

COUNCIL POLICY

Title	Application of Competition Policy
Policy Number	CHRCP: 0012
Document Number	1781647
Category	Finance
Effective Date	27 November 2024
Resolution Number	2024/11/27/004

1. Policy Purpose

To ensure the National Competition Policy (NCP) reform initiatives are incorporated within the business operations of the Central Highlands Regional Council (council) and to provide a summary of the ongoing commitment to meet legislative obligations.

2. Definitions

To assist in interpretation, the following definition apply:

Council:	Central Highlands Regional Council
LG Act:	<i>Local Government Act 2009 (Qld)</i>
LG Regulation:	<i>Local Government Regulation 2012 (Qld)</i>
NCP	National Competition Policy

3. Related Legislation

- *Local Government Act 2009 (Qld)*
- *Local Government Regulation 2012 (Qld)*

4. Related Documents

- Revenue Policy
- Revenue Statement

5. Policy Statement

5.1 Legislative Obligations

Council is committed to ensuring the ongoing compliance of its business activities with the NCP principles. This requires applying the competitive neutrality principle to its significant business activities if, in the circumstances, the public benefit (in terms of service quality and cost) outweighs the costs of implementation. This also requires applying the code of competitive conduct to some other business activities. The premise of the competitive neutrality principle is that significant government business activities should not enjoy competitive advantage over their private sector competitors by virtue of public sector ownership.

Council complies with the obligations pursuant to the LG Act and LG Regulation to ensure compliance of its business activities with the NCP principles:

Section 17 of the LG Regulation provides obligations about reforming a significant business activity in accordance with the competitive neutrality principle.

Section 18 of the LG Regulation provides that the local government must identify and assess each new significant business activity for possible reform and if a decision is made to reform, this must involve:

- (a) applying full cost pricing to the activity; or
- (b) commercialising the activity; or
- (c) corporatising the activity by creating a corporatised business entity to conduct the activity.

To determine if a business activity is a significant business activity, section 19 of the LG Regulation prescribes specific thresholds that a business activity must meet.

Section 19(2) states that the threshold is 10,000 or more premises being connected to a water service if the business activity is the provision of combined water and sewerage services.

Section 19(3) states that the threshold is \$9.7million, for the financial year ending immediately before the current financial year, for a business activity that is not the provision of combined water and sewerage services.

Sections 40 and 41 of the LG Regulation also apply to the provision of a significant business activity that is the provision of water and sewerage services, by imposing requirements for achieving efficiency and sustainability in conducting this activity.

Sections 31 to 32 of the LG Regulation refers to the code of competitive conduct as being the application of:

- the competitive neutrality principle
- pricing provisions
- sections 35 and 35 of the LG Regulation about financial reporting
- sections 36 and 37 of the LG Regulation about the treatment of community service obligations (CSO)

5.2 Principles for identifying and reporting council business activities

In accordance with the definition of "business activity" in the LG Act, activities of council will be identified as business activities if they involve trading in goods and services by council and:

- for significant business activities - they are conducted in competition, or potential competition, with the private sector and meet the threshold prescribed under a regulation; or
- for other business activities - they meet the requirements in section 47 of the LG Act for the code of competitive conduct to apply.

For 2024-25 the following activities have been identified as business activities of council for the purpose of the legislative requirements:

- water
- sewerage
- airport
- waste
- saleyards

Each financial year, in accordance with section 19 of the LG Regulation, council identifies which of these business activities are significant business activities and determines whether the competitive neutrality principle needs to be applied to these activities.

The intent of determining whether the competitive neutrality principle should be applied to those activities is the principle that an entity conducting a business activity in competition with the private sector should not enjoy a net advantage over competitors only because the entity is in the public sector.

Competitive advantages that may be enjoyed by council's business activities include:

- exemptions from certain taxes and charges
- regulatory advantage
- no requirement to achieve a commercial rate of return.

The following three business activities are identified as significant business activities in 2024-25 as they meet the thresholds set out in section 19(2) of the LG Regulation:

- waste
- water
- sewerage

Council is already applying the competitive neutrality principle to the water, sewerage and waste business activities and will continue to do so by way of application of full cost pricing.

The pricing practices for each of these significant business activities will aim to move towards full cost pricing. On achieving full cost pricing, total projected revenues, inclusive of identified and measured community service obligations and net of any competitive advantages and competitive disadvantages (as defined in the LG Regulation), will cover projected total costs, including the following cost elements:

- operational and resource costs
- administration and overhead costs
- depreciation
- tax and debt equivalents
- return on capital/return on cost

Council has undertaken a pricing review of its water, sewerage and waste businesses and a price path has been implemented that aims to achieve full cost pricing. This price path is reviewed annually as the businesses move towards the application of full cost pricing.

In the identification of the water and sewerage business units as significant business activities, council has also applied the requirements of sections 40 to 41 of the LG Regulation and has implemented a two-part charge for the provision of water services.

For the 2024-25 financial year, in accordance with section 47(7) of the LG Act and section 39 of the LG Regulation, council has decided to apply the code of competitive conduct to the other identified business activities that do not meet the threshold for significant business activities as determined by section 19(3) of the LG Regulation:

- Airport
- Saleyards

In applying the code of competitive conduct to these business activities council will take into consideration the advantages and disadvantages of public ownership when making decisions about pricing, the financial return the business will achieve and identification of CSO as per section 5.3 below.

5.3 Community Service Obligations (CSO)

As defined in section 24 of the LG Regulation, a CSO is an obligation that council imposes on a business entity to do something that is not in the commercial interests of the business entity to do. A CSO is to be funded by the general fund and provided as revenue to the business activity to which it relates.

The following CSOs have been applied to the airport and saleyard business activity for the 2024-25 financial year:

CSO Description	Costing Method	CSO Amount 2024-25	Council Corporate Plan Outcome	Key Performance Indicator
Aerodrome Operations - Rural				
Public provision of airstrip facilities in Springsure, Rolleston, Capella, Dingo and Duaringa.	Provision of community airstrip facilities to the general public in outlying smaller communities.	\$280,664	Provide airstrip facilities to maintain accessible community services and facilities that meet the needs of our diverse communities and offer value for money for all stakeholders.	Compliance with regulations is ensured through technical inspections. Cost per capita (population 27,836*) is \$10.08.

CSO Description	Costing Method	CSO Amount 2024-25	Council Corporate Plan Outcome	Key Performance Indicator
Emerald Saleyards				
Public provision of saleyard facilities in Emerald.	Provision of community saleyard facilities to the general public.	\$364,843	Provide saleyard facilities to maintain accessible community services and facilities that meet the needs of our diverse communities and offer value for money for all stakeholders.	Adherence to industry regulations is ensured through regular testing of clearing dip and annual audit on EU status. Cost per capita (population 27,836*) is \$13.11.

*2021 Australian Bureau of Statistics Census data



6. Compliance and Review Mechanism

- (1) This Policy will be reviewed when any of the following occur:
- a. The related legislation or governing documents are amended or replaced; or
 - b. Other circumstances as determined by resolution of Council or the CEO.

Table of Amendments			
Document History	Date	Council Resolution No	Notes (including the prior policy number, precise of change/s, etc.)
2023-24 Application of Competition Policy	28/06/2023	SM 2023 / 06 / 28 / 019	Full review of policy
2024-25 Application of Competition Policy	26/06/2024	SM 2024 / 06 / 26 / 021	Full review of policy
2024-25 Application of Competition Policy - amended	27/11/2024	2024/11/27/004	Amendment to section 5.3



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