



Council for the Australian
Federation

CAF COMMUNIQUÉ

Meeting 12 April 2007

CANBERRA, 12 April 2007: The Council for the Australian Federation held its third meeting today in Canberra, ahead of the meeting of the Council of Australian Governments (COAG) on 13 April 2007. The Council discussed key issues on COAG's agenda including the progression of the National Reform Agenda, climate change and health workforce. In addition, the Council discussed issues of ongoing work, particularly from the National Emissions Trading Taskforce, and a number of key issues which have recently become of public concern such as improving tsunami warning systems, and increasing the links between the governments of East Timor and the Australian States and Territories.

The meeting was attended by all State and Territory leaders and was chaired by the Honourable Mike Rann, Premier of South Australia.

The Council agreed to take positions on the National Reform Agenda, Climate Change and Health Workforce to the COAG meeting of 13 April.

National Reform Agenda

Under the National Reform Agenda, COAG has committed to increasing productivity and workforce participation. The Productivity Commission has indicated that the National Reform Agenda, if fully implemented, could drive an increase in the nation's GDP of up to 11 percent within 25 years.

State and Territory leaders confirmed their position on the National Reform Agenda as set out in the letter to the Prime Minister of 5 April 2007 and the accompanying 10-point plan (**Attachment A**).

Jurisdictions propose the establishment of a \$2 billion National Urban Congestion Hotspots programme (like the successful road-safety "blackspots" program), which would be in addition to AusLink II. AusLink II would continue to make contributions to urban congestion projects on AusLink corridors.

States and Territories also identified the priority areas for complementary actions by the Commonwealth Government to ensure the full benefits of the NRA are realised.

The National Reform Agenda will only be possible if all governments play their part and work together. To fully realise the benefits of these proposals, all governments need to commit to the full range of policies and be prepared to make investments, commensurate with their budgetary capacity. The nation needs both parts of the National Reform Agenda to continue the focus on Australia's business competitiveness and a new focus on Australia's most important economic resource – human capital. Both are integral to our shared goal of increasing productivity and workforce participation. Cherry-picking



particular policy areas, or under-investing in what is required to realise the benefits of the proposed reforms, will fail to deliver on business and community expectations.

However, it should be clearly understood that achieving these goals is contingent on agreement to new governance and funding arrangements. The fiscal benefits are likely to accrue disproportionately to the Commonwealth and to ensure a fair sharing of the benefits it is important that the States and Territories receive a reform dividend. An independent body – the COAG Reform Council – would have a key role in assessing the respective costs and benefits and the resultant reform dividend in a way that respects jurisdictional flexibility and ensures the fair sharing of costs and benefits.

Climate Change

State and Territory Leaders were encouraged by the Prime Minister's decision to have a wide ranging discussion on this critical matter. Premiers and Chief Ministers will again be raising the need for national collaboration to meet the economic, social and environmental challenges of climate change.

Health Workforce

The Council emphasised the need for, and reaffirmed its commitment to, the implementation of a single cross-professional scheme for health professionals.

Progress report from the National Emissions Trading Taskforce (NETT)

The Council noted that Australian States and Territories have been leading the way in Australia in commissioning work on designing a national emissions trading scheme, following the formation of the National Emissions Trading Taskforce in 2004.

On 9 February 2007 the Council announced that State and Territories will introduce a national emissions trading scheme by the end of 2010 if the Commonwealth Government does not commit to a scheme following the report of the Prime Ministers' Task Group on Emissions Trading.

The Council repeated its call on the Commonwealth to:

1. work collaboratively with the States and Territories through COAG to implement a national emissions trading scheme
2. discuss emissions trading at a Climate Change Summit in the second half of 2007, once both the Commonwealth's Task Group and the States' and Territories' National Emissions Trading Taskforce have delivered their final reports.

