

# **COUNCIL OF AUSTRALIAN GOVERNMENTS**

**MELBOURNE, 8-9 JUNE 1993**

## **COMMUNIQUE**

### **INTRODUCTION**

The Council of Australian Governments held its second meeting in Melbourne. The Council comprises the Prime Minister, Premiers and Chief Ministers and the President of the Australian Local Government Association.

### **MABO**

The Council had a lengthy discussion of the issues which need to be resolved in formulating an appropriate response to the High Court decision in the Mabo Case which recognises a form of native title to land. No course of action was agreed by this meeting and member governments will be considering their positions further.

### **MICRO-ECONOMIC REFORM**

The Council discussed a range of micro-economic reform issues. It noted that progress is being made in the area of micro-economic reform including reform in the electricity, water and transport areas. The Council agreed that the momentum for reform needs to be maintained in the interests of improving the competitiveness of Australia in the international economy. It therefore agreed that a working group of Commonwealth, State and Territory senior officials (chaired by the Department of the Prime Minister and Cabinet) should report to the next meeting of the Council of Australian Governments with an agenda for further micro-economic reform to be undertaken at a national level.

### **ELECTRICITY INDUSTRY REFORM**

Since the National Grid Management Council (NGMC) was established in July 1991, relevant Heads of Government have extensively considered the arrangements necessary to give effect to their decision to implement a competitive electricity supply industry in eastern and southern Australia. On this occasion they discussed two NGMC reports - one on the structure of the transmission network across eastern and southern

Australia and one on the NGMC's recent work including proposals for a detailed timetable of the steps which need to be taken to commence a competitive market.

The Prime Minister, the Premiers of New South Wales, Victoria, Queensland and South Australia and the Chief Minister of the Australian Capital Territory agreed to have the necessary structural changes put in place to allow a competitive electricity market to commence as recommended by the NGMC from 1 July 1995.

These structural changes will include the establishment of an interstate electricity transmission network with those States which are already inter-connected, together with Queensland, working towards implementation by 1 July 1995 of the Multiple Network Corporation (MNC) structural option outlined in the NGMC's report. Under this proposal, the transmission elements of relevant existing electricity utilities are to be separated out from generation and placed in separate corporations. South Australia is considering the use of a subsidiary structure pending the resolution of cost issues associated with separating transmission from its vertically integrated authority. Resolution of those issues would enable the adoption of the MNC model.

Tasmania reserves its position pending the outcome of its current electricity industry review.

In making this commitment the Council noted that the establishment of an interstate electricity market and the implementation of the MNC model requires the settling of a number of important and sensitive issues including market trading arrangements, grid pricing and regulatory framework, budgetary impact on the States, the resolution of tax compensation issues and reform arrangements for the Snowy Mountains Scheme.

It was agreed that there be a progress report on these, and a range of operational matters under examination by the NGMC, to the next Council of Australian Governments meeting. Heads of Government endorsed the NGMC's commitment to consult closely with key stakeholders in carrying through its work.

Heads of Government also agreed to the further examination, during the establishment of the MNC structure, of whether the network structure for governments to work towards should be a national network corporation or another option.

The conclusions of a response to the NGMC's reports prepared by senior officials for Heads of Government which were endorsed are attached (Attachment A), together with the NGMC's timetable of events leading up to a 1 July 1995 commencement of a competitive electricity market.

## **WATER RESOURCE POLICY**

As requested at its December 1992 meeting, the Council received a report from officials on the current state of play in both urban and rural water use. The report noted that, while progress has been made in reforming pricing, allocation and other aspects of the industry, there are still significant economic and environmental benefits to be derived from adoption of a range of measures to overcome impediments to reform.

The Council has therefore asked a working group of officials, with an independent chair, to develop and report on a strategic framework for efficient and sustainable reform of the water industry, which, at the same time, takes account of the technical and policy diversity that exists across the States and Territories. The report is also to address the future roles of the Council of Australian Governments and Ministerial Councils in the reform process, other mechanisms and a proposed timetable for implementation. The report is to be completed in time for consideration by Heads of Government at the next meeting of the Council.

