely assess the quality of proposed new regulations,” said Mr Crawford.

“Gatekeeping mechanisms should be effective in ensuring that new regulation meets governments’ objectives without unnecessarily restricting competition or otherwise generating avoidable efficiency costs,” he said.

Succeeding in the future

It has been acknowledged both internationally, and in Australia, that the NCP has played a significant role in improving Australia’s economic performance and increasing living standards. This success has been underpinned by:

- ❑ A reform agenda, agreed by all Australian governments, guided by an economy-wide perspective rather than focused on a handful of ‘reform silos’
- ❑ An independent body, in the National Competition Council, to publicly report on governments’ progress in implementing agreed reforms
- ❑ Incentives (competition payments) for governments to implement agreed reforms

“Economic reform is politically difficult and this is precisely why an independent assessment body is needed,” said Mr Crawford.

“Independent and public reporting of governments’ progress in implementing agreed reforms ensures the public interest remains paramount, as opposed to sectional interests.

“Furthermore, an independent body can objectively advise on the allocation of incentives to governments for implementing reform. A recent OECD report concluded that *‘reform (in Australia) would have been far slower and less comprehensive without competition payments’*,” said Mr Crawford.

As COAG considers the next wave of economic reform within Australia, Mr Crawford called for a renewed commitment to the principles that have underpinned Australia’s economic prosperity of the past 10 years.

“There is much still to be done in terms of raising productivity in the Australian economy and thereby delivering the benefits of increased living standards,” said Mr Crawford.

“A new economy-wide reform agenda - supported by an independent body with the power to advise on incentives for reform compliance - is needed, for Australians to retain the living standards associated with strong economic performance,” said Mr Crawford.

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See also:

Summary of Council’s recommendations on 2005-06 competition payments and suspended 2004-05 competition payments

For further information:

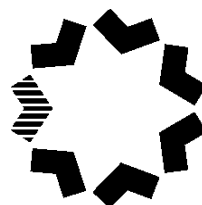
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Fact Sheet

15 December 2005

National Competition Council's recommendations on 2005-06 competition payments and suspended 2004-05 competition payments

Table : Council's recommendations on 2005-06 competition payments and suspended 2004-05 competition payments^a

	<i>Decision by the Australian Government on 2004-05 payments</i>	<i>Council's recommendations for suspended 2004-05 payments</i>	<i>Council's recommendations for 2005-06 payments</i>
New South Wales			
Rice marketing legislation <i>Assessment page reference: 11.3 – 11.9</i>	5% suspension	Release suspended funds in full ^b	na ^b
Chicken meat industry legislation <i>Assessment page reference: 11.2</i>	5% suspension	Release suspended funds in full	na
Queensland			
Full retail contestability electricity reforms <i>Assessment page reference: 6.8 – 6.9</i>	15% suspension	Release suspended funds in full	na
Full retail contestability gas reforms <i>Assessment page reference: 7.8 – 7.9</i>	5% suspension	Release suspended funds in full	na
Regulation of liquor sales <i>Assessment page reference: 13.11 – 13.12</i>	5% permanent deduction	na	5% permanent deduction
Western Australia			

--- more ---

Structural electricity reforms <i>Assessment page reference: 6.12 – 6.15</i>	15% suspension	Release suspended funds in full	na
Retail trading hours regulation <i>Assessment page reference: 14.29 – 14.31</i>	10% permanent deduction	na	10% permanent deduction
Regulation of liquor sales <i>Assessment page reference: 14.31 – 14.32</i>	5% permanent deduction	na	5% permanent deduction
Regulation of potato marketing <i>Assessment page reference: 14.5 – 14.7</i>	5% permanent deduction	na	5% permanent deduction
Outstanding legislation review items <i>Assessment page reference: p. xxxi</i>	15% pool suspension	Release 5%; permanently deduct 10%	10% permanent deduction
South Australia			
Regulation of liquor sales <i>Assessment page reference: 15.16 – 15.17</i>	5% permanent deduction	na	5% permanent deduction
Barley marketing arrangements <i>Assessment page reference: 15.1 – 15.2</i>	5% suspension	5% permanent deduction	5% permanent deduction
Outstanding legislation review items <i>Assessment page reference: p. xxxiii</i>	10% pool suspension	Release 5%; permanently deduct 5%	5% permanent deduction
Northern Territory			
Regulation of liquor sales <i>Assessment page reference: 18.10 – 18.12</i>	5% permanent deduction	na	5% permanent deduction ^c

^a The Australian Government applied a range of reductions (permanent deductions and suspensions) to governments' 2004-05 competition payments. In this 2005 NCP assessment, the Council has made recommendations on whether some or all of the suspended 2004-05 payments should be released, in addition to recommendations relating to reductions in governments' 2005-06 competition payments. ^b As New South Wales enacted proposed reforms to rice marketing arrangements on 16 November 2005 (after the Council provided its report to Heads of Government), the Council recommended release of the suspended 5 per cent of 2004-05 competition payments and payment in full of 2005-06 competition payments. ^c The Australian Government did not accept the Council's recommendation for a 5 per cent deduction to the Northern Territory's 2005-06 competition payments for noncompliance with NCP obligations in relation to the regulation of liquor sales.