The Council:

1. agreed that a national emissions trading scheme should place Australia on a path towards achieving a 60% cut in national emissions by 2050, compared with 2000 levels



2. endorsed the National Emissions Trading Taskforce's timeline for the implementation of a national emissions trading scheme by the end of 2010. This includes:
 - a. entering into an intergovernmental agreement by the end of 2007
 - b. passing legislation through all Parliaments by the end of 2008 or as soon as possible thereafter to achieve implementation of the NETS by the end of 2010.

Robust emissions reporting is a fundamental pre-requisite of any emissions trading scheme. If the Commonwealth has not introduced legislation in time for the National Greenhouse and Energy Reporting System to be activated by 1 July 2008, the States and Territories will require reporting from this date through the National Pollutant Inventory as an interim measure.

Cutting interstate red tape

Australians are concerned about the differences that individual citizens and families often have to overcome when moving or working between States and Territories.

States and Territories have readily committed to harmonisation programs where they have a clear overall benefit, as part of their broader efforts to build a more efficient federal system. Recognising there is more that can be done, the Council has requested that work be undertaken by the end of 2007 on the feasibility of mutual recognition of drivers' licenses and vehicle registration.

State and Territory Governments also agreed to establish a uniform approach to cut red tape by 1 July 2008 in relation to product safety regulation, eliminating the need for businesses selling across borders having to face different systems, and thereby cutting costs to business, governments and consumers.

Ongoing work of the Council for the Australian Federation

The Council remains committed to its ongoing program of work.

Reforming Australia's federal system is of critical importance and the Council continues to work towards a Constitutional Convention in 2008.

Recognising that it is important to continue to raise public awareness of significant federal issues, State and Territory governments will continue to commission expert reports, such as that prepared by Professor Glenn Withers and Associate Professor Anne Twomey, *Australia's Federal Future*.

East Timor support

The Council noted that a number of States and Territories have initiated a series of capacity building programs with the Government of East Timor. The Council agreed to investigate further ways to assist Australia's close neighbour.



Tsunami warning systems

Following an earthquake in the Solomon Islands on 2 April 2007, the Pacific Tsunami Warning centre issued a warning for coastal areas across the Pacific basin, including parts of Australia.

The Council agreed to ask the Commonwealth to share information on optimum systems and processes that enable the rapid and reliable communication of tsunami warning information to affected communities on a 24/7 basis.

Single use plastic shopping bags

The Council supports the protection of the environment and recognises the importance of the decision of the Environment Protection and Heritage Council (EPHC) to phase out single-use plastic shopping bags by 1 January 2009.

Daylight Saving

Victoria, Tasmania and the Australian Capital Territory agreed to start daylight saving on the first Sunday in October and conclude it on the first Sunday in April. New South Wales agreed to consider aligning with these dates.

5 April 2007

**The Hon John Howard MP
Prime Minister
Parliament House
CANBERRA ACT 2600**

Dear Prime Minister

COAG 2007: THE NATIONAL REFORM AGENDA AND CLIMATE CHANGE

We are writing to you ahead of the upcoming Council of Australian Governments (COAG) meeting to underscore our commitment to a new National Reform Agenda (NRA) and our desire to reach agreement on implementation of this ambitious package of reforms.

The COAG meeting in April represents a historic opportunity for us to announce the beginning of a long-term reform agenda to secure future prosperity. At previous COAG meetings, all governments recognised the imperative for reform if we are to meet the challenges of global competition and an ageing population. The agenda we have developed – which recognises that we need to continue to address business competitiveness, as well as introduce a new focus on building our human capital – squarely meets the current needs of our businesses and our citizens, and promises to build the basis of prosperity for future generations of Australians.

The Productivity Commission has indicated that the National Reform Agenda, if fully implemented, could drive an increase in the nation's GDP of up to 11 percent within 25 years. This is equivalent to over \$100 billion per year in today's terms. The Productivity Commission modelling also demonstrates that the NRA, if fully implemented, could more than offset the budget effects of our ageing population. Notably, the largest gains are predicted to arise from new investments in human capital.

The collaborative development of the NRA over the past two years shows that governments can work together in the national interest. States and Territories have made real progress in developing concrete, practical reform proposals across competition, regulation and human capital.

