

CHAPTER 3: NATIONAL REFORM AGENDA

Key findings of the Committee:

- 3.1** The Committee noted that various actions designed to advance the implementation of National Reform Agenda (NRA) reforms were underway across departments, including ones that sought to take a long term perspective for the next generation of Australians.
- 3.2** Based on information provided by departments, the Department of Education, the Department of Human Services, the Department of Infrastructure, the Department of Innovation, Industry and Regional Development, the Department of Justice and the Department for Victorian Communities were the most prominent agencies involved in the NRA under the coordination activities of the Department of Premier and Cabinet.
- 3.3** The Committee noted that Victoria's response to date has focused on the human capital stream of NRA reforms, in line with the Productivity Commission's expectation that this stream will yield the majority of benefits. The Committee also regards continuous action on the other streams – regulatory reform and competition – as essential elements for success under the National Reform Agenda.
- 3.4** With the NRA having the potential to increase GDP by up to 11 per cent after 25 years (or approximately \$100 billion a year in terms of today's economy), the Committee will continue to seek information regarding progress made in implementing key NRA programs and projects against milestones and the costs and benefits against estimates.
- 3.5** In continuing to aspire to achieve reforms in the national interest, the Committee noted the level of funding provided by the Victorian Government, particularly with regard to NRA initiatives targeted at the human capital stream such as programs aimed at improving literacy and numeracy outcomes and early childhood outcomes.

3.1 Background

This section of the report builds on the information contained in last year's budget estimates report by commenting on the progress achieved by departments in implementing the National Reform Agenda (NRA). It also offers recommendations for ways in which the management and accountability of the NRA could be enhanced over the ensuing period.

Endorsed by the Council of Australian Governments (COAG) in February 2006, the NRA focuses on reforms in human capital, better regulation and competition to raise living standards in Australia through improving productivity and workforce participation over the next decade and beyond.⁵⁷ Commentary by the Public Accounts and Estimates Committee (the Committee) on the impact that spending by departments, particularly on new initiatives, will have on productivity is contained in a later chapter of this report. The National Reform Agenda at a glance is shown in table 3.1.

⁵⁷ Budget Paper No.2, 2007-08 *Strategy and Outlook*, p.94

Table 3.1: The National Reform Agenda at a glance

The National Reform Agenda comprises three streams – improvements to human capital, regulatory reform and competition.

- The *human capital* stream covers three areas – health, education and training, and work incentives.
 - The health element comprises two distinct parts. The first seeks to improve the delivery of health services and to review Commonwealth-State Specific Purpose Payments that significantly affect the health system, prior to their renegotiation, in order to identify any elements that, if changed, could contribute to better health outcomes. The second is aimed at improving workforce participation and productivity by reducing the incidence of illness, injury and disability and chronic disease in the population.
 - The education and training element seeks to equip more people with the skills needed to increase workforce participation and productivity. Four areas have been targeted: early childhood development; literacy and numeracy; transitions from school to further education or work; and adult learning.
 - The workforce incentives element is designed to increase workforce participation by improving incentives for those groups with the greatest potential to raise their participation rates: people on welfare, the mature aged and women.
- The *regulatory reform* stream comprises two distinct sets of initiatives. The first is designed to promote best practice regulation making and review. The second focuses on reducing the regulatory burden in ‘hot spots’⁵⁸ where overlapping and inconsistent regulatory regimes across state and territory jurisdictions are impeding economic activity.
- The *competition* stream involves reforms in the areas of energy, transport, infrastructure and planning, and climate change. These reforms have the potential to significantly increase Australia’s international competitiveness and deliver substantial benefits to the Australian economy.

Sources: Productivity Commission, *Potential Benefits of the National Reform Agenda*, February 2007, p.xxx; Council of Australian Governments, *Communique*, 10 February 2006, p.3, and www.dtf.vic.gov.au, accessed 4 September 2007

In examining the potential economic benefits to be derived from a NRA, modelling by the Productivity Commission suggest that the NRA could boost Gross Domestic Product (GDP) by up to 11 per cent after 25 years, equating to approximately \$100 billion a year in terms of today’s economy.⁵⁹ With possible longer term economic impacts facing Victoria emanating from conditions of an ageing population and slowing productivity growth; a changing global environment that brings both greater competition and trade opportunities; and emerging environmental challenges (particularly climate change),⁶⁰ the Committee will be interested in pursuing on a continuous basis, information from departments about the progress made and outcomes delivered from the various projects that fall under the umbrella of the NRA in Victoria.

⁵⁸ COAG has agreed to target 10 regulatory ‘hot spots’ namely rail safety; occupational health and safety; trade measurement; chemicals and plastics; development assistance arrangements; building regulation; business registration; environmental assessment and approvals processes; personal property securities; and product safety. Productivity Commission, *Potential Benefits of the National Reform Agenda*, February 2007, p.20

⁵⁹ Budget Paper No.2, *2007-08 Strategy and Outlook*, p.94

⁶⁰ *ibid.*, p.91

3.2 Responding to the national reform agenda

Budget Paper No.2 *2007-08 Strategy and Outlook* provides details of how the government has, and will continue to respond to the NRA.⁶¹ According to the government, *'some progress has been achieved over the past 12 months through discussions in COAG towards a NRA'*. However, importantly, the Victorian Government warned that *'more needs to be done to safeguard the living standards of Australians'*.⁶²

As the Committee was interested in how individual departments were responding to the National Reform Agenda, all departments were asked to provide details of their National Reform Agenda activities, implications for departmental services and the level of state funding allocated in 2007-08 for NRA initiatives in their response to the Committee's 2007-08 Budget Estimates questionnaire.

