AUSTRALIAN CAPITAL TERRITORY

ANNUAL PROGRESS REPORT ON IMPLEMENTING NATIONAL COMPETITION POLICY REFORMS IN THE AUSTRALIAN CAPITAL TERRITORY FOR THE PERIOD TO 31 DECEMBER 1998.

May 1999

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ANNUAL REPORT OF PROGRESS ON IMPLEMENTING NATIONAL COMPETITION POLICY REFORMS IN THE AUSTRALIAN CAPITAL TERRITORY (ACT)

FOR THE PERIOD TO 31 DECEMBER 1998.

Background

The Annual Reporting requirement

The Competition Principles Agreement signed by the Commonwealth, States and Territories in April 1995 obliges the parties to report annually on the implementation of clauses 3 and 5 of the Agreement, addressing competitive neutrality and legislation review. In addition, there is an annual reporting requirement in respect to implementation of the related reforms in electricity, gas, water and road transport, according to the COAG reform framework or its agreed modifications.

The ACT, together with the other parties to the agreements, have twice reported to the National Competition Council (NCC). The initial report in 1997 referred to the period ending 31 December 1996 and was the basis for the assessment of the first tranche of competition payments that commenced in July 1997. In 1999 the annual report to 31 December 1998 will form the basis of the assessment of the second tranche of competition payments, which are due to commence from 1 July 1999.

Matters for consideration in the third annual report

The ACT met its commitments in the first tranche, with the exception of several minor matters that have subsequently been addressed. Those matters have been signed off in the second annual report, but they will be the subject of brief comments in the body of this report. The report will also deal with other matters addressed in the National Competition Policy Agreements and the related energy and transport reforms:

- the application of the *Trade Practices Act 1974*;
- restructuring monopolies, or near monopolies;
- competitive neutrality including allegation of non-compliance;
- legislation review;
- access to infrastructure;
- prices oversight and the regulatory role in general; and
- energy market and road transport reform.

Requirements of the second tranche assessments

The second tranche of competition payments is to be assessed on the basis of the conditions laid out in the *Agreement to Implement the National Competition Policy and Related Reforms*. The agreement states that:

> *"Payments under the second tranche of the Competition Payments will commence in 1999-2000 and be made to each participating State as at the date of the payment and depending upon:*
>
> *(i) that State continuing to give effect to the Competition Policy Intergovernmental Agreements including meeting all deadlines;*
>
> *(ii) effective implementation of all COAG agreements on:*
>
> ⇒ *the establishment of a competitive national electricity market,*
>
> ⇒ *the national framework for free and fair trade in gas, and*
>
> ⇒ *the strategic framework for the efficient and sustainable reform of the Australian water industry; and*
>
> *(iii) effective observance of road transport reforms."*

In the attachment to the Agreement, the conditions for the payment of the second tranche was augmented as follows:

> *"Payments under the second tranche will commence in 1999-2000, and be made each year thereafter to the States and Territories that have undertaken the following specific reforms by July 1999 in so far as they apply to them:*
>
> - *(for relevant jurisdictions) completion of the transition to a fully competitive National Electricity Market by 1 July 1999;*
> - *(for relevant jurisdictions) full implementation of free and fair trading in gas between and within the States including the phasing out of transitional arrangements in accordance with the schedule to be agreed between the parties;*
> - *implementation of the strategic framework for the efficient and sustainable reform of the Australian water industry and the future processes as endorsed at the February 1994 COAG meeting and embodied in the Report of the Expert Group on Asset Valuation Methods and Cost-Recovery Definitions, February 1995;*
> - *continuing observance of the agreed package of road transport reforms; and*
> - *meeting all obligations under the Competition Policy Intergovernmental Agreements."*

Second tranche assessment issues raised by the National Competition Council

In November 1998, the NCC circulated a paper to jurisdictions providing guidance on the matters that the NCC would consider in the course of the assessments, including issues considered by the NCC to be outstanding from the previous assessment. The paper 'Framework for the National Competition Policy Second Tranche Assessment: June 1999' identified the following first tranche issues as ones which the ACT should address in the context of the second tranche assessment:

- Legislation reviews: provide information on the *Animal Welfare Act 1992*, *Casino Control Act*, *Gaming Machine Act*, *Legal Practitioners (Amendment) (No 3) Act 1997*, and *Milk Authority Act 1971* to confirm that amendments satisfy the requirements of clause 5 of the Competition Principles Agreement (CPA);

- Structural reform; confirm that the review of ACTTAB and the proposed sale of ACTEW have appropriately addressed the obligations of clause 4 of the CPA; and

- Competition Code issues: identify all legislation falling under clause 2(3) of the Competition Code Agreement and confirm that notification was provided to the Australian Competition and Consumer Commission (ACCC) in relation to that legislation.

The related reforms in electricity, gas, water and road transport had no outstanding issues, but there are a number of reform objectives that have to be met to show satisfactory progress in respect to the related reforms. Information on those matters is provided in the text.

Issues outstanding from the first tranche assessments

Trade Practices Act compliance

In accordance with the obligation in the Conduct Code Agreement, the ACT passed the *Competition Policy Reform Act 1996*. The Act required that all businesses in the ACT, including government businesses, be subject to the *Trade Practices Act 1974* (TPA). The Conduct Code Agreement also required that the parties review legislation to identify instances where the exemptions under s51 of the TPA might be required. s51 provides for exemptions from the provisions of the TPA for government activities that would, other than for the application of the exemption, contravene the TPA.

Agencies have reviewed all legislation and have advised that with one exception there are no instances where behaviour is authorised that would contravene the TPA, and therefore would require an exemption under s51. The exception is the *Milk Authority Act 1971*, which authorised exclusive arrangements in respect to the home vending and wholesale distribution of milk, and price control by a government business entity. Specific legislative recognition was given to these arrangements in June 1998, with effect for six months, pending the outcome of the recommendations of the review of the Milk Authority Act. The exemption was advised to the ACCC by July 1998 as

required by the Agreement. An extension to the exemption, for home vending only, was agreed by the ACT Legislative Assembly early in 1999, recognising the continued need for transitional protection of the home vending arrangements until they expire in June 2000. All agencies continue to examine new legislation to identify TPA issues, and to provide specific legislative relief where appropriate.

Structural reform of monopolies

The Competition Principles Agreement requires that before monopolies are restructured that they are reviewed to ensure that there is separation of service and regulatory functions, clear management and accountability frameworks, identification of subsidies and appropriate treatment of community service obligations. During 1998, two monopolies, ACTEW and ACTTAB, were reviewed preparatory to the government considering the benefits of their privatisation. Scoping studies were commissioned in respect to each business. These were to determine the public benefit to a sale and to make recommendations both as to the most appropriate structure of the business leading into a possible sale, and what approach to sale would maximise the return to the community from a restructuring of the businesses, including whole or partial sale of the assets.

Although the ACTEW sale proposal eventually failed to gain the support of the Legislative Assembly a number of issues were raised in the course of the scoping study which remain unaffected by the rejection of the government's recommendations on the sale and franchising arrangements for ACTEW. The principal benefit to arise from the process is a major review of the regulatory arrangements for utilities in the ACT. As part of the scoping study, the Government published a statement of regulatory intent for utilities in the ACT.

