

# Policy Update

**This policy update provides a brief and general review of the most recent policies, strategies and initiatives announced around Australia.**

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## In Focus

### Clean Energy Policy

The South Australian state wide power outage in September has refocused the light on clean energy policy and the safety and security of our power system. State and Federal Governments have subsequently taken positive steps to set green goals while encouraging new investment opportunities.

The Federal Government has ratified both the Paris Agreement on climate change and the Doha Amendment to the Kyoto Protocol. These agreements cement Australia’s commitment to reduce emissions by 26% – 28% below 2005 levels by 2030. Although this represents one of the greatest per capita emission reduction targets of G20 countries (approximately halving emissions per capita), on aggregate it is one of the lower targets. Australia has historically set comparatively lower targets, overshooting the first Kyoto target by 128m tonnes and currently on track to beat the 2020 target by 78m tonnes.

The NSW Government has released its climate change policy framework which has the long term objective of net-zero emissions by 2050. This framework is built off the back of the Paris Agreement and includes funding of up to \$500m over 5 years to boost investment in renewable energy.

In October, the WA Government removed licencing regulation for solar power stations in order to encourage growth in the industry by reducing costs. Commercial-scale rooftop generators could save up to \$30,000 per system.

The Victorian Parliament is currently debating a bill to ban all onshore unconventional gas exploration and development (including fracking) and to extend the moratorium on conventional onshore gas exploration and development until 2020.

The Queensland Renewable Energy Expert Panel has released their Draft Report on adopting a 50% renewable energy target by 2030. Pre-2020 it recommends leveraging the Federal Large Scale Renewable Energy Target funding for projects. Post-2020 options include fostering the strong current project pipeline of around 2,500MW, largely in regional Queensland.

The Queensland pipeline includes Kennedy Energy Park, a combined solar, wind and battery installation which was awarded an \$18m ARENA grant in October and would be the first of its kind in Australia. The pipeline also includes the Atherton Tableland Mount Emerald Wind Farm, which is expect to become Queensland’s largest wind farm. They have signed a 25-year grid connection agreement with Powerlink.

## Policy Update

### Federal

#### Mid-Year Budget Update

Highlights from the Federal Mid-Year Economic and Fiscal Outlook include:

- Deficits over the next four years are now projected to be \$10bn higher than Budget forecasts;
- The cash deficit is projected to fall from \$36.5bn (2.1% of GDP) in 2016-17 to \$10.0bn (0.5% of GDP) in 2019-20;
- Expected tax receipts, excluding new policy, have been revised downward by \$3.7bn in 2016-17 due to softer prices and wages growth;
- Real GDP is expected to grow by 2% in 2016-17, following the decline in the September quarter. 2017-18 is expected to see growth increase to 2.75%; and
- Treasury has moderated their expectation of global growth – highlighting current uncertainty.

The three major credit ratings agencies have maintained Australia's AAA credit rating for now.

The MYEFO is available [here](#).

#### Finance

##### *Review of the Big 4*

Bank oversight and regulation was toughened in October, with the Federal Government announcing annual parliamentary committee hearings as part of a *Review of Australia's Four Major Banks*. The report was tabled in late November. It aims to:

- establish a Banking Tribunal,
- foster competition in the banking sector – including reducing barriers to entry for new banking entrants,
- empower customers, and
- force independent reviews of risk management systems, amongst other aims.

The First Report is available [here](#).

In the wake of Bank Bill Swap Rate (BBSW) manipulation allegations against the big four banks and Australian investment banks, BBSW regulation was strengthened in October. Financial benchmark manipulation was made a criminal and civil offence.

More information is available [here](#).

##### *Crowd Funding*

Legislation to facilitate crowd-sourced equity funding was introduced in November. It enables unlisted public companies with less than \$25 million in assets and annual turnover to access crowd sourced equity funding. In any 12-month period, these companies will

be permitted to raise up to \$5 million.

The Bill has been referred to the Senate Economics Legislation Committee, a report is due on 13 February 2017.