While most departments stated in their responses to the 2006-07 Budget Estimates questionnaire that they were participating in the NRA, the Committee noted that a year later, further progress had been made across departments to various degrees. As was the case last year, the Committee expected some variation in participation, given the current status of the NRA, the ongoing development of specific reform proposals and the varying relevance of the NRA to portfolio responsibilities of different departments.

Departmental participation primarily involved representation on various working groups and committees, working with other Victorian Government departments, and developing policy initiatives and plans that meet the objectives of the NRA. Based on the responses provided by departments, the Department of Education, the Department of Human Services, the Department of Infrastructure, the Department of Innovation, Industry and Regional Development, the Department of Justice and the Department for Victorian Communities have been the most prominent departments involved in the NRA, under the coordination of the Department of Premier and Cabinet.

Section 3.4 in this report, describes a consolidated listing of the way in which departments have responded to the NRA since its inception. The Committee noted that the Department of Premier and Cabinet established a National Reform Secretariat to work on COAG activities and the National Reform Agenda and that capacity has been achieved through reprioritisation of resources.

In terms of maximising Victoria's human capital through enhancing the knowledge and skills of Victoria's workforce and the provision of a healthy workforce, key initiatives outlined by departments involved the development of plans/measures to improve literacy and numeracy outcomes as well as vocational education and training, and to address the growing impact of obesity and type 2 diabetes. Consistent with the finding of the Productivity Commission that the majority of benefits of the NRA will arise from the human capital stream, Victoria's response to date has largely focused on this component of the reform agenda.

With regard to regulatory reform, examples cited by departments included the review of ports regulations, the identification of areas where a review of business licensing should focus, the review of the licensing arrangements for public lotteries and the release by the government of the Reducing the Regulatory Burden initiative to reduce the administrative and compliance burden on business.

In the context of the competition stream, examples of initiatives included Victoria's participation in work being undertaken or completed in relation to COAG's energy market reforms, a national review of urban congestion, development of a five yearly infrastructure report that involved forecasting infrastructure demand and included the development of performance indicators across various sectors in the energy and transport industries.

⁶¹ *ibid.*, pp.91-103

⁶² *ibid.*, p.91

In responding to climate change, the Department of Sustainability and Environment advised the Committee that in February 2006, COAG agreed to adopt a new national Climate Change Plan of Action and to establish a high level inter-jurisdictional Climate Change Group to oversee implementation of the Plan's recommendations. COAG decided that the Climate Change Group would prepare a National Adaptation Framework for its review. The Committee will be very interested in monitoring developments in this area and their relevance to Victoria.

The Committee noted that the Office of Climate Change was established in the Department of Premier and Cabinet in early 2007⁶³ with six to seven core staff and a funding allocation of \$3.2 million over three years⁶⁴. The Office will be responsible for whole of government policy and strategy, focussing on longer term issues and the economic, environmental and social impacts of climate change. The Office will also lead inter-jurisdictional policy development.⁶⁵

Section 3.5 in this report sets out a summary of the work undertaken in developing the first tranche of detailed reform policies between July 2006 and April 2007.

The Committee noted the various responses underway across departments that are designed to advance the implementation of NRA reforms, recognising that *'the NRA is about all governments taking a long term perspective for the next generation of Australians'*.⁶⁶

The Committee is aware, however, of the importance of balancing regulatory reform with the need to protect the public interest and, in this regard, acknowledges the position taken by the Victorian Government on gambling where regulatory controls are considered to be in the public interest.

The Committee was pleased to find that according to the Business Council of Australia's red tape scorecard, which analysed the red tape reform progress of each state and territory government, only Victoria had consistently achieved 'good' ratings in the way it had implemented reforms of its regulation making regime.⁶⁷ The four benchmarks used in this exercise comprised:⁶⁸

- **principles of regulation making** – which included the need to consider alternatives to regulation;
- **accountability** – which included the need for regulators to be held to account for their performance;
- **transparency** – which included the need for those potentially affected to have input into the process; and
- **review** – which included the need for regulations to be subject to review to ensure they remain relevant and efficient over time.

In fact, according to the Council, states like Queensland and Western Australia have performed poorly and could benefit from examining Victorian models (for example, the creation of a Victorian Competition and Efficiency Commission which assesses the regulators' performance and is transparent in its reporting on the red tape performance of the state)⁶⁹.

⁶³ www.dpc.vic.gov.au, accessed 4 September 2007

⁶⁴ Department of Premier and Cabinet, response to the Committee's 2007-08 Budget Estimates questionnaire, received 2 May 2007, p.3

⁶⁵ www.dpc.vic.gov.au, accessed 4 September 2007

⁶⁶ www.dpc.vic.gov.au, accessed 18 July 2007

⁶⁷ Business Council of Australia, *Business still tied up by state and territory red tape*, media release, 27 May 2007

⁶⁸ Business Council of Australia: *A scorecard of state red tape reform*, May 2007, p.2

⁶⁹ ABC Online, *Victoria sets the benchmark in red tape efficiency: BCA*, 28 May 2007

The Committee acknowledges the following statement made by the Victorian Government in discussing Commonwealth-State financial relations in the context of the National Reform Agenda:⁷⁰

Victoria believes in a cooperative approach and is seeking to continue working with the Commonwealth and other states and territories (the states) in the reinvigoration of the National Reform Agenda (the NRA). Collaboration between all levels of government is crucial to achieving a successful outcome of the NRA. With many of the most beneficial reforms beyond the limited fiscal capacity of the states alone, much of the potential gain of the NRA depends on the full commitment of the Commonwealth.