Following considerable debate and consultation in both the Legislative Assembly and the community, the government authorised the bringing forward of legislative amendments which will restructure the regulation of utilities services. While the original intention of the regulatory changes was to focus on the provision of electricity and water services, including sewerage services, the scope for the framework has broadened to include the provision of gas services. Concomitantly, the legislative amendments for utility services will encompass other amendments aimed at broadening the regulatory powers of the independent pricing and access regulator, the Independent Pricing and Regulatory Commission (IPARC). The amendments to IPARC designed to achieve a broader regulatory focus in the ACT are addressed separately later in this report.

Legislation reviews

Animal Welfare Act 1992

The Legislative Assembly passed amendments to the *Animal Welfare Act 1992* and the *Food Act 1992*, in September 1997. The amendments were intended to prohibit the sale in the ACT of eggs produced under the battery cage system, and amendments to

the provision relating to labelling such that consumers would be aware that eggs for sale were produced under the battery cage system. However, to be effective the legislation required an exemption under the *Mutual Recognition Act 1992* (MRA).

The granting of an exemption from the effect of the MRA, by including battery eggs in the schedule of exempt goods under the MRA, requires that all other jurisdictions unanimously agree to the exemption and that there be a demonstrable net benefit to the exemption. The Government commissioned the Productivity Commission to undertake a public benefit test, the results of which indicated an inconclusive preponderance of benefit over cost. Subsequently, the government approached the other jurisdictions seeking approval of an exemption, for which unanimous agreement was not obtained. The legislation is therefore devoid of effect, although it remains on the statute book.

The labelling issue is not subject to the same tests and would not apply equally to suppliers outside the ACT and the sole domestic egg supplier. Mutual recognition would ensure that 'foreign' producers would not be required to undertake additional labelling to satisfy ACT laws. The ACT producer may be subject to labelling regulations requiring disclosure of the production of the eggs by the battery cage method, consumers would then be in a position to make an informed decision about purchasing. This arrangement is consistent with the competition policy.

Review of Casino Legislation

In the first tranche assessment the NCC indicated an interest in legislation in the states that provided monopoly licenses for private sector operators of casinos. The Council did not consider the issue of casino licenses as part of the satisfactory compliance with the requirements of the first tranche. It is assumed this was partly, because the states had clearly indicated that casino licenses in their view represented a net benefit in terms of the control of gambling in their jurisdictions. Casino licenses also represent a significant issue for the states for other reasons. Principally that they involve considerable revenue for government. As a consequence unravelling established legislative contractual arrangements would represent a significant risk of compensation and loss of commercial reliability that would put future government dealings at risk.

In the ACT, the 20-year monopoly casino license arrangement was reviewed in the context of the review of gambling legislation, with no recommendation that they be reconsidered. While the control of gambling has been the subject of reform, with the development of the more comprehensive gambling authority, the license arrangements have not been re-evaluated. It is clear from a reading of the report of the Legislative Assembly Select Committee on Gambling that growth in the number of casino facilities, or the creation of a more accessible and less regulated gambling market in the ACT, would be undesirable until there is greater certainty about the social impacts of gambling in the community. It is also unlikely that, given the size of the ACT market, new participants would seek access to the market.

The ACT considers itself to reflect views common among the states in respect to the maintenance of monopoly licensing arrangements for casinos, and in relation to the

assessment of net public benefits inherent in restricted market entry. On the question of assessing the public benefit to maintaining restrictions on market entry, the public processes undertaken by the Legislative Assembly Select Committee, and the review processes undertaken independently by government, provide a satisfactory public benefit test about the disbenefits of a more open market for casino gambling in the Territory.

Gaming Control Act, Gaming Machine Act

Allen Consulting Group was contracted in April 1998 to review legislation relating to the gambling in the ACT, with a specific focus on gaming machines. The terms of reference for the review drew attention to the requirements of subclauses 5(1) and 5(4) of the CPA. The legislation specifically mentioned in the context of the review were:

- *Casino Control Act 1988*;
- *Games Wagers and Betting-Houses Act 1901 (New South Wales)* (in its application in the Territory);
- *Gaming and Betting Act 1906 (New South Wales)* (in its application in the Territory;
- Gaming Machine Act 1987);
- *Lotteries Act 1964*;
- *Pool Betting Act 1964*; and
- *Unlawful Games Act 1984.*

The reviewer was asked specifically to address:

- the social and economic impact of gambling in the ACT community;
- the streamlining of gambling regulation in the Territory, and the enforcement of such legislation;
- options for the most appropriate regulatory structure for the industry; and
- the effect on the Territory's revenue of any proposed changes.

It was clear that while the review was to consider gambling in a social and economic sense its focus was on gaming machines, as the largest share of the gambling market in the ACT. In the review process a wide spectrum of gambling facilities operators were consulted, including ACTTAB and the racing industry. However, as indicated, the review recommendations concentrated on the gaming machine sector. It is also important to recognise that the review was undertaken in the context of a concern in the Legislative Assembly about the extent and social impact of gambling in the community. The Assembly enacted legislation to place a cap on the distribution of additional gaming machines in the Territory, pending the outcome of a review by a Select Committee of the Legislative Assembly.

The final report was delivered in July 1998 and referred, by the Government, to the Select Committee for consideration. The Select Committee has reported, with recommendations affecting the recommendations of the Allen Consulting Group report. The Government is considering its response to the Allen Consulting Group report in the context of the Select Committee's views on gaming machine regulation. The Government's response is not a subject of this report. It will be reported in the annual report for the period to 31 December 1999. A separate advice on the issues raised will be provided when the Legislative Assembly has had an opportunity to debate the Government's proposals.

The Select Committee and the Government are also aware that the Commonwealth, through the Productivity Commission, is reviewing the social impacts of gambling. That review may generate recommendations about the benefits of competition in the gaming industry that the Government may wish to have regard to. The combination of the recommendations of the Select Committee, the Allen Consulting Group report and the Commonwealth review may also address the difficult issues about whether access to gaming machines should be more freely available through hotels and not restricted to licensed clubs.

While the bulk of the Allen Consulting Group's recommendations are yet to be determined by Government, Government has agreed to establish a new regulatory body for the gambling industry. The report recommended that the new independent regulator subsume the existing Casino Surveillance Authority. The regulator would have responsibility for the collection of gambling tax revenue, licensing of gambling facilities, operators and employees, and facilitation, monitoring and enforcement of a voluntary industry code of practice for gambling.

The review of the gambling legislation is seen as complying with the requirements of clause 5 of the CPA. It meets the commonly held standards for legislation reviews in relation to the independence of the reviewer, the robustness of the process including extensive public consultation and the potential for the reform process to implement the recommendations of the report.

Legal Practitioners (Amendment) (No 3) Act 1995:

The NCC has asked for information on several aspects of reform of the legal profession in the ACT, and similarly of other jurisdictions. In particular the NCC sought information on the professional indemnity insurance arrangements in the ACT for the legal profession. The issue of legal indemnity insurance is complex, involving a balancing of the potential price benefits of introducing competition and the impacts on high risk areas of legal practice. The review of structural and disciplinary arrangements for practitioners commenced in 1998 and is the subject of a paper to be released shortly. The review of other aspects of the profession, including professional indemnity insurance will be commenced in 1999.

