

ECONOMIC REGULATOR BILL 2009

SECOND READING SPEECH

Mr Speaker

The *Economic Regulator Bill 2009* establishes a Tasmanian Economic Regulator, comprising three persons, to be the regulator for the electricity supply, water, sewerage and gas industries, and to be responsible for the functions of the Government Prices Oversight Commission. The Bill will replace the *Government Prices Oversight Act 1995*.

Mr Speaker, the Government Prices Oversight Commission was established in 1995 to investigate and report on the pricing policies of Government Business Enterprises and Government agencies that are monopoly suppliers of goods and services.

To date, the Commission has consisted of a single Commissioner, assisted from time to time by one Assistant Commissioner appointed for each pricing investigation.

Since 1995, the Commissioner has conducted pricing investigations in relation to the Motor Accidents Insurance Board, Metro Tasmania and the bulk water authorities. In this capacity, it makes recommendations to the Government on the maximum prices these entities may charge.

The Commissioner also undertakes inquiries into the pricing of government businesses and examines competitive neutrality complaints, as required under National Competition Policy.

In addition, the Commissioner is the economic regulator for the State's electricity supply and gas industry.

In all these functions, the principal objective is to ensure that Government monopolies are able to operate on a commercially sustainable basis that provides the best outcome for Tasmanians, as both shareholders and consumers.

Following the Government's reforms to the Tasmanian water and sewerage sector, the Commissioner has recently become the economic regulator for this sector, which will entail a very large increase in the Commissioner's workload.

Mr Speaker, these arrangements have worked well to date. However, they have resulted in a key-person dependency and this would increase if the current arrangements were to continue. There will be periods, for example, when major pricing investigations will be required for more than one sector.

Accordingly, the Government has decided that a board of three members would be the appropriate structure for a regulatory body responsible for these sectors. In particular, this structure will eliminate the risks associated with placing an unduly high workload on one person. The Bill also provides for the appointment of members for up to three years, rather than the short-term nature of the current Assistant Commissioner appointments that are tied to specific pricing reviews.

The Bill requires the members to have expertise in the areas of industry, economics, public administration or regulation of utilities. This will therefore provide greater diversity of experience.

This is the model for regulatory bodies in other jurisdictions and for the Liquor Licensing Board and the Tasmanian Gaming Commission. The Tasmanian Economic Regulator will continue to be provided with administrative, technical and research support by the Department of Treasury and Finance.

Mr Speaker, the Bill includes the same powers and functions that are currently exercised by the Commission. Most provisions are therefore taken directly from the Government Prices Oversight Act. The Bill will therefore repeal this Act.

The *Economic Regulator (Consequential Amendments) Bill 2009* is cognate with this Bill and will include consequential amendments to the *Electricity Supply Industry Act 1995*, the *Gas Act 2000*, and the *Water and Sewerage Industry Act 2008* to provide that the Tasmanian Economic Regulator is the regulator for these industries.

These Acts will also be amended to provide that a single annual report, including financial statements, is produced by the Tasmanian Economic Regulator, covering the regulation of all these industries. This will reduce the time required, and the cost, of producing these reports.

Mr Speaker, the Bill will introduce some other changes.

Certain safety functions in relation to electricity and gas are currently delegated to Workplace Standards Tasmania, as the Commission does not have the technical expertise necessary to discharge the relevant responsibilities. The Bill transfers responsibility for these functions to Workplace Standards Tasmania.

On another matter, the taxi industry has previously complained that the Transport Commission does not have an adequate model for determining maximum taxi fares.

The Government has listened to the industry and has decided that one function of the new Regulator will be to provide advice to the Transport Commission on an appropriate methodology to set maximum taxi fares and to index these fares to take into account changes in operating costs generally.

Following the enactment of this Bill, I will direct the Regulator to conduct an inquiry into an appropriate price-setting methodology and to advise the Transport Commission accordingly.

Mr Speaker, the Bill will strengthen the governance arrangements for the regulation of the key public utilities in the State. It will also provide the capacity for the Economic Regulator to effectively undertake the wide range of functions as the regulator for the State's water and sewerage industry.

I commend the Bill to the House.