Various statements made in the budget papers have been observed by the Committee to indicate that there are issues and opportunities to progress discussions with the Commonwealth Government. Some of these are set out below:⁷¹

- *At the April 2007 meeting of COAG, first Ministers agreed to national standards for teachers and school leaders, quality assurance and regulation of child care and kindergarten, and a nationally enacted school entry assessment system. This is a step forward for national collaboration, but more needs to be done, in particular commitment to and funding for real reform as expressed in Victoria's State Action Plans; and*
- *Other chronic diseases....(apart from type 2 diabetes)...such as mental illness, cancer and arthritis also have significant effects on quality of life and labour force participation. Options to prevent and better manage these diseases will need to be developed. The upcoming renegotiations with the Commonwealth Government for a new Australian Health Care agreement provide an opportunity to encourage health system reform.*

The Committee will view with interest:

- the extent to which the establishment of the Council for the Australian Federation, (the Council) established in October 2006 to improve the way that the states and territories work together to deliver key services that affect Australians' daily lives,⁷² has been effective in facilitating discussions between state and territory leaders on issues of national importance (the Committee noted that the Council was made up solely of the states and territories); and
- whether the monitoring activities of the COAG Reform Council (CRC), an independent body established to report to COAG annually on progress in implementing the National Reform Agenda in terms of the achievement of agreed reform milestones and progress measures,⁷³ have contributed to any positive outcomes for Victorians.

The Committee also noted the view expressed by the Department of Treasury and Finance that, in terms of moving forward, ongoing discussions under the NRA umbrella could focus on future reform opportunities, including scope to better manage integration and flexibility of the service system between levels of government. With this background in mind, the Committee noted that according to the Department of Justice, while cross-jurisdictional collaboration has been advanced through bi-lateral agreements on service delivery to indigenous Australians, there are currently no bilateral agreements in place between the department and the Commonwealth on justice issues for the indigenous community.

⁷⁰ Budget Paper No.2, 2007-08 *Strategy and Outlook*, p.65

⁷¹ *ibid.*, pp.96-97

⁷² www.dpc.vic.gov.au, accessed 20 August 2007

⁷³ Council of Australian Governments, *Communique*, 10 February 2006, p.9

The Committee recommends that:

- Recommendation 1:** **The Victorian Government continue to focus on securing the fullest fiscal commitment from the Commonwealth to NRA reforms in order to maximise economic, social and environmental outcomes for Victoria.**
- Recommendation 2:** **The role of the National Reform Secretariat established within the Department of Premier and Cabinet be expanded to monitor the progress achieved by departments in terms of implementing the NRA programs and projects and report directly to the Premier on outcomes achieved on an ongoing basis.**
- Recommendation 3:** **The Department of Treasury and Finance require departments to disclose in annual reports their performance in achieving agreed outcomes under the NRA, including funding from the Commonwealth to assist Victoria implement the full package of its NRA proposals brought forward to COAG each year.**
- Recommendation 4:** **The Department of Premier and Cabinet, as part of its coordinating role in the development of the NRA in Victoria, ensure that:**
- (a) timelines including key milestones are established for the various NRA programs and projects implemented by government departments;**
 - (b) information regarding progress made in implementing key NRA programs and projects against milestones be reported in budget documents issued by the Treasurer; and**
 - (c) evaluations, including assessments of measurable costs and benefits against estimates, take place with regard to the delivery of key NRA programs and projects.**

3.3 Allocation of state funding in 2007-08 for initiatives under the National Reform Agenda

COAG agreed in July 2006 that the Commonwealth Government would fund states and territories on a case-by-case basis, if required, to ensure the respective governments share the costs and benefits of reform. The funding will be available once the states and territories have developed specific implementation plans.⁷⁴

While none of the ten departments allocated funding to the National Reform Agenda for 2006-07,⁷⁵ table 3.2 shows that the vast majority of the funding allocated in 2007-08 and beyond relates to advancing the human capital stream of the NRA.

⁷⁴ Council of Australian Governments, Communique, 14 July 2006, p.8

⁷⁵ Public Accounts and Estimates Committee, *Report on the 2006-07 Budget Estimates*, p.94

Table 3.2: State funding connected with initiatives under the National Reform Agenda 2007-08

Department	State funding
Education	Of the \$323.8 million committed by the Victorian Government in its Plan to Improve Literacy and Numeracy Outcomes, \$207.7 million is funded within the 2007-08 budget. Funding will support programs such as the Career Change program, Scholarships for Science Graduates, Teacher Assistants and Primary Welfare Officers.
Human Services	<p>Victoria has allocated an additional \$137 million over four years to NRA initiatives (significantly exceeding the requirements under the cost sharing formula), which translates to funding in 2007-08 of \$39.6 million for the following programs:</p> <ul style="list-style-type: none"> • <i>Go for your life</i>: \$31.7 million • <i>Meeting our transport challenges</i>: \$7.9 million <p>This is in addition to the \$472 million committed over the 2006-2011 period as Victoria's contribution to COAG's National Action Plan on Mental Health.</p> <p>Victoria's Plan to Improve Outcomes on Early Childhood, released in April 2007, also proposes a state contribution of \$136 million over the next four years to a program of joint action with the Commonwealth.</p>
Infrastructure	<p>The staffing resources that the department is committing to work on the COAG program are being drawn from existing staff numbers. The work being undertaken is not affecting the department's capacity to deliver its services.</p> <p>The department will be able to make its contribution to the NRA principally through the work being undertaken by departmental staff on relevant projects and issues. Victoria may be required to provide some funding to studies on a needs basis.</p>
Innovation, Industry and Regional Development	<p>In terms of examining the extent of state funding that has been allocated in 2007-08 for initiatives under the NRA, there are no 2007-08 budget implications for the business licensing project or the ABN/business names project. With regard to the area covering Apprenticeships, Training and Skills Recognition, Victoria will match the Commonwealth's commitment to provide \$2.7 million (excluding GST) over three years to establish Skills Stores. The matched funding is included in the \$23 million Skills Stores initiative announced in the 2006-07 Victorian budget. A key function of Skills Stores is to facilitate the uptake of Recognition of Prior Learning (RPL).</p> <p>The focus of the first year will be development of guidelines to inform consistent systemic implementation.</p> <p>The strategies for the first year in summary are:</p> <ul style="list-style-type: none"> • guidelines to assist the development and implementation of effective RPL models. This includes standardisation of definitions, Office of Training and Tertiary Education policies, and auditing procedures (\$220,000); • best practice case studies, a resource reference tool for practitioners and a communication strategy across the sector (\$225,000); and • capacity building through delivery of RPL training workshops for assessors associated with Skills Stores, specific industry sectors and local needs (\$470,750). <p>Project plans for 2007-08 and 2008-09 will be developed on the basis of experience gained in the first year.</p>