In the meantime the ACT has taken the opportunity afforded by minor amendments to the Legal Practitioners Act to increase competitiveness in this market. The ACT has a second approved insurance provider and premiums have reduced as a result. The

degree of competition in the provision of indemnity insurance for the legal profession in the ACT compares favourably with the level of competition in other jurisdictions.

The legislation providing for these amendments was intended as an interim measure pending a full competition policy review of the legal profession, which has commenced in the ACT. The review will be undertaken in stages. Structural and disciplinary arrangements for practitioners were reviewed in 1998, and other aspects will be reviewed in 1999, including professional indemnity insurance.

Milk Authority Act 1971

The *Milk Authority Act* was reviewed in 1998. The review was conducted by the Department of Urban Services using a reviewer external from the Department although not external to Government. The review made recommendations on reform of the milk industry that considered the costs and benefits of reform to the community as a whole. The review outcomes paralleled external changes in the market before being implemented.

National Foods Milk Limited entered the retail milk market in competition with Capitol Chilled Foods (Australia) Pty Limited, using milk processed outside the ACT. National Food's entry to the market effectively deregulated the retail market, which has seen little long term impact after an initial period of marketing competition. Competition in the market has not impacted adversely on consumers, who are paying similar prices for retail milk. There is greater choice in products for consumers.

Implementation of reforms arising from the *Milk Authority Act* review began late in 1998. The Government agreed to reforms which aimed at:

- maintaining regulation of the wholesale and retail prices for milk;
- separating the regulatory and commercial functions of the Milk Authority; and
- reforming the home vending arrangements.

Home vendors are licensed with exclusive access to geographic franchises. The reforms aim to rationalise zones and expand business opportunities for home delivery services to consumers.. The reforms are to be phased over the period to 30 June 2000. At present, the Milk Authority is responsible for the purchasing and sale contracts for raw milk. The Authority has no regulatory functions in respect to the market and its management of purchase contracts will expire in June 2000.

The Government, through the Milk Authority, will retain its interest in the marketing asset, the brand name 'Canberra Milk', which has significant market penetration and customer loyalty. The licence was leased to Capitol Chilled Foods (Australia) Pty Ltd in 1999.

Further reform is anticipated during 1999, as contracts wind up and vendors move to a more independent distribution role, facilitated by changes to public health legislation to permit carriage of products other than milk and dairy products.

The Government considers that the review has been effective in delivering reforms, and encouraging change in the delivery of milk to consumers. Future changes are anticipated to have distribution of dairy products combined with a wider variety of compatible products. Prices for retail milk will be regulated for several years, pending the operation of a robust market. The price regulation function will be transferred to the Independent Pricing and Regulatory Commission (IPARC). Wholesale prices will also be considered by IPARC. By 2000 the ACT milk market should be fully deregulated.

Second tranche assessment issues

Trade Practices compliance

Most agencies have prepared TPA compliance manuals and instituted TPA awareness training for officers and management. The Practices and Procedures Manual, a whole-of-government policy paper prepared by the Legal policy Division of the general's Department sets out the need and elements of a TPA compliance Program.

As recommended by the manual, most Departments have implemented the following elements of their departmental trade practices compliance program:

- an identified Trade Practices Compliance Officer;
- a liaison network of compliance officers;
- reference material;
- training; and
- ongoing monitoring of activities and legislation.

For example, the Chief Minister's Department and the Department of Urban Services have used external consultants for training programs for staff, and to assist in the preparation of the agencies' manuals. The Chief Minister's Department training program to date has involved eight sessions and a total of 126 people. Within the Department of Urban Services, seventy officers have attended half-day training sessions including a number of senior executives. Similarly, the Department of Education and Community Services has completed its manual and instituted a training program for staff and management, and is addressing specific compliance issues in their businesses including the Canberra Institute of Technology, the Erindale Leisure Centre and the International Education Unit. The Departments of Justice and Community Safety and the Department of Health are currently co-ordinating their TPA training programs.

Competitive neutrality

Competitive neutrality is being applied in all commercial transactions where there is competition between a government business and another market participant. Taxation equivalents (TERs)continue to be applied to large scale businesses and progressively introduced to a wider range of businesses. Territory Owned Corporations pay income

or wholesale sales tax or TERs and Territory taxes and charges. Many larger authorities are now also subject to TERs. The application of TERs to small businesses that are embedded in Departments is more difficult to accomplish, but is to be pursued over the next twelve months. The Government's policy, announced in the competitive neutrality statement in 1996, clearly sees benefits in subjecting all businesses to market disciplines and reflecting the full cost of service provision.

Debt guarantee fees were imposed on all businesses under the Government's competitive neutrality policy. While fees have been levied since 1996, they have been levied on a generally notional basis. In April 1999, Government agreed to greater definition of the debt guarantee levy arrangements that will be implemented in the ACT. A credit rating system for government businesses has been agreed that underpins a more rational and consistent application of the fees. The new levy arrangements will apply to all Territory Owned Corporations from April 1999, and to all other businesses from 1 July 2000. The Risk Estimation Model that will be used to derive the credit ratings for smaller businesses is currently being developed.

In addition to the application of competitive neutrality principles to government businesses, more government activities are being market tested to determine whether there is a net benefit to introducing competition for the supply of those services. For example, horticultural maintenance and cleaning services in the Woden-Weston area have been subject to open tender following a process of market testing begun in 1998. The tender process featured an unsuccessful in-house bidder, with a competitively neutral bid independently and externally audited. The success of the first contestability arrangement is being followed in of 1999-2000 with market testing of horticultural services in other areas of Canberra. Other services, such as the domestic animal service, elements of information and planning services and parking management (including enforcement, revenue collection and maintenance of parking control devices), are to be tested during 1999-2000.

In conjunction with the development of the service purchasing arrangements between ACT agencies and Ministers, many activities are being subjected to market testing to establish benchmark costings for services. For example, Planning and Land Management contracted Ernst & Young to undertake a benchmarking study in respect to its pricing for major outputs including Territory planning, development management, license and regulation and administration. Service purchasing arrangements in the ACT have been established since 1996, as part of the financial management reforms introduced in that year which included accrual accounting, budgeting and reporting in addition to the purchaser-provider and ownership arrangements between Government and agencies.

A range of other services are being placed on a commercial basis. Most of the services being commercialised fall within the Urban Service portfolio and include the following:

- ACT Government Shopfronts have been divided into two separate roles, financial transactions and 'face of government' functions. Agencies using the shopfronts will be billed for financial services on the basis of benchmarked prices in 1999-

2000, while the cost of the 'face of government' functions will be separated and remain directly funded;

- Public library services were reviewed in 1996 and purchaser-provider arrangements established. Services and costs are benchmarked against other states and comparative prices will be further developed in 1999-2000;

- Legislative Assembly library services are currently being considered as part of the Review of Governance (Pettit Report), which was completed in 1998;

- Services provided by the Women's Information and Referral Centre were reviewed during 1998-99, with the delivery of courses to be contracted out;

- Publishing services formerly fully provided from within government have been divided into separate services. The provision of services to government as a whole, such as the Government Gazette , Staff Bulletin and Legislation, will not be made contestable. However, other publishing activities are subject to price benchmarking and service purchasing arrangements with agencies; and

- Urban Services corporate services has been reviewed in 1998 with a transition to fee-for-service arrangements in 1999-2000. Some aspects of corporate services may be outsourced, where cost efficiencies can be demonstrated.