# Policy Update

## Infrastructure

### *Infrastructure Australia*

Infrastructure Australia (IA) updated its *Priority List* in early October, to reflect four new projects and reassessed the priority of existing projects. Western Sydney Airport is now a *High Priority* and Stage One is estimated to cost \$5bn. New projects are:

- M80 Ring Road Upgrade (Victoria)
- Perth-Forrestfield Airport Tail Link (WA)
- Moorebank Intermodal Terminal (NSW)
- Adelaide-Tarcoola Rail Upgrade (SA)

The *Infrastructure Priority List* is available [here](#).

### *Standing Committee on Infrastructure, Transport and Cities*

The Infrastructure, Transport and Cities Standing Committee's *Inquiry into the role of transport connectivity on stimulating development and economic activity*, has re-sparked enthusiasm for a high-speed rail

### *National Transport Commission*

The National Transport Commission has released *Land Transport Regulation 2040*, which suggests that the Heavy Vehicle National Law and the Chain of Responsibility Laws need to be simplified.

The Federal Government endorsed IA's 15-year *Australian Infrastructure Plan* in late November, indicating that it will be used to inform and guide investment decisions. The government will be proceeding with road market reform and the development of a National Freight and Supply Chain Strategy. An independent analysis of potential reform options and models for road market reform is also underway. This would include analysis around the removal of fuel excise and registration fees in favour of road use taxation options. This will primarily focus on freight but will encompass all vehicles.

More information is available [here](#).

network in Australia after holding public hearings in October.

More information [here](#).

The Report is available [here](#).

# Policy Update

## Productivity Commission

In November the *Regulation of Agriculture Inquiry Report* was handed to Government. It is yet to be publically released.

The Draft Report is available [here](#).

Also in November the PC released a draft report for its inquiry into *Data Availability and Use*. The draft report is recommending a major overhaul of Australia's data policy framework. The PC finds that the legal and policy frameworks under which public and private sector data are currently collected, stored and used (or traded) in

Australia are ad hoc and not contemporary. The impetus for changes in governance structures around data — changes that deal head-on with the fact that data is increasingly digital, revealing of the activities and preferences of individual people or businesses, and held in the private sector — will not diminish. It is a global movement and, to its detriment, Australia is not participating.

The final report is expected to be released in March 2017.

# Policy Update

## Queensland

### Mid-Year Budget Update

With revenue increasing on the back of higher commodity prices and GST revenue, the 2016-17 operating balance is now forecast to be \$2 billion, up from \$0.9 billion forecast in the Budget. The main policy measures announced were aimed at promoting growth and employment in regional communities and reducing

cost of living pressures, including by extending the electricity rebate to Commonwealth Health Care Card Holders.

More detail available [here](#).

### Transport

#### *Logan Motorway*

The Queensland Government has accepted the proposed \$512m *Logan Motorway Enhancement Project* from Transurban Queensland. This was the first market lead proposal to be approved by the Government, and is

estimated to provide 1,300 jobs during the construction phase. It is expected to generate \$1bn in economic benefits over the next 30 years.

#### *Sunshine Coast Airport*

The Sunshine Coast airport has been reclassified as an international airport. It is expected to initially expand its services to New Zealand flights before competing for South East Asian carriers.

The decision was made following the 20% increase in domestic traffic at the airport in the past 3 years. The Federal Government will provide a \$181m concessional loan for renovations. It is expected the airport will generate \$4.1bn in economic activity.

### Queensland Productivity Commission

#### *Manufacturing Sector Inquiry*

In November the QPC began an inquiry to identify policy options that would improve the productivity and competitiveness of the manufacturing sector in Queensland.

over \$20 billion to the Queensland economy in 2014-15; however, manufacturing's share of Queensland's output declined from about 12% in 1989-90 to around 7% in 2014-15.

The Queensland government is concerned about the future of manufacturing in Queensland as it contributed

An issues paper is now available [here](#).