## **FREE AND FAIR TRADE IN NATURAL GAS**

The Council received a report from the Australian and New Zealand Minerals and Energy Council on removal of governmental impediments to free and fair trade in natural gas. The report noted that, while Australia has abundant reserves of natural gas, on present indications additional interstate sales of gas will be required in the near term. Heads of Government agreed to co-operate in the development of policies and arrangements covering the gas industry which are pro-competitive, facilitate the development of gas markets on commercial criteria and remove impediments to free and fair trade in gas.

To this end, the Council has called for a further report from officials for its next meeting on progress towards a pro-competitive framework for the natural gas industry, within and between jurisdictions. In this connection, officials have been asked specifically to review existing regulatory arrangements, within and between jurisdictions, including those applying to third-party access to gas pipelines.

## **INTERNATIONAL CONVENTION ON BIOLOGICAL DIVERSITY**

The Council noted that the Commonwealth had consulted with the States and Territories on the implications of Australia ratifying the International Convention on Biological Diversity, in accordance with the Intergovernmental Agreement on the Environment. It agreed that the

substantive obligations arising from the Convention could be met with only minor changes to the current policy and program frameworks of Australian governments. The Council supported the Commonwealth proceeding immediately to ratify the Convention.

## REVIEW OF MINISTERIAL COUNCILS

Heads of Government have acted decisively to apply discipline and streamlining to governmental activities by halving the number of Ministerial Councils. Heads of Government have also agreed to a range of efficiency and effectiveness measures in relation to the operations of those Councils that remain.

The Council of Australian Governments has taken the decision to halve the existing 45 Ministerial Councils to 21 following a review of the scope, distribution and number of Councils. Details are provided at Attachment B.

The reduction is to be carried out and support structures appropriately reviewed by January 1994.

The decision will reduce costs associated with providing administrative support for such Councils and costs associated with Ministerial and officer travel and accommodation at meetings.

This rationalisation will also improve the quality of policy development emanating from these Councils. Bringing together interrelated functions and activities in this way will result in more integrated policy development and will enable Ministerial Councils to take a strategic view of the issues beyond the interests of a particular group.

The reduction in the number of Councils is to be achieved by the combination of a number of existing Councils after consideration of portfolio arrangements across jurisdictions, common membership, existing back-to-back meeting arrangements and overlap of responsibilities.

Although in many instances existing Councils will be combined, this will not mean that constituent Councils will necessarily lose their identity entirely. In several cases, legislation requires that some combining Councils retain a separate identity.

The Council further endorsed recommendations to improve the efficient operation of Ministerial Councils specifically relating to the powers, scope, organisation, formation, chairing, meeting arrangements, agenda prioritising and confidentiality of Ministerial Councils. In this regard the

Council agreed that meetings of Ministerial Councils would only take place in the capital cities of Australia and Alice Springs.

Heads of Government reaffirmed that Ministerial Councils play a vital role in the facilitation of consultation and cooperation between Governments, and noted that when Ministers have the authority of their respective Governments, then Councils determine matters to finality in their area of concern quickly and efficiently.

### **CONCESSIONS/FRINGE BENEFITS**

The Council noted the work to date of the Commonwealth-State working group set up at the December 1992 Council of Australian Governments meeting to review the allocation of functional responsibilities in the area of fringe benefits and concessions and identify and cost options for reform.

From 1 April 1993, the Commonwealth abolished the separate fringe benefits income and assets tests for the Pensioner Health Benefits (PHB) card, extending the card to an additional group of part-pensioners and older long term beneficiaries. States and Territories agreed to extend their concessions to this group for the period 1 April to 30 June 1993, on the basis of a Commonwealth commitment to meet their full additional costs over this period. An initial payment of \$17.5m was made to States and Territories on 1 April 1993. The Commonwealth has agreed to provide an additional payment of \$0.8m for local government's direct costs. The Council further agreed that a decision on the amount of additional payment to the States and Territories for the June quarter will be deferred until the 5 July financial Premiers' Conference.

The Council agreed that further work should continue on options for longer term arrangements in this area and referred this matter for decision at the 5 July financial Premiers' Conference. To cover the interim period until the decision is made on long-term arrangements, the Commonwealth agreed to continue interim compensation to States, Territories and local governments for a period of one month, with this funding to be paid retrospectively and to be taken into account in the longer-term 1993-94 funding arrangements.