During 1998 draft guidelines for the application of full-cost attribution to commercial activities were prepared. These will be presented to Government for consideration before the end of June 1999. The draft guidelines were tested in the development of the pricing of services to be supplied to the private hospital service provider resident in the Canberra Hospital campus.

In addition, the guidelines for competitive tendering and contracting that have been under development during 1998 are expected to be submitted to Government before the end of the financial year. The paper is being modified to accommodate changes in the regulatory environment, particularly to direct managers to consider the impact of the GST arrangements on government businesses and the assessment of business cases.

A paper on risk management is also in preparation, that promotes the recognition and costing of risk and the development of appropriate risk management/minimisation strategies as part of business planning. Further information on this project will be included in the annual report for 1999.

Competitive neutrality complaints

In the period under review only one complaint was raised with the Competitive Neutrality Complaints Unit, relating to the provision of long day childcare. While this complaint is being considered, it is not clear that the issue directly involves competitive neutrality. The matter is expected to be resolved before June.

The proposed Belconnen swimming pool was an issue for the 1997 report, the complaint having been resolved by recommending that a feasibility study be undertaken that addressed financial and competition issues. The feasibility study has been completed and advice is being prepared for consideration by Government. While the feasibility study and the current process are not the subject of the resolved complaint, advice will be provided to the Council as the process is completed.

Legislation Review

Review of racing codes in the ACT

Separate to the consideration of gambling related legislation, the government commissioned a competition policy review of the legislation relating to the racing industry in the ACT. The review, carried out by Allen Consulting Group, recommended amendments to the draft racing legislation to ensure that the racing codes, while administering their own forms of racing (thoroughbred, pacing and greyhounds), could not exclude persons from market entry or accessing racing infrastructure.

The Government supported the recommendations of the review, which ensured competition in the racing market is not unreasonably obstructed while permitting the industry to develop as part of the national industry. The Legislative Assembly passed the legislation in 1998.

Surveyors' Act 1967

A review of the *Surveyor's Act 1967* began in November 1998. The Review was carried out by an external consultant, liaising with a departmental steering committee. The final report was delivered in December 1998 and was released for public consultation in April 1999. The Government's response to the recommendations of the review will be developed following the closing date for the submissions.

Nature Conservation Act 1980

A targeted public review of the *Nature Conservation Act 1980* commenced in December 1998, with a consultation paper released in January 1999. The review is being conducted by an independent consultant expert in environmental matters. An advisory committee, established within the Department of Urban Services, is to act as a reference group for the reviewer. The review is still in progress.

Motor Traffic Act 1936

The size and complexity of this legislation is such that it is being reviewed in a number of manageable components;

- A review of the compulsory third party insurance provisions of the Act commenced in March 1999.

- Arrangements for a full public enquiry into the taxi and hire car industries regulated by the Act has been agreed and will commence in June following engagement of an independent reviewer.

Cemeteries Act 1933 and the Cremation Act 1966

A combined review of these Acts and their regulations commenced in March 1999 with agreement of the terms of reference and the review arrangements. The review will be conducted by an external independent consultant, selected by an open tender process. These Acts have been the subject of several recent reviews, which have involved a gradual movement toward increasing commercialisation. There is no intention at this time to privatise or corporate cemeteries given the small scale of these businesses.

Other legislation review activity

Chief Minister's Department has completed an audit of legislation for which it is responsible to identify restrictions on competition and trade practices issues, the legislation reviewed is as follows:

- *Bookmakers Act 1985*
- *Territory Owned Corporations Act 1990*
- *Energy & Water Act 1988 (Parts I and VII)*
- *Sewerage Rates Act 1968*
- *Water Rates Act 1959*
- *Canberra Tourism & Events Corporation Act 1997*
- *Cultural Facilities Corporation Act 1997*
- *Hotel School Act 1996*
- *National Exhibition Centre Trust Act 1976*
- *Bank Mergers Act 1997*
- *Financial Institutions (Removal of Discrimination) Act 1997*
- *Companies (Commonwealth Brickworks (Canberra) Limited) Act 1979.*

Of these laws only the *Bookmakers Act 1985* and the *Territory Owned Corporations Act 1990* were assessed as restricting competition or containing any provisions that might require attention under the TPA. The *Bookmakers Act 1985* is currently the subject of a process to consider the public benefits of the restrictions on competition and the advisability of the structure for granting licenses.

S18 of the *Territory Owned Corporations Act 1990* restricts government owned corporations to engaging the ACT Auditor-General as their auditor. This is currently viewed as a measure consistent with the treatment of government agencies and the requirements of the financial management legislation. It is not intended at this stage to conduct a public benefit test on s18, on the assumption that the cost of the test would be greater than the benefit to be gained from reform to that particular provision. It is

not intended that a minor review in this area should open debate about making the Auditor-General subject to competition, as it is noted that the Auditor-General already contracts out significant amounts of auditing work to private sector suppliers.

The *Betting (ACTTAB Limited) Act 1964* is currently being reviewed. Tenders are being called for terms of reference agreed in March 1999. The independent review is anticipated to take three months, with a final report expected by June 1999. The Act will draw on the scoping study undertaken in 1998, as well as considering the monopoly arrangements relating to parimutuel betting in the ACT.

During 1998, the Department of Urban Service undertook a detailed audit of legislation for which it is responsible to identify potential restrictions on competition including potential inconsistencies with the TPA and prepared a revised review program based the findings of the audit. In addition to those identified above, the following reviews have commenced in the Department of Urban Services:

- *Animal Diseases Act 1993*, *Pounds Act 1928* and the *Stock Act 1991*. These laws are being reviewed concurrently, the reviews commenced in December 1998.
- *Clinical Waste act 1990*. The review commenced in December 1998.
- Cotter River Act 1914. The review commenced in November 1998.
- *Plant Diseases Act 1934* and the pest plant provisions of the *Land(Planning and Environment) Act 1991*. This combined review commenced in December 1998.

Terms of reference have been issued by Justice and Community Safety for minor reviews of the following legislation:

- Anglican Church of Australia Trust Property Act 1917
- Anglican Church of Australia Trust Property Act 1928
- Crown Proceedings Act 1992
- Fair Trading (Fuel Prices) Act 1993
- Fertilisers Act 1904
- Legislation (Republican) Act 1996
- Listening Devices Act 1992
- Periodic Detention Act 1995
- Perpetuities and Accumulations Act 1985
- Presbyterian Church Trust Property Act 1971
- Registration of Deeds Act 1957
- Roman Catholic Church Property Trust Act 1937
- Salvation Army Property Trust Act 1934
- Subordinate Laws Act 1989

- Substitute Parent Agreements Act 1994
- Supervision of Offenders (Community Service Orders) Act 1985
- Unclaimed Moneys Act 1950
- Uniting Church in Australia Act 1977.