# Policy Update

## *Electricity Pricing Inquiry*

In November the QPC publically released the final report in its Electricity Pricing Inquiry. Of the 52 recommendations, it found:

- In 2015–16, after almost a decade of real retail electricity price increases, average prices in Queensland decreased around 6 per cent from 2014–15
- Future electricity price forecasts point to a real reduction in network prices over the period 2015–20, in part due to a lower return on the networks, and in part due to moderating capital expenditure.
- The Queensland Government should not write-down asset values for the purposes of reducing prices.
- The total cost of the Solar Bonus Scheme over its life is expected to be around \$4.1 billion, with more than \$2.8 billion to be incurred between 2016–17 and 2027–28. Modelling suggests that the majority of scheme participants will have recovered their capital costs by July 2020. There may be merit ending the program before 2028.

Full report is available [here](#).

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## Mining

The Queensland Government announced new requirements for all mines presently under development in Queensland, including an obligation to apply for associated water licenses. This reverses the Newman Government's relatively unregulated approach to mines' use of groundwater.

The Queensland Government also announced the introduction of legislation to ban the sole use of FIFO workers on major resource projects. The legislation will require major resource projects to consider employing locals and make it an offence to post an advertisement in a way that precludes local residents from applying.

## Western Australia

### Mid-Year Budget Update

Highlights from the NSW Half-Yearly Review include:

- GDP grew by 3.5%, the fastest in the nation;
- The effects of asset sales have been significant. Net debt at June 2017 is expected to be \$7.1bn lower than forecast, and 30% of proceeds will

be spent on regional *Rebuilding NSW* infrastructure (\$73.2bn)

- 4.9% unemployment is the lowest in the country.

More detail is available [here](#).

### Utilities

#### *Energy*

The WA Government's proposed timeframe to transfer regulation of Western Power to the national regulatory framework by the end 2016 is unlikely to be achieved. As a result, Western Power will continue being subject to the current State-based regulatory framework in accordance with the Electricity Networks Access Code 2004, including obligations to have its next access arrangement approved by the Economic Regulation Authority.

The WA Government has also announced the partial sale of Western Power. The deal will be modelled on the partial sale of AusGrid in NSW, which fetched \$16bn. The Barnett Government believes a similar model would earn the WA Government \$11bn for the 51% stake. The Government would remain a majority, but not controlling, shareholder.

#### *Water*

As part of the regular regulatory cycle, the Treasurer has requested the Economic Regulation Authority to undertake an inquiry into the efficient costs and tariffs

for the services of the Water Corporation, Aqwest and Busselton Water for the five year period commencing 1 July 2018.

# Policy Update

## New South Wales

### Infrastructure

#### *Transport*

The NSW Transport Minister, Andrew Constance, has indicated he wants the cap on arrivals and departures at Sydney Airport removed for light aircraft. This could improve health care for regional NSW towns.

On-demand public transport options were flagged in November by the NSW Government as a way of delivering more efficient public transport. Standard timetables would be replaced by data monitoring of travel patterns, weather and special events to provide services which would reflect commuters' needs.

#### *Water*

Sydney Water has launched a \$2.2bn infrastructure program for 2016-20 to alleviate pressure caused by population growth.

According to the Minister for Water, Niall Blair, "This infrastructure investment will see new filtration plants,

pumps and water supply pipes built, and upgrades to wastewater networks and treatment plants – all of which will ensure world-class supply of water to people's homes continues."

## Tasmania

### Transport

In November, the Tasmanian Parliament legalised ridesharing services.

Notably, and unlike mainland States, Tasmania will not be compensating the local taxi industry. Instead there

will be a three year freeze on new licences, so the government can observe any impact on the taxi industry. NSW taxi users are currently charged a \$1 surcharge, and Victorian users are charged \$2 to fund their respective compensation packages.

## Policy Update

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- Microeconomic analysis
- Regulatory and network economics
- Regulatory compliance and strategy
- Modelling
- Economic impact analysis
- Public policy
- Competition policy analysis
- Expert testimony
- Commercial advisory

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