Table 3.2: State funding connected with initiatives under the National Reform Agenda 2007-08 (continued)

Department	State funding
Justice	Two Victorian public service (VPS) Grade 6 positions are currently funded by the department for central coordination of work related to 'Reducing the Regulatory Burden' and the 'Better Practice Regulation' initiatives across the department.
Premier and Cabinet	<p>The department has established a National Reform Secretariat to work on COAG and NRA (comprising 7.8 equivalent full-time (EFT) departmental officers). Capacity has been achieved through reprioritisation of resources.</p> <p>A major program of work for the department will be to lead work relating to the NRA and other COAG related policy initiatives. No specific funding has been allocated for this initiative, but it will be a key priority in policy advice and projects of the department.</p> <p>However specific funding of \$168,000 and \$150,000 in 2007-08 has been allocated respectively for Victoria's support to the Council for the Australian Federation and the COAG Reform Council, the two new inter-governmental institutions, which will strengthen cooperation between Australian governments and aims to improve services delivered to Victorians.</p>
Primary Industries	The department's share of funding for the national energy market reform program will be approximately \$5 million in 2007-08.
Sustainability and Environment	Work is being managed within existing resources and no state funding has been allocated to the department in 2007-08 for initiatives under the NRA.
Treasury and Finance	The department has not received any funding in 2007-08 for the NRA, although it has a role in working with the Department of Premier and Cabinet on aspects of the NRA and attending related meetings with COAG.
Victorian Communities	<p>The NRA is not expected to detract from the provision of ongoing department services.</p> <p>No separate funding has been allocated specifically to the department for 2007-08 with regard to the NRA.</p>

Sources: Responses to the Committee's 2007-08 Budget Estimates questionnaire: Department of Education, p.17; Department of Human Services, p.25; Department of Infrastructure, pp.24–25; Department of Innovation, Industry and Regional Development, p.25; Department of Justice, p.34; Department of Premier and Cabinet, p.17; Department of Primary Industries, p.18; Department of Sustainability and Environment, p.27; Department of Treasury and Finance, p.17; Department for Victorian Communities, p.16

3.4 Supplementary information

Table 3.3: Departmental involvement in the National Reform Agenda

Department	Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire	Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire
Parliamentary departments		The National Reform Agenda (NRA) does not impact on the Parliament of Victoria's operations.
Education and Training (former), now Department of Education under machinery of government changes	The department is working closely with the Department of Premier and Cabinet and the Department of Treasury and Finance to progress work under the human capital stream of the National Reform Agenda. It is also contributing to a report on transition pathways from school to work, which the Ministerial Council on Education, Employment, Training and Youth Affairs is undertaking. The department is making further contributions through the Council of Australian Government (COAG) agreed outcomes to address skills shortages through a national approach to apprenticeships, training and skills recognition.	<p>The department has worked closely with the Department of Premier and Cabinet and the Department of Treasury and Finance to develop Victoria's Plan to Improve Literacy and Numeracy Outcomes and contribute to the development of multilateral reforms for the agreement and implementation by all jurisdictions.</p> <p>Improving the literacy and numeracy attainment of school aged children has been identified as one of three streams of priority work under the human capital stream of the NRA. Literacy and numeracy attainment has been given priority due to evidence that supports its potential to boost workforce participation and productivity.</p> <p>The 10 actions the Victorian Government has committed to in Victoria's Plan to Improve Literacy and Numeracy Outcomes will be rolled out progressively by a number of Divisions across the Department of Education including the Human Resources Division, the Student Learning Programs Division, the Student Wellbeing and Support Division and the Infrastructure Division.</p> <p>Departmental officers within the Commonwealth-State and External Relations Division, Strategic Policy and Research Division and the Student Learning Programs Division will continue to work with other jurisdictions (through the Ministerial Council on Education, Employment, Training and Youth Affairs – MCEETYA) to implement multilateral actions agreed by COAG under the NRA.</p>

Table 3.3: Departmental involvement in the National Reform Agenda (*continued*)