States and Territories are ready to commit to dozens of specific policy measures, including a core set of nationally consistent teaching standards; the development of a national risk assessment tool for diabetes; the development of an on-school entry assessment tool; an integrated approach to early childhood learning and care; the Competition and Infrastructure Regulation Agreement (CIRA); a program for reform of road freight infrastructure pricing; and addressing regulatory hotspots.

The NRA will only be possible if all governments play their part, and work together. To fully realise the benefits of these proposals, all governments need to commit to the full range of policies and be prepared to make new investments, commensurate with their budgetary capacity. The nation needs both parts of the NRA: we need to continue to focus on business competitiveness, and we need a new focus on our most important economic resource, our human capital. Both are integral to our shared goal of increasing productivity and workforce participation. Cherry-picking particular policy areas, or under-investing in what is required to realise the benefits of the proposed reforms, will fail to deliver on business and community expectations.

In our view, a successful COAG meeting will require commitment to a package of initiatives that invest in our people through human capital reform and increase the competitiveness of Australian business. These include tackling obesity and type 2 diabetes through a greater focus on prevention and detection; lifting numeracy and literacy standards by investing in the quality of teaching and learning; and investing in early childhood by expanding the provision of early learning, and improving child care. On the competition and regulation agenda, we need to reform regulation to enhance consistency and certainty for businesses; ensure efficient and consistent regulation of national infrastructure such as ports and rail; and boost competition in transport. These commitments are achievable if COAG commits to the reform agenda proposed by the States and Territories in the 10 Point Plan in Attachment A.

It should be clearly understood, however, that achieving these goals is contingent on agreement to new governance and funding arrangements. The benefits are likely to accrue disproportionately to the Commonwealth and to ensure a fair share of the benefits, it is important that the States and Territories receive a reform dividend. An independent body – the COAG Reform Council (CRC) – would have a key role in assessing the respective costs and benefits and the resultant reform dividend in a way that respects jurisdictional flexibility and ensures the fair sharing of costs and benefits.

There has also been recognition through COAG that for reform to be effective across the breadth of competition, regulation and human capital, jurisdictions must have flexibility in how they deliver policies in their areas of responsibility. To this end, all States and Territories have either developed or are in the process of developing specific action plans.

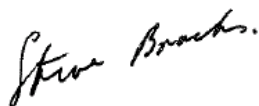
We look forward to the Commonwealth making announcements at COAG on a scale commensurate with the State and Territory commitments and action plans – both in the form of Commonwealth actions in its areas of responsibility, and in the form of funding to enable the NRA reforms to occur more rapidly.

On 13th April, leaders have the opportunity to make a long-term investment in the future of the nation, one that transcends short-term political considerations. If we get this right, the dividends that will flow to future generations of Australians will be our collective legacy. Reaching agreement on the NRA would represent one of the most important steps we could jointly take to secure future prosperity. The development of the NRA has built high – but not unreasonable – expectations from key stakeholders. States and Territories are ready to meet these expectations, given commensurate commitment from the Commonwealth.

States and Territories will also be raising the need for national collaboration to meet the economic, social and environmental challenges of climate change. Premiers and Chief Ministers have committed through the Council of the Australian Federation to a series of principles and actions to address this national priority. We will be raising these principles and actions at COAG with a view to obtaining your support. In particular, we will be emphasising the need for the Commonwealth Government to work with the States and Territories to implement the first phase of a domestic emissions trading scheme by the end of 2010.

We strongly encourage you to continue to support the NRA and look forward to a positive meeting on 13th April.