### **COMMONWEALTH-STATE ROLES AND RESPONSIBILITIES**

The Council noted that the range and nature of government functions has evolved rapidly in recent times and is continuing to do so. Policy inter-relationships have become more important, leading to a sharing of responsibilities among the various levels of government. In this process, however, the respective roles of governments have become increasingly

blurred impacting on the efficient and effective delivery of government services.

Consistent with the program of micro-economic reform which should encompass all sectors of the Australian economy and our continuing need to become more competitive internationally, the Council accepts that there is an obligation on governments to ensure that their joint working arrangements are as efficient and effective as possible. At the same time, increasing efficiency and removing unnecessary overlap and duplication of service provision will improve clarity and accountability and enable governments to deliver better outcomes to their citizens.

Recognising the progress that has already been made in clarifying roles and responsibilities, the Council agreed that it would be useful to take broad stock of the intergovernmental arrangements in functional areas involving shared responsibilities and to identify priority areas where progress can be made.

The Council agreed to establish a Working Group to identify those functional areas which exhibit inefficiencies in existing intergovernmental arrangements and where there is scope for clarification of the roles and responsibilities. The Working Group is to be comprised of a representative from the Commonwealth and each State and Territory Government. Where appropriate, representatives from the Australian Local Government Association will also attend. It will report to the next meeting of the Council of Australian Governments which will consider what further work should be undertaken.

The criteria to be used by the Working Group in this process are at Attachment C.

## **CENTENARY OF FEDERATION**

The Council agreed to establish a broadly based National Advisory Committee to develop an options paper identifying goals and strategies for the centenary of federation in accordance with the attached terms of reference (Attachment D).

It further agreed that, after discussions with other Premiers and Chief Ministers and with the Prime Minister aimed at achieving a broadly representative Committee, each Premier and Chief Minister will nominate a representative to the Committee. The Commonwealth will chair the Committee, and will appoint such further persons to the Committee as might be needed to ensure that the Committee as a whole is broadly representative of the community.

## REPUBLIC ADVISORY COMMITTEE

The Council noted that the Republic Advisory and its consultations are limited to clarifying the minimum constitutional change necessary for a republic. In particular, the Council noted that the work of the Committee was intended as a first step in an extended process of informed community debate which will allow full expression of the range of views held by Australians on this matter. It was agreed that the States and Territories would be consulted by the Commonwealth in further consideration of this issue.

## FUNCTIONAL FOODS

The Council agreed that Governments should facilitate efforts by the Australian food industry to capitalise on growth in export markets. They noted that there is potential for growth in markets for functional foods, a class of foods that have been derived from existing foods and reformulated to perform a specific function relating to human health. To this end the Council agreed that the current restrictions specified in the Australian Food Standards Code, which inhibit the development of functional foods, need to be reviewed as a matter of priority. The Council noted that the National Food Authority is conducting a standard by standard review and agreed that review of those standards relating to functional foods should be expedited.

## UNIFORMITY OF PUBLIC HOLIDAYS

Heads of Government have acted to overcome the wasteful situation where parts of Australia are closed down while other parts remain open because of the lack of uniformity in the observance of public holidays.

It has been agreed that there should be uniform Australian Public Holidays and the dates on which Public Holidays are observed should be certain.

Christmas Day, Boxing Day and New Year's Day will be observed on 25 December, 26 December and 1 January respectively; Australia Day will be observed on 26 January; ANZAC Day on 25 April; and Good Friday, Easter Saturday and Easter Monday will continue to be observed on the days set according to formulae traditionally followed for these public holidays in Australia.

Heads of Government have agreed that a Working Group of officials will be set up to ensure uniformity for substituted Public Holidays when Public Holidays fall on a weekend. The Working Group will also examine

the observance of Labour Day and make a recommendation on an appropriate date for its uniform observance. The Working Group will report back to the next meeting of the Council.

The Council has no intention of reducing the number of public holidays. Rather, the objective is to achieve uniformity in the observance of public holidays. This is an important micro-economic reform with the potential to avoid the costs and disruption for business that occurs under the present arrangements.



