



# ***Review of the Tasmanian Economic Regulator***

# **Submission**

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## Introduction

The Local Government Association of Tasmania (LGAT/The Association) is incorporated under the *Local Government Act 1993* and is the representative body for Local Government in Tasmania.

The objectives of the Association are:-

- To promote the efficient administration and operation of Local Government in the State of Tasmania;
- To watch over and protect the interests, rights and privileges of municipal Councils in the State of Tasmania;
- To foster and promote relationships between Local Government in the State of Tasmania with both the Government of Tasmania and the Government of the Commonwealth of Australia;
- To represent the interests of the members of the Association generally, and in such particular matters as may be referred to the Association by its members; and
- To provide such support services to the members of the Association as the Association may by resolution in meeting determine.

## General Comments

The Association appreciates the level of consultation provided by the Department of Treasury and Finance on this issue, noting a number of direct phone calls. As stated in our covering letter, this submission has been developed in collaboration with member councils. Where a Council has made a direct submission to this process, any omission of these specific Council comments in the LGAT submission should not be viewed as lack of support by the Association for that specific issue.

As a long standing member of the Office of the Economic Regulator Consultative Committee, LGAT is aware of the range of activities that the Economic Regulator undertakes and values the current role of the Tasmanian Economic Regulator (the Regulator) as an independent statutory body. With a purpose to ensure that government business enterprises or activities in the electricity supply, gas, water supply, public transport, compulsory and Local Government sectors and the like set their prices or conduct their activities in an economically-efficient way, the Regulator has an important role to ensure these activities do not occur to the detriment of consumers.

The enterprises or activities which the Regulator regulates are not trivial enterprises or activities. They relate, in many cases, to utilities for which demand is relatively inelastic. People and businesses do not, in any real sense, have the discretion to dispense with electricity or water supply. The regulated sectors relate to enterprises or activities whose impacts are profound in their scale and scope upon the Tasmanian economy, both as inputs to the cost of doing business in this State and also as direct costs to residential customers, with consequent effects on cost of living pressures and the level of discretionary consumer spending in the economy.

It is noted that the review of the role of the Regulator has been born out of the State Government's review of boards and committees, which holds a primary focus to "reduce spending" (Treasurer's media release 20/8/2014). Ineffective regulation of enterprises or activities noted above, however, has the potential to result in economy-wide adverse impacts that dwarf the direct costs upon which the review has focussed. Given the profound economic significance of these enterprises, it is surprising that the economy-wide benefits of appropriate regulation have not been weighed as part of the review. LGAT firmly believes the result of any review of the Tasmanian Economic Regulator must afford the Regulator the greatest level of independence.

## **Specific Comments**

### **Structure of the Regulator**

As noted above, the Association believes maintaining the independence of the Regulator is paramount. Further, the Regulator needs to be afforded the scope to appoint the required number of staff as appropriate to undertake the task at hand.

Therefore, in accordance with the paper, only Option 1 ("the GPOC model") would be acceptable to Local Government in Tasmania. Under this model, a Commissioner or Regulator would be appointed by the Governor, with one or more Assistant Commissioners/Regulators appointed for each investigation. Option two as identified on page four of the paper is not supported and Option three is vigorously opposed.

### **Competitive Neutrality Arrangements**

The Association understands that currently, the Minister for Local Government has the Power to direct a council or Local Government Entity to act in certain cases. Therefore, in practice, it is already possible for a council to be directed to act. The Association would, however, like to be engaged and informed on the likely process to be undertaken in relation to the proposal for the Minister for Local Government to enable the Regulator to direct a council in matters involving competitive neutrality.

The paper discusses the relative merits of a significance test in regards to competitive neutrality complaints. With the paper recommending to maintain the status quo in that there would be no significance applied to competitive neutrality complaints, LGAT members would be interested to learn how the Regulator would address cases or claims of potential competitive neutrality breaches by Local Government in Tasmania.

## Concluding Comments

The Association values the role of the Tasmania Economic Regulator and would not want to see its role and independence devalued for the sake of saving a few dollars in line with a political commitment. While it is understood that the Economic Regulator Act provides that the Regulator is not subject to ministerial control, as well as other protections, LGAT believes that any review of the Regulator should provide for the greatest level of independence possible. It should also be noted that the Tasmanian Community needs to have faith in the independence of the Regulator and assurance that the Regulator can ensure that activities for which the Regulator has responsibility for do not occur to the detriment of consumers.

LGAT appreciates the opportunity to provide feedback on the *Review of the Tasmanian Economic Regulator* Paper and hopes that the issues raised in this submission are taken on board by the Department of Treasury and Finance in their review.

If you have any further questions please contact Kate Hiscock, Senior Policy Officer, Local Government Association on 6233 5965 or [kate.hiscock@lgat.tas.gov.au](mailto:kate.hiscock@lgat.tas.gov.au)