Yours sincerely



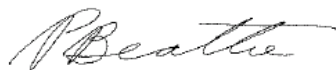
The Hon STEVE BRACKS MP
Premier of Victoria



The Hon MORRIS IEMMA MP
Premier of New South Wales



The Hon ALAN CARPENTER MLA
Premier of Western Australia



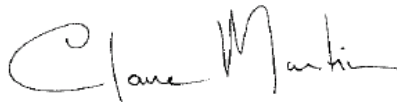
The Hon PETER BEATTIE MP
Premier of Queensland



The Hon MIKE RANN MP
Premier of South Australia



The Hon PAUL LENNON MHA
Premier of Tasmania



The Hon CLARE MARTIN MLA
Chief Minister of the
Northern Territory



JON STANHOPE MLA
Chief Minister of the
Australian Capital Territory

STATE AND TERRITORIES 10 POINT PLAN FOR THE NATIONAL REFORM AGENDA

Investment in Our Future

An ambitious 10-year program of investment and collaborative effort to lift productivity and workforce participation through competition, regulation and human capital reforms.

State and Territory leaders commit to working together with the Commonwealth Government in the national interest. A Commonwealth investment of more than \$7 billion over 5 years is needed to deliver this program.

The National Reform Agenda recognises jurisdictional diversity and complementarity of effort, and ensures fair sharing of the costs and benefits of reform to achieve agreed outcomes, with an independent body to assess reform proposals.

Investing in our People through Human Capital Reform:

Recognising human capital as the key driver of Australia's future economic prosperity, by investing in a healthy and well educated population. Implementation of these reforms will vary across jurisdictions in recognition of the different community needs and geographic environments in each State and Territory.

1. Tackling Obesity and Type 2 Diabetes

- Prevent more of the 100,000 new cases of type 2 diabetes each year, through support for programs to improve diet and exercise.
- Improve quality of life for the one million Australians with type 2 diabetes, through Commonwealth support for better care for people with type 2 diabetes.

2. Lifting Literacy and Numeracy Standards

- Ensure that all students – regardless of background – have access to quality teaching and learning.
- Improving overall levels of achievement by targeting strategies to those students most at risk of not meeting agreed literacy and numeracy standards.

3. Investing in Our Children

- Give all children a decent start in life, by expanding the provision of early learning for Australia's 250,000 four-year-olds.
- Ensure disadvantaged children and their families are not left behind, through additional targeted support from pre-natal through to 3-year-old early learning.
- Providing parents with real choices to balance work and family, through the Commonwealth enhancing the accessibility and affordability of child care.

Enhancing the Competitiveness of Business through Competition and Regulation Reform:

Increasing the competitiveness of Australian business by cutting red tape, and working towards the efficient regulation of infrastructure and competitive transport and energy markets.

4. Cutting Red Tape

Enhance consistency and certainty for business and the community, through a consistent process to limit unnecessary regulation and ensure effective and efficient regulation, including hot spots such as rail safety, trade measurement, product safety legislation, building regulation and business name registration.

5. Efficient Regulation of Infrastructure

Working together to establish a simpler, consistent, light-handed approach across the nation to the economic regulation of significant infrastructure, such as ports and rail.

6. Transport and Energy Market Reforms

Enhance competition and productivity and improve investor certainty through a joint commitment to reduce urban congestion; road pricing reforms; and, subject to cost-benefit analysis, a national roll-out program for smart meters.

7. Climate Change

- Work together to deliver a national response to climate change
- Work collaboratively with the States and Territories through COAG on the design of a national emissions trading scheme which recognises the needs of each jurisdiction and is capable of international recognition.

8. Built on Transparency and Accountability

A COAG Reform Council will ensure the reform process is transparent, all governments are held accountable for results, and that the progress of Commonwealth, State and Territory governments is publicly reported.

9. A Fair Sharing of the Costs and Benefits of Reform

For the huge potential of the NRA to be realised (which the PC estimates at up to 11% of GDP or more than \$100 billion pa after 25 years), COAG needs to agree to a funding arrangement that supports the investments and reforms required. This arrangement should be based on an independent assessment of the costs and benefits by the COAG Reform Council. Commonwealth support is now required to enable States and Territories to progress their action plans to a scale that reflects the nation's needs, and to support difficult competition and regulation reforms.

10. Next phase of reform

COAG commits to the next phase of the 10-year national reform agenda, by examining how to help all adults update their skills and smoothing young people's transition from school to work.