Department	Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire	Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire
Human Services	<p>The department is working with the Department of Premier and Cabinet and the Department of Treasury and Finance to develop nationally agreed outcomes and measures, and state implementation plans, that will deliver outcomes aimed at contributing to increased workforce participation and productivity. The focus of this work is on improving the prevention and management of chronic diseases. The department is also working on National Reform Agenda issues relating to early childhood through the Office for Children, and is contributing to the mental health agenda. It considers the National Reform Agenda will have implications for its services, with the potential to fundamentally reshape Commonwealth-State relations, and provide some new avenues for funding a more integrated approach to health care delivery. This is likely to lead to a greater focus on prevention and early intervention.</p>	<p>The Department of Human Services (DHS), in collaboration with the Department of Premier and Cabinet (DPC) and the Department of Treasury and Finance (DTF), developed <i>Victoria's Plan to Address the Growing Impact of Obesity and Type 2 Diabetes (2007)</i> in response to the first tranche of work under the ten year NRA. The plan proposed a set of actions over the first four years that would address the health outcomes agreed by Council of Australian Governments (COAG) under the human capital stream of the NRA. The plan was submitted for consideration by COAG on 13 April 2007, along with the action plans of other jurisdictions and a number of proposed multilaterally agreed actions making up the NRA package of reform proposals for the prevention and management of type 2 diabetes.</p> <p>Victoria's plan built on existing initiatives and included new commitments foreshadowed in Labor's policy for the 2006 Victorian election under the <i>Go for your life!</i> strategy. These commitments included creating supportive environments to promote and facilitate physical activity; providing lifestyle modification programs for eligible persons at risk of progressing to type 2 diabetes; and providing early intervention educational programs for those people newly diagnosed with type 2 diabetes.</p> <p>Additional actions were recommended that would increase the pace of reform in Victoria, but were conditional on Commonwealth funding as part of a 'fair sharing of costs and benefits'. In addition, the Commonwealth was asked to consider a number of proposed actions in its areas of responsibility that would facilitate improved health outcomes.</p> <p>COAG agreed to a new cost shared national package of \$200 million to address the significant growth in type 2 diabetes. Details of the package, drawing on jurisdictional plans, is being developed by officials. COAG also agreed to develop by mid-2008 a nationally agreed risk assessment tool, program standards and accreditation arrangements for programs and/or providers to reduce the risk of developing type 2 diabetes and for people newly diagnosed with type 2 diabetes.</p> <p>New initiatives in Victoria's plan are aligned with existing commitments. To this extent the requirement to extend or develop services exists regardless of the final outcome of COAG consideration of actions under the NRA.</p> <p>There will be an annual requirement to report on Victoria's performance in achieving any agreed health outcomes under the NRA. This will require program evaluation and reporting requirements similar to those currently in place for other COAG projects, such as the Australian Better Health initiative.</p>

Table 3.3: Departmental involvement in the National Reform Agenda (*continued*)

Department	Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire	Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire
Infrastructure	<p>The department is advising the Victorian representatives on the Competition and Regulation Working Group (CRWG), a COAG group that forms the steering committee for a national review of urban congestion. It is also participating in the inter-jurisdictional group that will be preparing the draft report for the CRWG's consideration. The department is also preparing a five yearly infrastructure report, in consultation with the Department of Sustainability and Environment, the Department of Premier and Cabinet and the Department of Treasury and Finance. Other work includes reviewing its port regulations and making a submission to the Productivity Commission on road and rail pricing.</p>	<p>Under the NRA, COAG agreed to a range of tasks that involved participation by the department:</p> <ul style="list-style-type: none"> • The report on the national review of urban congestion was submitted to the CRWG in December 2006. COAG released the report on 13 April 2007. • The five yearly infrastructure report was due in January 2007. The department, which coordinated the drafting of Victoria's report, submitted the draft report to Premier and Cabinet in December 2006 for forwarding to the Commonwealth as part of COAG coordination. COAG released each jurisdiction's report on 13 April 2007. • In the case of Victoria, it has been agreed that the review of its ports regulation will focus on the Port of Melbourne and the relationship between port policy and strategic planning and the entry of new suppliers of services, such as stevedoring. The review is to be completed by the end of 2007. Terms of reference and arrangements for conduct of the review are currently under discussion between the department and central agencies. • On behalf of the Victorian Government, the department developed the Victorian Government's submissions to the Productivity Commission Inquiry into Road and Rail Infrastructure Pricing and has provided assistance in the development of the COAG response to the Inquiry which was released on 13 April 2007. • On 1 August 2006, Victoria introduced its new Rail Safety Legislative Regime. The Victorian regime is consistent with the National Model Legislation which is a component of the work schedule for harmonising and reforming road and rail regulations.
Innovation, Industry and Regional Development	<p>The department is supporting the work of other departments through participation on inter-departmental committees. It does not expect any implications for departmental services from its participation in the National Reform Agenda.</p>	<p>The department is involved in the following three areas related to the National Reform Agenda:</p> <p>(a) Business Licensing</p> <p>COAG, at its 14 July 2006 meeting requested the Small Business Ministerial Council (SBMC) to consider options for the full mutual recognition of all business licensing requirements and report back to COAG by November 2006.</p> <p>The department has led work to identify areas on which a review of business licensing should focus (for maximum impact) and to establish the costs, risks and challenges of full or partial mutual recognition.</p>

Table 3.3: Departmental involvement in the National Reform Agenda (*continued*)

Department	Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire	Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire
Innovation, Industry and Regional Development (<i>continued</i>)		<p>(b) ABN/Business Names</p> <p>At its April 2007 meeting COAG noted the interim report from the SBMC to develop a model to deliver a seamless single online registration system for Australian Business Numbers (ABN) and business names including trademark searching. COAG requested that SBMC, in consultation with the Ministerial Council on Consumer Affairs, develop a business plan for implementation of a preferred model, based on maximising the positive net benefits following a detailed analysis of the costs and benefits.</p> <p>This project has close links to the department's World Class Service project, with its focus on improved and streamlined service delivery arrangements for Victorian business, and Victoria is working closely with the Commonwealth and other jurisdictions on development of the appropriate business plans.</p> <p>(c) Apprenticeships, Training and Skills Recognition</p> <p>The Office of Training and Tertiary Education (OTTE) is involved in a number of measures agreed on under the COAG National Reform Approach to Apprenticeships, Training and Skills Recognition to improve the vocational education and training (VET) sector, including:</p> <ul style="list-style-type: none"> • more effective mutual recognition of occupational licensing between jurisdictions; • an appropriate system for recognition of overseas qualifications; • competency based completion of apprenticeships; • accelerated implementation of an outcomes based auditing model for registered training organisations (RTOs) in Australia; • Recognition of Prior Learning program; • intermediate or specialised qualifications for the residential building and construction industry; • enabling school based apprenticeships; and • further reform of Vocational Education and Training. <p>Involvement in the NRA related projects has marginal impact on departmental services as the issues addressed are those with which the department is already actively engaged as part of its portfolio responsibilities. Internal reallocation of staff has enabled the NRA related projects to be pursued effectively.</p>