The Department of Health and Community Care is progressing with the review of health legislation. In the past year new regulations on entry to the family day-care market have been introduced that are directed toward reducing the risk of child abuse that might occur in an unregulated industry. Reviews of health profession legislation , including osteopaths, chiropractors, and veterinary surgeons, has commenced. A discussion paper seeking views on the review was agreed by Government on 10 May 1999.

Access to infrastructure

Access to infrastructure is regulated under the *Independent Pricing and Regulatory Commission Act 1997* (the IPARC Act). During 1998 there were no access disputes notified to IPARC. Gas is transported to the ACT by EAPL and distributed within the Territory by AGL. A submission from AGL on an access undertaking was received by IPARC and is being considered. The access inquiry has been extended by IPARC to provide AGL with time to provide additional data to the inquiry. A determination is expected from IPARC before June 1999.

A complicating factor in the determination of an access and distribution pricing regime for gas in the ACT is that the pipeline serves not only the ACT but also Queanbeyan and Yarrowlumla Shire. IPARC is the jurisdictional regulator for the whole of the distribution pipeline, subject to an agreement between the governments of the ACT and New South Wales. Co-ordination of the access and pricing arrangements is facilitated by the close co-operation between IPARC in the ACT and the Independent Pricing and Regulatory Tribunal (IPART) in New South Wales. IPART is contracted by IPARC to provide investigative and analytical services in this inquiry.

In addition to the access inquiry being undertaken by IPARC the ACT has submitted an application to the NCC for certification of the Territory's access regime. To date that inquiry has not concluded, although early indications are that the regime has not attracted significant comment from other parties and that consequently it is expected to be certified before June 1999.

Prices Surveillance

Regulation of prices is undertaken under the IPARC Act, for industries that are declared 'regulated' by a Minister. Industries that are subject to price regulation to date include electricity, water, public transport (buses and taxis) and gas. IPARC received references for inquiries into ACTEW electricity, water and sewerage pricing for the period 1999-2004, ACTION bus pricing and taxi pricing in 1998. For the ACTEW five year price path inquiry IPARC published an issues paper before

December 1998, with the draft determination published in February and public hearings undertaken in March 1999. The price determination was delivered on 3 May, for implementation from 1 July 1999. Similarly, IPARC published an issues paper for the ACTION bus price inquiry and engaged in public hearings in the first quarter of 1999, the final determination was delivered on 30 April 1999. The expected taxi price inquiry reference has been delayed until a number of critical issues have been settled.

Gas and milk pricing inquiries will be undertaken during 1999. The terms of reference for the milk price inquiry are expected to be issued within weeks. The process will involve advice from IPARC, to assist the government determine where and at what level prices for milk should be regulated, in the transitional period leading up to 1 July 2000.

Progress on the COAG related reform in Electricity Reform

The National Electricity Market

Program and Timetable Proposed in PM's letter of 10 December 1996

The timetable and program proposed in the Prime Minister's letter envisaged a number of major milestones including:

- harmonisation of the Victorian and the NSW wholesale markets;
- ACCC agreement to the National Electricity Code for the purposes of Part IV of the Trade Practices Act and acceptance of the code as an industry access code for the purposes of Part IIIA of the Trade Practices Act;
- legislation in jurisdictions to give effect to the National Electricity Law; and
- full implementation of the market arrangements as specified in the National Electricity Code.

It is noted that the NCC's comments in relation to the achievement of the timetable were made in November 1998 prior to the commencement of the NEM. The view of the ACT, consistent with that of the other participating jurisdictions, is that the slippage to the start date of the NEM, while regrettable, was necessary to provide the right level of assurance to governments, parliaments, the electricity industry and ultimately to end use customers that the NEM arrangements were robust, rigorously tested, and that concerns and problems were adequately addressed. The Commonwealth, which was well aware of the constraints, assisted jurisdictions and industry to resolve these matters and assure a timely market start. It is also worth noting that delaying the NEM start-up for these reasons has been vindicated with the market now operating since December 1998 without any major disruption.

Arrangements for the NEM must be in place

The National Electricity Market commenced on 13 December 1998. The relevant ACT legislation to give effect to the National Electricity Law, the *Electricity (National Scheme) Act 1997* was commenced prior to the start of the National Electricity Market.

Assumption by NEMMCO and NECA of Full Operational Responsibilities

With the start of the National Electricity Market, NEMMCO and NECA assumed the full range of responsibilities, operational and otherwise, envisaged under the National Electricity Code.

Acceptance of the Code by the ACCC

The ACCC has indicated its agreement to the National Electricity Code for the purposes of Part IV of the Trade Practices Act and acceptance of the code as an industry access code for the purposes of Part IIIA of the Trade Practices Act. Such agreement was a necessary precondition for the start of the Market.

Hindrance or Frustration of Effective Operation of the NEM

The ACT has worked with other jurisdictions to facilitate effective operation of the NEM. No allegations of hindrance or frustration have been made or could be made in relation to actions of the ACT.

The Structure of the Electricity Sector

In its paper of November 1998, the NCC stated that it considered that the national electricity agreements and Clause 4 of the CPA establish obligations relating to the structure of the electricity sector.

Structural Separation of Generation and Transmission

In relation to national agreements, the NCC noted that jurisdictions are committed to structurally separate generation from transmission and to ring fence the retail and distribution businesses.

There is at present no generation relevant to the NEM in the ACT.

Ringfencing of electricity retail and distribution businesses in the ACT is a requirement under operating licenses issues under the Electricity Supply Act. In addition, the adequacy of ringfencing is a matter examined and tested by IPARC in the context of its present and past pricing references.

Public Monopoly Reform of ACTEW

Clause 4 of the CPA provides that prior to introducing competition into a market: governments are to remove from the public monopoly any responsibilities for industry regulation and that governments are to review of structural and competitive arrangements in the industry.

Clause 4(2) of the CPA requires that, before a Party introduces competition to a sector traditionally supplied by a public sector monopoly, it will remove from the pubic monopoly any responsibilities for industry regulation. The Party will relocate industry regulation functions so as to prevent the former monopolist enjoying a regulatory advantage over its existing and potential rivals.

It should be noted that at the time of corporatisation of ACTEW in 1995, regulatory functions traditionally performed by that public sector monopoly (eg. the Electricians' Licensing Board) transferred to the Department of Urban Services.

Clause 4 further requires that before a Party introduces competition into a market traditionally supplied by a public monopoly it will undertake a review into:

- the appropriate commercial objectives for the public monopoly
- the merits of separating any natural monopoly elements from potentially competitive elements of the public monopoly;
- the merits of separating potentially competitive elements of the public monopoly ;
- the most effective means of separating regulatory functions from commercial functions of the public monopoly;
- the most effective means of implementing the competitive neutrality principles set out in the Agreement
- the merits of any CSOs undertaken by the public monopoly and the best means of funding and delivering any mandated CSOs
- the price and service regulations to be applied to the industry; and
- the appropriate financial relationships between the owner of public monopoly and the public monopoly including the rate of return targets, dividends and capital structure.