**ELECTRICITY INDUSTRY REFORM**

In relation to reform of the electricity industry relevant Heads of Government:

1. Announced a firm commitment to have the necessary structural changes in place to allow implementation of a competitive electricity market from 1 July 1995.
2. Confirmed their commitment to the establishment of an interstate transmission network, separate from generation and distribution interests, noting that the achievement of this will require the settling of important and sensitive issues, including:
  - . market trading, grid pricing and regulatory arrangements;
  - . the budgetary impact on the States;
  - . the resolution of tax compensation issues; and
  - . resolution of reform arrangements for the Snowy Mountains Scheme.
3. Agreed that establishment of the interstate transmission network be through adoption of the Multiple Network Corporation model outlined in the NGMC report.
4. Agreed that jurisdictions in southern and eastern Australia will work to have the Multiple Network Corporation structure in place by 1 July 1995, consistent with the NGMC timetable for the introduction of a competitive electricity market

(in relation to 1, 3 and 4 Tasmania indicated that it is reviewing the appropriate structure of its electricity supply industry and will report to COAG once a decision has been made)

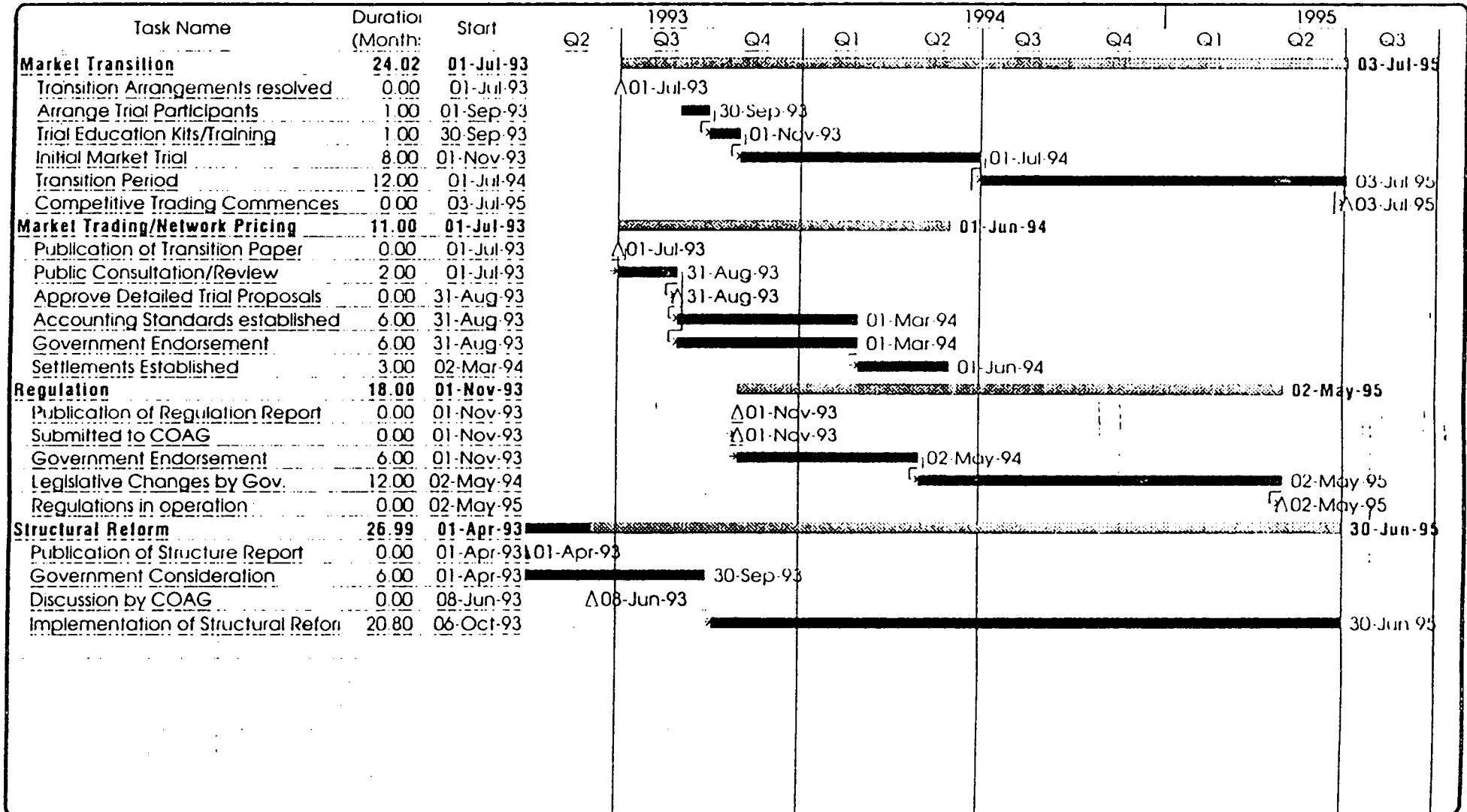
(in relation to 3 and 4, South Australia indicated it is considering the use of a subsidiary structure pending the resolution of cost issues associated with separating transmission from its vertically integrated authority.