Table 3.3: Departmental involvement in the National Reform Agenda (*continued*)

Department	Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire	Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire
Justice	<p>The department is responding to all facets of the National Reform Agenda through the delivery of programs and initiatives to encourage workforce participation, applying National Competition Policy, and establishing a consistent, best practice regulatory framework.</p>	<p>Most reforms are likely to take the form of consistency of laws and processes across states and territories, coupled with enhanced opportunities to exchange information.</p> <p>In accordance with the NRA, the department will continue with current effective purchasing arrangements to prevent the introduction of unwarranted competition restrictions. In terms of the current National Competition Policy Legislative Review Program, all priority legislative reviews have been completed.</p> <p>Victoria's Reducing the Regulatory Burden project was announced by the Treasurer in the state budget on 30 May 2006. Consumer Affairs Victoria (CAV) leads this initiative for the department. This project commits the Victorian Government to reducing both the administrative and compliance burden of regulation. Strategies are currently under development and by May 2007, every department was required to develop and implement a strategy for reducing the major administrative burdens identified through review of legislation administered by their Minister(s). In addition, departments are required to submit proposals for review of compliance burdens in legislation and propose reductions. Proposal submissions to the Department of Treasury and Finance for funding to review compliance burdens include:</p> <ul style="list-style-type: none"> • Consumer Affairs Victoria (CAV)/Business Licensing Authority (BLA) Occupational Licensing Review; • Victoria Police Reduction of Regulatory Burdens on Firearms, Private Security and Controlled Weapons Licence and Registration Holders; and • Department of Justice Better Business Regulation Stage 3 (Rollout of Process Maturity and Performance Measurement assessments across Justice regulators). <p>In the context of gambling regulation, the Productivity Commission and the National Competition Council (NCC) have both agreed that a relatively high level of regulatory controls is justifiable, as gambling regulation is focused on ensuring probity, harm minimisation and consumer protection. The NCC has also accepted that national consistency in Gambling regulation may not be achievable given the significantly different industry structures that exist in each jurisdiction. In short, it is accepted that in relation to gambling, regulatory controls are in the public interest.</p>

Table 3.3: Departmental involvement in the National Reform Agenda (*continued*)

Department	Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire	Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire
Justice (<i>continued</i>)		<p>The department is currently reviewing the licensing arrangements for public lotteries. In addition, the department is currently reviewing the licensing arrangements for electronic gaming machines, club keno, wagering and funding arrangements for the racing industry post 2012. The department will provide advice to government in relation to post-2012 licence structures and funding arrangements in the latter part of 2007.</p> <p>Other regulatory areas of activity subject to COAG reforms include:</p> <ul style="list-style-type: none"> • business registration; • Personal property securities; • product safety; and • trade measurement. <p>In terms of growing the workforce, the NRA encourages a focus on those groups with the greatest potential to increase their participation. The department has been proactive in recognising and encouraging this potential, particularly in the key groups of women, youth and indigenous Australians.</p> <p>The department continues to address occupational health and safety (OHS) issues as a measure of ongoing workforce participation and has developed an OHS strategy and action plan for 2005 to 2007. It has implemented a number of key strategies focused on establishing a systematic approach to the management of occupational health and safety risks.</p> <p>The NRA states that cross-jurisdictional collaboration has been advanced through bi-lateral agreements on service delivery to indigenous Australians. There are currently no bilateral agreements in place between Victoria's Department of Justice (DOJ) and the Commonwealth on justice issues for the indigenous community. However, the Victorian Government, in partnership with the Lake Tyers community, Commonwealth and local government committed itself to a ten year Lake Tyers Community Renewal Project in 2005. To demonstrate its commitment, the state government announced a \$3.2 million commitment to the Renewal Project in 2005-06. The Commonwealth Government, through the Department of Families, Community Services and Indigenous Affairs, has committed \$1.5 million for a sewerage system up-grade much needed in Lake Tyers. The Commonwealth has also provided funding for a range of home maintenance repairs and assisted in domestic road upgrade. Both state and Commonwealth Governments have also focused on providing employment opportunities through the Renewal Project, with an Employment Development Officer on-site to increase employment outcomes for residents.</p>

Table 3.3: Departmental involvement in the National Reform Agenda (*continued*)

Department	Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire	Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire
Premier and Cabinet	<p>As well as initiating the National Reform Agenda through the A Third Wave of National Reform report, the department has actively supported the development of the National Reform Agenda through COAG meetings, chairing and participating in COAG working groups, and promoting Victoria's approach to the National Reform Agenda through Senior Officials Meetings (SOM). It has also established a National Reform Secretariat to work on COAG and the National Reform Agenda. Capacity has been achieved through reprioritisation of resources.</p>	<p>The department has continued to take a very active role in supporting the development of the NRA through COAG meetings, chairing of and representation on COAG working groups and promoting Victoria's approach to NRA through senior officials meetings.</p> <p>The Council for the Australian Federation (CAF) was established in October 2006. CAF will facilitate state and territory leaders to discuss issues of national importance. In addition, the creation of the COAG Reform Council (CRC) represents an important forum intended to monitor reform under the NRA.</p> <p>The creation of CAF and CRC will strengthen cooperation between Australian governments and improve the services delivered to Victorians.</p> <p>Implementation of the NRA over 25 years is estimated to increase Australia's GDP by 9 per cent to 14 per cent.</p> <p>The NRA proposes a strategic and holistic approach to lifting productivity and increasing workforce participation through reform in the areas of competition, regulation and human capital. If implemented as envisaged by Victoria, the NRA will fundamentally reshape Commonwealth-State relations and provide a major new source of funding for health and education and competition and regulation reform.</p>