The NCC, in its second tranche assessment paper, commented on two major reviews of ACTEW (Fay, Richwhite and ABN AMRO/DGJ Projects) on structural, commercial and ownership matters. While the NCC's comments were couched in terms of the Government's previous plans to privatise major parts of ACTEW's business, the question of whether these reviews address the ACT's Clause 4 obligations is still relevant. The Government is satisfied that the current arrangements meet the obligations in the clause, and that these provisions will be strengthened with the introduction of the utilities regulations anticipated in the second half of the year.

It is also relevant that the *Electricity Supply Act 1997*, in facilitating the introduction of competition in electricity retailing in the ACT, formalised separate licensing requirements for distribution and retailing.

Retail Suppliers' Licence Holders

The ACT's June 1998 Annual Report to the NCC set out progress in relation to competition in electricity retailing. An update of this information is provided below.

(a) Retail suppliers' licenses taken to be held under section 4 of the *Electricity Supply (Consequential and Transitional Provisions) Act 1997*:

1. ACTEW Corporation Ltd
2. ACTEW Energy Ltd

3. Great Southern Energy (in respect of its existing customers)

(b) Licenses granted by the Minister for Urban Services under section 24 and clauses 4 and 6 of the Schedule to the *Electricity Supply Act 1997:*

1. Integral Energy Australia - 7 January 1998
2. ETSA Power Corporation - 7 January 1998
3. NorthPower - 15 January 1998
4. PowerCor Australia Ltd - 15 January 1998
5. EnergyAustralia - 3 February 1998
6. QTSC (Victoria) (trading as Ergon Energy) - 3 February 1998
7. Eastern Energy - 3 February 1998
8. Great Southern Energy - 18 February 1998
9. Southern Electricity Retail Corporation Pty Ltd (trading as Energex) - 19 April 1998
10. Ferrier Hodgson Electricity - 19 April 1998
11. Energy 21 Pty Ltd - 30 April 1998
12. Boral Energy Electricity Ltd - 30 April 1998
13. Citipower Pty - 28 May 1998
14. Advance Energy - 28 May 1998
15. United Energy Limited - 18 June 1998
16. AGL Electricity (formerly Solaris Power) - 10 July 1998

(c) Licenses granted by the Minister and subsequently cancelled at holders' request:

1. AGL Wholesale Energy - granted 3 February 1998, cancelled 29 January 1999.

Timetable for the Introduction of Retail Competition in the ACT

As was noted in the 1997 report to the NCC, all customers with annual usage of more than 160 MWh at a single site are now entitled to choose their own licensed electricity retailer. The last stage of this process was achieved on 28 June 1998 when a Ministerial order under the Electricity Supply Act covering customers using more than 160 MWh but less than 750 MWh per annum took effect.

The next stage of retail competition in the ACT is scheduled for 1 January 2001 which will mark the start of a transition process under which retail competition will be extended to customers using less than 160 MWh pa. The timetable notes that implementation of this date will be subject to further consultation with jurisdictions.

The full timetable is set out at http://www.act.gov.au/electricity.

Progress on the COAG related reform in Gas

Effective Implementation of the National Gas Access Code

In November 1997, the Act commenced the implementation of an access regime for natural gas in accordance with the Natural Gas Pipelines Access Agreement (the National Agreement) signed by Heads of Government.

The *Gas Pipelines Access Act 1998* passed by the ACT Legislative Assembly on 30 June 1998 gave the National Third Party Access Code for Natural Gas Pipelines (the National Code) legal effect in the ACT.

The National Code contains the detailed access principles that are to apply under the ACT Access Regime and specifically establishes:

- A mechanism by which natural gas pipelines in the ACT become subject to the National Code (called 'Covered Pipelines' or 'Code Pipelines'). The owners/operators of all pipelines are specified as 'covered' from the commencement of the ACT Access Regime.
- A requirement that the service provider of a Covered Pipeline in the ACT submit to the Independent Pricing and Regulatory Commission an Access Arrangement setting out the terms on which access will be given to certain services provided by the Covered pipeline, including the Reference Tariffs for such services. The content of an Access Arrangement, and the principles which must be applied in setting the Reference Tariffs are also to be specified.
- A right to arbitration where a service provider of a Covered Pipeline and a prospective user cannot agree on the terms of access to a service. The arbitrator is obliged in any such arbitration to apply the terms of the Access Arrangement established with the Independent Pricing and Regulatory Commission.
- Obligations on service providers of Covered Pipelines to ring fence their operations.
- Obligations on service providers and users to disclose information.
- A requirement that the service provider of a Covered Pipeline not enter into contracts with associates without first obtaining the approval of the Independent Pricing and Regulatory Commission.

The Canberra/Queanbeyan/Yarrowlumla Shire natural gas distribution system, operated by AGL Gas Networks, that serves gas consumers in Canberra and the surrounding area in NSW is listed as a Covered Pipeline in Schedule A of the National Agreement. An agreement has been reached between the ACT and NSW that, in accordance with criteria under the National Code, all of the distribution system including the part located in NSW will be regulated under the ACT Access Arrangement.

In December 1998, AGL Gas Networks submitted an Access Arrangement for the Canberra/Queanbeyan/Yarrowlumla Shire Natural Gas Distribution System to the

ACT Independent Pricing and Regulatory Commission in accordance with the requirements of the Code. The Independent Regulator should hand down a decision towards the end of 1999 following an extensive public consultation and review process.

An application has been submitted to the NCC for a recommendation on the effectiveness of the ACT Third Party Access Regime For Natural Gas Pipelines. The NCC is withholding a final decision on certification until the introduction of amendments to the Independent Pricing and Regulatory Commission Act 1997 later in 1999, which are intended to address the independent arbitration of disputes on access matters where the Commissioner is a party to the dispute.

Removal of Legislative and Regulatory Barriers to Free and Fair Trade

The distribution of natural gas to ACT consumers commenced in 1982. In 1992, AGL was issued with an authorisation for both the distribution and supply (retail) of natural gas under the *Gas Act 1992*. AGL, a publicly listed company, is currently the only gas utility operating in the ACT.

The *Gas Act 1992* was repealed in 1998 and replaced with the *Gas Supply Act 1998* in order to remove barriers to free and fair trade in natural gas. The *Gas Supply Act 1998* introduces a new gas authorisation framework that effectively separates the distribution and supply (retail) functions to ensure that the ringfencing requirements under the National Natural Gas Pipelines Access Code are met. Separate authorisations will be issued to AGL's distribution and retail entities as well as to any new applicants subject to meeting prudential, technical and National Code requirements. The *Gas Supply Act 1998* will be supported by regulations covering gasfitting standards, consumer metering testing, and safety and operating plans.

Structural Reform of Gas Utilities

AGL is currently restructuring its corporate entities in the ACT to separate distribution and retail activities and put in place operating procedures and reporting mechanisms to meet the requirements of the Code and authorisation conditions.