Resolution of those issues would enable the adoption of the Multiple Network Corporation model.).

5. Committed to further examine, during the course of the establishment of the Multiple Network Corporation structure, of whether the network structure for Governments to work toward should be a National Network Corporation or another option.
6. Reconfirmed the objective of competitive generation as envisaged in the National Grid Protocol, noting that this will involve merit order despatch of individual generators to ensure that the most cost-effective generation is despatched and to enable private sector generation to compete on equal terms.
7. Called for a report from the NGMC at the next meeting of the Council of Australian Governments on the following major issues associated with implementation of electricity reform:
  - . the implementation of network pricing and market trading arrangements to underpin competition in electricity trading;
  - . appropriate regulatory arrangements, noting that the Hilmer inquiry into competition policy will report during this period;
  - . progress in the establishment of a high-voltage transmission link between NSW and Queensland (Northlink); and
  - . demand management opportunities.
8. Asked the NGMC to address further major issues, including:
  - . methodologies to ensure a consistent and commercial approach to the valuation of transmission assets; and
  - . the implementation of effective system control arrangements for the integrated network, independent of the generation sector, that meet the needs of generators, distributors and major customers.
9. Noted that the NGMC will need to further consult widely and visibly with major stakeholders.

10. Agreed that the parameters for the 1994 review of the NGMC be agreed at the next meeting of the Council of Australian Governments.
11. Requested the senior officials working group to report back to the next meeting of the Council of Australian Governments on:
  - . whether a Memorandum of Understanding is required between Heads of Government to advance the establishment of an interstate transmission network and, if so, what it should contain;
  - . progress in the resolution of the tax compensation matter;
  - . progress in resolution of reform arrangements for the Snowy Mountains Scheme; and
  - . reform actions taken within the States to facilitate the introduction of a competitive electricity market.

# Electricity Industry Reform



## RATIONALISATION OF MINISTERIAL COUNCILS

Following a review of the scope, distribution and number of Ministerial Councils, the Council of Australian Governments has agreed to reduce the existing 45 Councils to 21 Councils as follows:

1. Agriculture and Resources Management Council of Australia and New Zealand (including the Agricultural Council of Australia and New Zealand, the Australian Soil Conservation Council and the Australian Water Resources Council and the Rural Adjustment Scheme Ministers' Meeting).
2. Ministerial Council on the Administration of Justice (including the Australasian Police Ministers' Council, Corrective Services Ministers' Conference and Intergovernmental Committee on the National Crime Authority).
3. Australian Aboriginal Affairs Council.
4. Australian and New Zealand Environment and Conservation Council.
5. Australian and New Zealand Minerals and Energy Council.
6. Australian Transport Council (including the Australian Transport Advisory Council and the Ministerial Council on Road Transport).
7. Commonwealth/State Ministers' Conference on the Status of Women.
8. Conference of Commonwealth and State Labour Ministers.
9. Conference of Ministers for Immigration and Ethnic Affairs.
10. Cultural Ministers' Council.
11. Employment, Education and Training Ministerial Council (including the Australian Education Council, the Ministerial Council on Vocational Education, Employment and Training and the Youth Ministers' Council).
12. Health and Community Services Ministerial Council (including the Australian Health Ministers' Conference, the

Council of Social Welfare Ministers and the National Food Standards Council).