Table 3.3: Departmental involvement in the National Reform Agenda (*continued*)

Department	Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire	Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire
Primary Industries	<p>The department is participating in whole of government NRA activities including the development of a workforce participation strategy for Victoria, with an emphasis on building the capacity of the workforce and addressing barriers and disincentives. The department has been involved in the deregulation of industries in the Agriculture portfolio and adopting a flexible, outcome focused regulation in areas including earth resources, fisheries and biosecurity. It is also actively involved in implementing regulatory reform in the water area. The full impact of the NRA on departmental services is currently unclear. Given its regulatory role in relation to various primary industries, there is likely to be some impact on the department's activities as a result of a coordinated, whole of government approach to regulatory reform. The extent of that impact will not be clear until the actions required have been fully developed.</p>	<p>The department is participating in the competition stream of the NRA by developing and implementing the COAG energy market reforms. The department's energy policy services are resourced to deliver the relevant advice for, and related development of, Victoria's share of the transfer of energy regulation to the national energy market reform framework. COAG has directed the Ministerial Council on Energy to implement the agreed reform program. The program includes establishing a National Energy Market Operator, an enhanced national planning function for the power transmission system, the development of national legislation and Rules for regulating the distribution and retailing of electricity and gas (apart from price regulation), and oversight and funding of the national energy market institutions, the Australian Energy Market Commission and the Australian Energy Regulator. The department is leading the development of the national framework for distribution and retailing, and contributes substantially to the implementation working groups for the other components of the national energy market reform program. The department is also participating in broader Victorian government regulation reform efforts in areas like water and reducing red tape. The Department of Sustainability and Environment (DSE) is the lead agency in relation to the state and national reforms on water. While the department is working closely with DSE, any changes to legislation/regulations is the responsibility of the Minister for Water and DSE and therefore not the direct responsibility of the department.</p>
Sustainability and Environment	<p>The department is supporting the Climate Change Group (CCG) and undertaking work for the Natural Resources Management Ministerial Council (NRMIC). The CCG's role is to oversee the implementation of the Climate Change Plan of Action's recommendations. COAG has tasked the NRMIC with examining and reporting on the possible development of emissions intensity benchmarks and environmental management systems for agriculture, which include the development of new approaches to reduce emissions from agriculture and land use, and new measures to promote carbon sequestration in agriculture and land use.</p>	<p>In February 2006, COAG agreed to adopt a new national Climate Change Plan of Action and to establish a high level inter-jurisdictional Climate Change Group to oversee implementation of the Plan's recommendations. COAG decided that the Climate Change Group will prepare a National Adaptation Framework for its review. COAG agreed to progress review of regulatory 'hot spots', including environmental assessment and approvals processes under the <i>Environmental Protection and Biodiversity Conservation Act 1999</i>. COAG committed to streamlining and harmonising development assessment processes within jurisdictions. The department is supporting these work programs under the NRA.</p>

Table 3.3: Departmental involvement in the National Reform Agenda (*continued*)

Department	Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire	Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire
Treasury and Finance	<p>The Department of Treasury and Finance is working with the Department of Premier and Cabinet on aspects of the NRA that have financial implications, or that could increase Victoria's growth prospects in the long term.</p>	<p>Victoria's involvement in the development of the National Reform Agenda is being coordinated by the Department of Premier and Cabinet (DPC). The DTF has been working with DPC on aspects of the agenda that have financial implications or could increase Victoria's growth prospects in the long term.</p> <p>In considering the implications of the NRA for departmental services, COAG announced at the meeting on 13 April 2007 a number of actions to be taken by the Commonwealth and the states and territories, including Commonwealth funding to tackle diabetes. Given Victoria's recent announcements of measures for diabetes prevention, no additional impact on departmental services is expected. More broadly, ongoing discussions under the NRA umbrella could focus on future reform opportunities, including potential to manage integration and service flexibility better between levels of government.</p>
Victorian Communities	<p>The Department for Victorian Communities is not currently implementing initiatives arising from the NRA. The department will support the central agencies in implementation as necessary.</p>	<p>The department will contribute to the NRA through its focus on workforce participation. To focus effort on the Human Capital National Reform Agenda, the COAG has agreed to 11 indicative outcomes from the reforms. A number of these outcomes explicitly seek to increase workforce participation. These include to:</p> <ul style="list-style-type: none"> • reduce the number of the working age population not participating and/or under participating in paid employment due to illness, injury or disability; • increase the proportion of young people making a smooth transition from school to work or further study; • increase the proportion of adults who have the skills and qualifications needed to enjoy active and productive working lives; • improve overall workforce participation, with a particular focus on target groups, in a manner consistent with the long term interests of the individual and the economy, giving due regard to productivity; and • increase the provision of flexible working arrangements within the workforce, in a manner consistent with the long term interests of the individual and the economy.