Progress on the COAG related reform in Water

Cost Reform and Pricing

The water reform agenda requires that jurisdictions move as quickly as possible to achieve efficient pricing for water use. In the pricing inquiries in 1997 and 1998, IPARC increased water prices to assist in achieving efficient prices. With the passage of the *Water Resources Act 1998* the adjustment processes has been facilitated. IPARC has increased prices for water in the medium term price path for the period from 1 July 1999 to 30 June 2004 to reflect the cost of ACTEW's capital investment in infrastructure maintenance. At the same time, and as part of the adjustment process, the existing Environmental Works Charge will cease. In addition to that increase in ACTEW's revenue the Government will be introducing, during the course

of 1999, a water allocation system and a water abstraction charge. The latter reflects the cost of catchment and environmental management and the scarcity value of water. Other initiatives in the Act, including the determination of sustainable environmental flows for ACT rivers, will have not only an indirect cost but also an environmental benefit.

The Price path for electricity, water and sewerage services was announced on 3 May 1999. The final consumer prices should be gazetted for implementation from 1 July 1999.

Institutional Reform

Institutional Role Separation

As noted in relation to electricity reforms, ACT Electricity and Water Authority (now ACTEW Corporation) was corporatised on 1 July 1995 at which time all remaining regulatory and water resource management responsibilities were transferred to the appropriate government agency. To achieve full commercialisation, ACTEW is charged tax equivalents and is subject to debt guarantee fees.

In September 1996, the ACT Energy and Water Charges Commission was established to provide independent advice to the Government on the appropriate level of charges associated with the monopoly provision of energy, water and sewerage services. This Commission was superseded in September 1997 by the Independent Pricing and Regulatory Commission (IPARC), which now has responsibility for the regulation of monopoly (including water) pricing. IPARC was established under the *Independent Pricing and Regulatory Commission Act (1997).*

While the ACT already meets the requirements for this milestone, the revised utilities regulatory framework currently being prepared (the 'Utilities Review') will further clarify the separate roles of service provider, regulator and manager. This review will include a thorough examination of existing regulations and the development of new policies and legislation. It is anticipated that this will provide for broad competition policy requirements such as:

- appropriate licensing regime for industry participants;
- identification of the respective roles and responsibilities of government and utility;
- necessary reporting arrangements not covered by existing legislation including those matters required for performance monitoring and benchmarking; and
- a formalised and transparent process for the treatment of community service obligations.

Performance Monitoring and Best Practice

ACTEW provides information, input and involvement in WSAA *Facts* where necessary. The main day-to-day involvement of ACTEW Corporation with Water Services Association of Australia involves technical support of national WAS

initiatives and formal WAS representation on the Board of the CRC for Water Quality and Treatment.

Allocation and Trading

Comprehensive Allocation System

Under the *Water Resources Act 1998,* the right to the use, flow and control of all water of the Territory, other than groundwater under existing leases, is vested in the Territory and exercisable by the Minister. All new uses of water in the ACT will be subject to an allocation which is separated from property rights. An allocation is the right to certain water and can be traded as an asset. Each allocation will specify the quantity, the timing and the manner in which water may be taken. For water to be physically taken at a particular place, a licence accompanied by a set of rules is needed to ensure that no environmental harm is likely to occur. Licenses specify the location at which water can be taken and they cannot be traded.

The Water Resources Act will be implemented through the Water Resource Management Plan. The Plan will describe the water resources expected to be available for allocation over the next ten years, how and when they may be made available and where they can be extracted. No new allocation will be made unless it is provided for in the Plan and is environmentally safe to do so.

In the ACT, groundwater and surface water are understood to be linked on a catchment basis and all allocations will, therefore, be considered together. The available allocations and an accompanying set of rules will be determined for each sub-catchment on a reach-by-reach basis. The Water Resources Management Plan will be a disallowable instrument under the Water Resources Act and will be available for community consultation.

Water Trading

The Water Resources Act provides the necessary legislative framework for water trading to take place. Currently, no water trading takes place in the ACT but this will change in the future as demand grows. Trading can occur within the ACT as users reach the limits of their allocation and look for a means of supplementing their available water or new users enter the market. The allocation system made possible through the Water Resource Act opens the way for trading to occur. However a regulatory mechanism will have to be developed before it can actually be implemented.

Environmental Flows Guidelines

The Environmental Flows Guidelines specify flow regimes which must be maintained in order to meet the assigned environmental values of each waterway in the ACT. The Guidelines ensure that a proportion of the natural flow of rivers and streams must be left at all times to protect their health and water quality. The Guidelines are a disallowable instrument under the Water Resources Act.

Allocations for the environment in the ACT have been made in the light of the best scientific information available at the time, but it is recognised that they may not be

accurate. In addition, changes in climate may occur and have an effect on the requirements of the environment. There is provision in the legislation for allocations to the environment to be increased if it is judged that harm is occurring to the ACT's water resources.

As per previous correspondence, the ACT does not have any stressed rivers.

Environment and Water Quality

Integrated Resource Management

All ACT Government areas with responsibilities for water and other natural resource management are located within the Department of Urban Services. Co-ordination mechanisms between the different areas are in place. Existing planning arrangements specifically promote integrated resource management across the ACT (whether urban or rural) at the broad planning level and they are supported by significant monitoring of water quality and quantity. Requirements for community consultation are built into the planning process and in ongoing water and land management activities there is an emphasis on community liaison and participation particularly through Waterwatch and Landcare activities.

Environment ACT (within the Department of Urban Services) has a strong commitment to the continuation of the integration of government and community activities relating to the use and protection of water, land and other environmental resources with the emphasis being on partnership type arrangements. This is an on-going activity and largely relates to the focus and style of activities conducted through Waterwatch and Landcare.

All planning in the ACT, including that pertaining to water resources, is guided by the Territory Plan, empowered by the *Land (Planning and Environment) Act 1991.*

The Plan has a strong catchment emphasis and its goals include:

- to promote conservation of natural resources; and
- to promote ecologically sustainable development.

Linkages with planning legislation are addressed in the *Environment Protection Act (1997)* and the Water Resources Act.

The ACT has been involved in integrated catchment management on a regional level through providing input into the development of both the Murrumbidgee Catchment Action Plan and the Murrumbidgee Catchment Strategy. The ACT Integrated Catchment Strategy, currently being developed, will provide a sound basis for exercising statutory obligations, and direction and guidance for integrated decision making processes about natural resource and environment management in the ACT.

National Water Quality Management Strategy

The ACT participates in the development of National Water Quality Management Strategy guidelines as appropriate. As they are finalised they are examined to ensure ACT water resource management and environmental controls are consistent with them. The ACT Water Quality Standards either meet or exceed NWQMS Guidelines.

The Environment Protection Act sets water quality standards legislatively, including the implementation of polluter pays charging arrangements. ACT is committed to implementing polluter-pays charges for environmental authorisations when NSW introduces its system.

- *Drinking Water Quality*

  While the current drinking water quality is relatively good and the drinking water guidelines are the standard reference, no formalised "standard of service" currently exists. Necessary arrangements are being considered within the context of the current review of the regulatory structure governing utility operations in the ACT.

- *Trade Waste Management and Sewer Overflows*

  Necessary arrangements are being investigated and these may lead to inclusion in Environment Authorisations for the treatment of sewage as well as other initiatives.