13. Industry, Technology and Regional Development Council (including the Australian Industry and Technology Council, the Meeting of Commonwealth, State, Territory and New Zealand Ministers responsible for Small Business).
14. Ministerial Council on Drug Strategy.
15. Ministerial Council on the Australian National Training Authority.
16. Ministerial Council on Forestry, Fisheries and Aquaculture (including the Australian Forestry Council and the Australian and New Zealand Fisheries and Aquaculture Council).
17. Planning, Housing and Local Government Ministerial Council (including the Planning Ministers' Conference, the Housing Ministers' Conference, the Local Government Ministers' Conference, the Construction Industry Ministerial Council and the Heritage Ministers' Meeting).
18. Ministerial Council of Attorneys-General (including the Standing Committee of Censorship Ministers, the Ministerial Council for Corporations and the Ministerial Council on Financial Institutions).
19. Ministerial Council on Consumer Affairs (including the Ministerial Council on Trade Measurement).
20. Sport and Recreation Ministers' Council (including the Racing and Gaming Ministers' Conferences).
21. Tourism Ministers' Council.

The Ministerial Council for Common Services Provision will no longer function.

The above reduction in the number of Ministerial Councils is to be carried out, and support structures appropriately reviewed, by January 1994.

## COMMONWEALTH-STATE ROLES AND RESPONSIBILITIES

A Working Group has been established to identify those functional areas which exhibit inefficiencies in existing inter-governmental arrangements and where there is scope for clarification of roles and responsibilities.

In identifying those areas that may be considered to merit priority attention, relevant issues include:-

- . problems of duplication and overlap;
- . inefficiencies in delivery of services to clients;
- . incentives to cost-shifting between governments; and
- . lack of transparency and clear accountability and unnecessary duplication in program monitoring.

The Council will consider, at its next meeting, what further work should be undertaken. In areas where it is agreed that changes might be considered, the focus would be on the following objectives:-

- . delivering better outcomes for citizens;
- . increasing the focus on client outcomes rather than program inputs;
- . removing unnecessary duplication of effort and improving efficiency and effectiveness overall;
- . clarifying the policy and program objectives of the different levels of government;
- . achieving administrative arrangements that are cost effective and clearly setting out the different governmental roles and funding responsibilities;
- . clarifying lines of accountability and increasing transparency of individual governmental roles in shared responsibility areas; and
- . providing greater certainty in funding arrangements for the level of government delivering programs.

**NATIONAL ADVISORY COMMITTEE ON THE CELEBRATION OF THE  
CENTENARY OF FEDERATION**

**TERMS OF REFERENCE**

The purpose is to obtain an options paper for consideration by the Council of Australian Governments which identifies possible goals for the celebration of the centenary of federation, the strategies by which those goals might be achieved, and the involvement of various levels of government, interest groups and the community at large.

In formulating the paper, the Committee should set out goals and strategies for centenary-related activities in the years leading up to, and including the centenary, and draw on the views of the community through wide ranging consultations.

The Committee should consider activities which will commemorate the events being celebrated, consistent with the significance of the achievement of federation. It should however take as an over-riding objective the building of a better sense of national identity and purpose for the next century and should give emphasis to activities that will have enduring and worthwhile results that go beyond simply marking the occurrence of the centenary.

Particular matters to which the Committee should have regard include:

1. The achievement of nationhood by the Australian colonies, including the events leading up to the enactment of the federal constitution.
2. The national achievements of the first hundred years of federation.
3. Ways in which an enhanced sense of national unity, purpose and confidence about the past and for the future could be developed.

In considering the strategies for the achievement of proposed centenary goals, the Committee should bear in mind the need to recognise activities which are already in progress or planned on a separate course, for example by the Constitutional Centenary Foundation or in connection with the issue of whether Australia should become a republic, or the Aboriginal reconciliation process.

The Committee's final report should be available to the Council of Australian Governments by May 1994.