Table 3.3: Departmental involvement in the National Reform Agenda (continued)

Department	Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire	Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire
Victorian Communities (continued)		<p>The department, through Employment Programs, is leading the development of a whole of government Workforce Participation Strategy that will be based on the findings of Victoria's Workforce Participation Taskforce.</p> <p>The Strategy will link closely with broader Victorian Government responses to skills needs (for example, the Maintaining the Advantage initiatives and the COAG VET Reform work), seeking to increase the access of people with lower skills attainment to education, training and employment pathways.</p> <p>The Strategy will focus on assisting specific groups that face barriers to employment back into the workforce. These target groups include women, mature age people, people with disabilities, Indigenous people and people from culturally and linguistically diverse backgrounds. The Strategy will build on the Workforce Participation Partnerships program, the new Experience Counts program, the new Disability Trainee Scheme, and the continuation of Victoria's Skilled Migration Strategy.</p>

Sources: *Public Accounts and Estimates Report, Report on the 2006-07 Budget Estimates, pp.95–96 and responses to the Committee's 2007-08 Budget Estimates questionnaire: Parliamentary Departments p.11, Department of Education, p.17 (first response, p.2 (third response); Department of Human Services, p.24; Department of Infrastructure, p.24; Department of Innovation, Industry and Regional Development, pp.24–25; Department of Justice, pp.27–34; Department of Premier and Cabinet, pp.16–17; Department of Primary Industries, p.18; Department of Sustainability and Environment, p.27; Department of Treasury and Finance, p.17; Department for Victorian Communities, pp.15–16*

3.5 Summary of work undertaken in developing the first tranche of detailed reform policies between July 2006 and April 2007

A summary of the work undertaken in developing the first tranche of detailed reform policies between July 2006 and April 2007 is set out below:⁷⁶

- In the period **after the July 2006 COAG meeting**, all States and territories developed detailed reform proposals in the key human capital areas of literacy and numeracy, diabetes and early childhood development. Commitments from all States and Territories totalled more than \$3 billion;
- In **February 2007** the Productivity Commission released a report titled *Potential Benefits of the National Reform Agenda* on the potential economic and fiscal impact of the NRA. The report found that the majority of benefits would arise from the human capital area of reforms;
- In **March 2007**, the Victorian Government released a consultation paper titled *Victoria's plan to improve outcomes in early childhood: one of Victoria's proposals under the National Reform Agenda*, setting out a ten year plan for laying the foundation for a brighter future for Victorian children;
- In **April 2007**, the Council for the Australian Federation released the first paper in a series designed to inform public debate on federal issues titled *Australia's Federal Future*. The second paper in this series, *The Future of Schooling in Australia*, was also released by the States and Territories in April 2007;
- In **April 2007**, the following three Victorian Action Plans were released that set out ten year visions for the Victorian and Commonwealth Governments to work together to be tabled at COAG:
 - *Victoria's Plan to improve literacy and numeracy outcomes*: Victoria committed \$323.8 million in new funds over four years;
 - *Victoria's plan to address the growing impact of obesity and type 2 diabetes*: Victoria committed \$137 million in new funds over four years;
 - *Victoria's plan to improve outcomes in early childhood*: Victoria committed \$136 million in new funds over four years;
- Prior to the COAG meeting in April 2007, States and Territories collectively developed a *ten-point plan* outlining the key commitments required to make the NRA a success. Premiers and Chief Ministers wrote to the Prime Minister on **5 April 2007**, outlining their collective wish to reach agreement on implementation of this package of reforms;
- On **13 April 2007**, COAG met to decide on implementation of the NRA, including funding and governance arrangements. The Commonwealth and the states and territories agreed on a number of important elements of the NRA that are set out below:
 - on human capital reform, COAG agreed to some multilateral initiatives: to develop a core set of nationally consistent teacher standards for literacy and numeracy; implement diagnostic assessment systems for children in their first year of school; and develop a nationally agreed diabetes risk assessment tool;
 - the Commonwealth announced a commitment of \$100 million to combat growth in type 2 diabetes at COAG to complement the commitment made by States and Territories in their jurisdictional action plans; and

⁷⁶ www.dpc.vic.gov.au, accessed 18 July 2007

- on competition and regulation reform, COAG agreed to address various regulatory hot spots, and agreed on reforms for energy, transport and infrastructure.

At the **13 April 2007** COAG meeting, a number of other matters dealing with implementing the NRA in terms of future funding and governance arrangements are summarised below:⁷⁷

- COAG agreed that the CRC role will be to monitor progress in implementing NRA reforms and to assess the costs and benefits of reforms referred to it unanimously by COAG;
- COAG confirmed that once consolidated, new, national reform initiatives are agreed by COAG, COAG will consider referring them to the CRC. COAG would determine what represented a new reform initiative;
- The CRC will monitor the implementation of those reforms referred to it by COAG and provide COAG with annual reports on progress. As reforms are implemented and economic, fiscal and other benefits are being realised, the CRC will provide COAG with a broad ex-post assessment of the costs and benefits of individual reform packages, giving consideration to the differences between jurisdictions;
- Following receipt of the CRC's assessment of a specific reform, the Commonwealth, state and territory governments will consider if any 'fair-sharing' payments are required by any government, given the relative costs and benefits of the reforms;
- The Commonwealth confirmed its commitment to provide funding to the States and Territories on a case-by-case basis, if funding is needed to ensure a fair sharing of the costs and benefits of reform. Any Commonwealth funding:
 - could take the form of either:
 - ... Commonwealth or shared funding towards specific new initiatives undertaken by the Commonwealth, states and territories, at the time COAG agrees a reform proposal; or
 - ... 'fair sharing' outcome payments linked to achieving tangible results down the track;
 - would not include generic up-front payments;
 - would be in addition to other Commonwealth funding; and
 - would be decided on by the Commonwealth.

With regard to the outcomes derived from the COAG meeting of 13 April 2007, the Department of Premier and Cabinet concluded, in part, that:⁷⁸

While the outcomes of COAG fell short of what was required, Victoria remains committed to the rationale and principles of the NRA. The NRA has generated many important policy initiatives, particularly in relation to human capital. It has been crucial in raising to a national level the importance of investment in human capital as part of future national prosperity.

Victoria will progress future work in key human capital areas through the action plans developed for COAG. All states and Territories will continue to pursue reform in the national interest through the Council for the Australian Federation.

⁷⁷ Council of Australian Governments, Communique, 13 April 2007, pp.1–10
⁷⁸ www.dpc.vic.gov.au, accessed 18 July 2007