- *Reuse of Biosolids*

  While all solids arising from sewage treatment are currently recycled, arrangements are under review to ensure that they are the most appropriate.

Public Consultation & Education

Public Consultation

Public consultation in the implementation and adoption of all significant new initiatives is an ACT Government Policy requirement.

- *Pricing Reforms*

  The 'ACT Future Waters Supply Strategy' was used to consult and educate the public about water pricing issues and has resulted in reduced water use.

  The Independent Pricing and Regulatory Commission (IPARC) releases a draft version of the ACTEW's Price direction for public comment in February of each year. As an instrument which implements many of the reforms, public consultation on this paper is essential.

- *Water Allocations and Trading*

  Public consultation was key element in the preparation of the Water Resources Act, and the Water Resources Management Plan which will implement the Act,

will also be subjected to comprehensive consultation. This will give the public the opportunity to have input into the way in which water will be allocated in every sub-catchment in the ACT.

The community was also consulted in the development of the Environment Protection Act which has implications in relation to the National Water Quality Management Strategy.

- *Public/School Education Concerning Water Use & the Benefits of Water Reform*

Public information material in regard to water use and water resource management and protection is available from ACTEW Corporation, Waterwatch and Environment ACT. ACTEW have used education and awareness, pricing, regulation and innovation as the primary methods of managing demand. The effectiveness of the various demand management initiatives undertaken are monitored through their effect on water consumption and the results reported back regularly to the community.

ACTEW's activities in regard to its demonstration houses and xeriscape gardens are particularly notable as are the co-operative arrangements between Lake Tuggeranong College, Waterwatch, ACTEW and CSIRO in running Aquafest, which aims to increase community awareness through experiential learning.

While ACTEW has a good track record in providing public education material, its responsibility to provide a guaranteed level of activity in this regard is being considered during the current review of the regulatory structure governing utility operations in the ACT.

While other government programs will be maintained, particularly Waterwatch, specific education programs including that highlighting the need for and benefits from reform will be undertaken when specific opportunities arise. Possible occasions may arise when revising urban water and sewerage service prices and in the consultation phase for the implementation of water allocation and licensing arrangements.

Progress on the COAG related reforms in road transport

The Agreement to Implement the National Competition Policy and Related Reforms provides the base framework for assessing road transport performance. For the second tranche assessment, jurisdictions must demonstrate the continued observance of the agreed package of road transport reforms.

Development work towards full implementation of Road Transport Reform in line with COAG and the Government's timetables is continuing. Principally, work has been focused on the amendments of the *Motor Vehicle Act 1936* to incorporate national driver licensing initiatives and agreed national vehicle registration policies..

National road transport reforms are developed under a process which has its genesis in the Heavy Vehicle Agreement signed by the Heads of Government in 1991 and the Light Vehicles Agreement signed in 1992. Those Agreements have recently been revised but their main features are unchanged.

The process for implementing reforms has been improved significantly through the resolution of legal issues related to the situation of the ACT being the template host for agreed reforms. A proposed Collateral Agreement between the ACT Government and the Commonwealth to support national road transport reform is being finalised.

The agreed national implementation timeframes are currently being met. Amending bills are being produced to reflect the national driver licensing and vehicle registration reforms.

Most agreed reforms will be implemented through legislative means with other being implemented through administrative processes within the current ACT legal framework. For second tranche assessment, 17 reform projects are defined. Progress by the ACT towards these is shown in the following table:

NATIONAL REFORM PROJECT	*REQUIREMENT FOR SECOND TRANCHE*	*ACT STATUS*	*REQUIRED END DATE*
1. National Heavy Vehicle Registration Scheme.	Jurisdictions to have in place and are applying legislation consistent with the national model.; Aim is to ensure uniform national procedures.	**In progress:** proposed date July 1999 (subject to clearance of legal issues arising from Commonwealth template law)	December 1999
2. National Driver Licensing Scheme	The scheme will establish uniform requirements for key driver licensing transactions (issue / renewal / suspension/ cancellation) Jurisdictions to have in place and applying legislation consistent with the national principles.	**In progress:** proposed date July 1999	December 1999
3. Vehicle Operations	Jurisdictions to have in place and applying legislation consistent with the national model for : • *Mass and Loading Regulations;* • *Oversize / Overmass;* • *Restricted Access Vehicles(RAV) Regulations*.	**Mass and Loading Regulations: Implemented** **Oversize/Overmass and RAVs: Implemented** (Components incorporated in legislation. Some notice types not high priority in ACT and are outstanding at this time as no demand exists)	June 1999
4. Heavy Vehicle Standards.	Jurisdictions have in place and are applying legislation consistent with national model. Aim is to provide uniform in-service design and standards for heavy vehicles and trailers.	**Implemented** (some legal issues arise because of Template situation)	Superseded due to Combined Vehicles Reforms which is under development.

NATIONAL REFORM PROJECT	*REQUIREMENT FOR SECOND TRANCHE*	*ACT STATUS*	*REQUIRED END DATE*
5/6. Truck and Bus Driving Hours	Jurisdictions have in place and are applying legislation consistent with national model. Aim is to provide for legal and admin. framework for managing truck and bus driver fatigue.	**Not applicable in the ACT as agreed by ATC.**	N/A
7. Common Mass and Loading Rules	Jurisdictions have in place and are applying legislation consistent with national model. National standards to improve productivity for heavy vehicles while protecting roads and bridges.	**Implemented**	Not specified
8. One Driver/One Licence.	Jurisdictions have in place and are applying legislation consistent with national model. aim is to have common and simplified licence categories - eliminate multiple licences.	**In progress:** proposed date ; July 1999 (in conjunction with licensing module)	July 1999
9. Improved Network Access	Aim is to expand as of right access through routes for B-Doubles and other already approved large vehicles.	**Implemented**	March 1999
10/11. Common Pre-registration Standards for Heavy Vehicles and Common Roadworthiness standards.	Jurisdictions have in place and are applying legislation consistent with the national model.	**Implemented**	Not specified
12. Enhanced Safe carriage and Restraint of Loads.	Purpose is to improve safety through standard regulations and a practical guide for securing loads.	**Implemented**	July 1999
13. Adoption of National Bus Driving Hours	Adoption of new regulations for buses including two-up driving hours.	**Not applicable in the ACT as agreed by ATC.**	N/A

NATIONAL REFORM PROJECT	*REQUIREMENT FOR SECOND TRANCHE*	*ACT STATUS*	*REQUIRED END DATE*
14. Interstate Conversion of Driver Licenses	Jurisdictions have in place and are applying legislation consistent with national principles to afford simplified, no cost interstate conversions of driver licenses.	**Implemented**	July 1999
15. Alternative Compliance	Agreement to support development of alternative compliance regimes.	**Implemented**	Not specified
16. Short-term Registration	To enable options for 3 and 6 month registration for heavy vehicles.	**Implemented**	Not specified
17. Driver Offences/Licence Status.	Jurisdictions have in place and are applying legislation consistent with national model. Purpose is to allow employers to obtain limited information about employees' licence status.	**Implemented**	With licensing module.