

25 November 2005



Mr Gary Banks
Chair
Regulation Taskforce
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Dear Mr Banks

The Australian Pipeline Industry Association (APIA), as the peak national organisation representing the gas transmission industry, would like to take this opportunity to highlight some of the problems associated with regulation of our industry.

Duplication

The gas transmission industry suffers from complications and duplication of regulation with two important pieces of legislation impacting on our industry, namely Part IIIA of the *Trade Practices Act* and the Gas Pipeline Access Law.

APIA believes it would be preferable for only one piece of legislation to apply to our industry. Nevertheless, the Gas Pipeline Access Law is currently being substantially redrafted this now provides an opportunity for inconsistencies to be rationalised.

Accounting Requirements

Under the Gas Code regulated pipelines are required to keep separate accounts. The policy rationale for this requirement is to demonstrate that related gas producers, wholesalers and retailers are not being favoured by a related infrastructure provider.

Almost all pipelines in Australia are not related to gas producers, wholesalers and retailers. However, the requirement to keep separate accounts remains. This requirement creates costs for little benefit.

In relation to regulatory requirements to keep separate accounts the industry is willing to consider industry guidelines and self-regulation and, to this end, has recently prepared a voluntary set of draft accounting guidelines.

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Sunset Clauses and Cost Benefit Analysis

The Gas Code was written in the mid 1990s. The Code was written to apply to the industry at that time and most pipelines that existed in the 1990s were covered by the Code. Since the Code was written, there have been major changes in the industry structure and ownership as well as, importantly, pipeline competition. The Code, like all regulation, would benefit from sunset clauses where the regulator is required to demonstrate a requirement is still valid or needed.

APIA would welcome the application of cost-benefit analysis to test the ongoing benefit of the various requirements of the Gas Code.

Environment and Native Title

In addition to the economic regulation discussed above, the Australian pipeline industry, along with many other industries involved in construction and resource development, would welcome a rationalisation and simplification of environmental and native title regulatory processes.

Regulatory Delays

In situations whereby regulation is required, the APIA would like to see that, following consultation with stakeholders, it is implemented in a timely fashion.

The Productivity Commission (PC) undertook a review of the Gas Access Regime (ie the Gas Code) and this review involved extensive consultation. The PC released their recommendations in June 2004. While industry did not agree with all the recommendations, we decided that, rather than supporting specific recommendations, we would support the package in full in order to facilitate ease of implementation.

In November 2005 the Government is still finalising its response to the PC recommendations, however throughout the 18-month period required to consider implementation options, the Government has continued to move away from the PC recommendations and towards more intrusive regulation.

In summary, APIA welcomes this opportunity to comment on the issue of regulation in a broad sense. While transmission pipelines are not necessarily in the public (or the political) eye, they are vital infrastructure that is hampered by over-zealous regulation. The gas transmission industry would welcome any moves to ease the regulatory burden.

Yours sincerely



CHERYL CARTWRIGHT
Chief Executive