



THE HISTORY OF THE NATIONAL REFORM AGENDA

All Australian Governments have made a historic commitment to deliver a new National Reform Agenda (NRA) that will drive continued prosperity for all Australians.

Australia is facing some big challenges in the coming decades, due to the ageing of our population and the increasing competitiveness of the global economy. Resolving these challenges is not within the power of just one government. Success will rely on all governments working together to deliver Australia's future prosperity.

The NRA is a new partnership between Federal, State and Territory Governments covering both the economy and, more importantly, our people. The NRA includes:

- *Competition Reform* to make our economy more competitive and continue the successful reforms of the 1990s;
- *Regulation Reform* to reduce the red tape burden on our businesses; and
- *Human Capital Reform* to improve health, learning and work outcomes for all Australians.

The NRA is about all governments taking a long-term perspective and working together for the next generation of Australians, by investing in the right outcomes today. Together, these reforms will create greater productivity and higher labour force participation and will improve our standard of living in the decades ahead.

Mapping out the NRA: June 2005 – February 2006

Australia has a federal system of government, embedded in its constitution. The NRA is built on the notion that cooperation between different tiers of government will lead to better outcomes for Australians.

The Victorian Government has consistently advocated that collaboration between governments in the key areas of health, education and early childhood development is particularly important. [*Governments Working Together: a better future for all Australians \(Shared Future\), May 2004*](#). Original research commissioned for the Victorian Government proposed reforms to the public and private health systems and approaches to education and training. [*Recent Private Health Insurance Policies in Australia; School Performance in Australia: results from analysis of school effectiveness; General Practice and Medicare: Options for Reform; Strategic Engagement between the Public Sector and Private Hospitals; A New National Agenda for Education and Training in Australia; Performance of the Australian Education and Training System*](#)

With National Competition Policy (NCP) coming to an end, it was clear that a new and ambitious commitment to reform was required. In the lead up to the June 2005 meeting of the Council of Australian Governments (COAG), the Victorian Premier released an alternative Communiqué for COAG. [*The Premier's alternative COAG Communiqué, June 2005*](#) This highlighted the need for further reform at a national level, and identified the imperative for all governments to work together to address the big challenges looming on Australia's horizon. In conjunction, the Premier released reports on infrastructure reform and the need to reform the 'skills development' system to meet future demands for a skilled workforce to provide examples of what national reform could deliver. [*Governments Working Together: infrastructure investment for a more prosperous Australia, June 2005*](#) and [*Governments Working Together: a new approach to workforce skills for a more prosperous Australia, June 2005*](#)

In **June 2005**, COAG agreed that reform must continue on a national stage, agreeing to review the existing NCP arrangements and to focus on a possible new reform agenda. [*COAG Communiqué, June 2005*](#)

A month later, to advance public discussion about national reform and to emphasise the importance of developing our 'human capital', the Victorian Premier released his vision for [*Governments Working Together: a third wave of national reform: a new national reform initiative for COAG \(the Third Wave\), August 2005*](#). This paper called for a broad reform agenda across competition, regulation and human capital to deliver greater productivity and higher labour force participation.

The Premier's vision was supported by the Victorian Department of Treasury and Finance (DTF) modelling showing that the benefits to the Australian economy of new reform would be significant and far exceed the benefits obtained through the NCP reforms. [*DTF Modelling: rewards from reform higher productivity and participation, August 2005*](#)

Central to the *Third Wave* vision was a new way of governments working together, whereby all governments agree common goals (outcomes), but where each retains the flexibility to deliver the solution. A reform framework was proposed to stimulate policy innovation, create a culture of continuous improvement and deliver results.

COAG Working Groups continued to progress national reform.

- The National Reform Initiative Working Group, chaired by Victoria, developed a comprehensive human capital report on the health, education and work incentives outcomes required to deliver the significant economic benefits forecasted by DTF. [*National Reform Initiative Working Group Report to COAG, February 2006*](#)
- Simultaneously, the National Competition Policy Working Group reviewed NCP. Consistent with the Premier's *Third Wave*, that group recommended completion of NCP reforms (including improving competition in the energy and transport sectors, and infrastructure regulation), and extension of the reform agenda to include a commitment to regulation reform. [*National Competition Policy Working Group Report to COAG, February 2006*](#)

The **February 2006 COAG meeting** was a significant step forward for national reform. In that meeting, COAG agreed to develop the NRA encompassing competition, regulation and human capital. [*COAG Communiqué, February 2006*](#) Victoria was asked to lead key work in health and education, and was actively involved in the negotiations across competition and regulation.

Committing to a way forward: February 2006 – July 2006

Following that COAG meeting, Victoria continued to develop the case for change through the release of a number of documents.

- In May 2006, the Premier released a report highlighting how the current system of Specific Purpose Payments from the Commonwealth hinders the ability to deliver optimal health and education outcomes. [*Governments Working Together? Assessing specific purpose payment arrangements, June 2006*](#)
- In July 2006, DTF released an update on modelling of the NRA benefits which articulated the case for the Commonwealth to share fairly the dividend from reform with the States and Territories. [*National Reform Agenda: A case for sharing the gains, July 2006*](#)
- In July 2006, the Treasurer released Victoria's plan to reduce red tape on business, committing the Government to reduce Victoria's regulatory burden by 25% over five years and to seek offsetting reductions in administrative burdens for any new regulation. [*Reducing the Regulatory Burden: the Victorian Government's plan to reduce red tape, July 2006*](#)
- In July 2006, the Premier released [*Improving Mental Health Outcomes in Victoria: The Next Wave of Reform*](#), a report commissioned from the Boston Consulting Group to lay out a long term-vision and way forward for mental health care reform in Victoria, and to put forward a new framework for collaboration and resource sharing between the Commonwealth and the State in addressing mental health issues across the community.

On **14 July 2006**, COAG met to consider the future of the NRA. COAG agreed that further work should proceed initially in the focus areas of early childhood development, literacy

and numeracy, diabetes, child care, transport, energy, infrastructure regulation and regulatory reform. Significantly, COAG also agreed that the reform framework should be supported by an independent body, the COAG Reform Council. This body will assess the relative costs and benefits of reform proposals. [COAG Communiqué, July 2006](#)

Developing the first tranche of detailed reform policies: July 2006 – April 2007

In **February 2007**, the Productivity Commission released a report, requested by the Federal Treasury, on the potential economic and fiscal impact of the NRA. This report, [Potential Benefits of the National Reform Agenda](#), found that the NRA could increase GDP by up to 11% after 25 years. The majority of benefits would arise from the human capital area of reforms, supporting Victoria's longstanding assertion that this area must be a major priority for reform.

In **April 2007**, the Council for the Australian Federation (CAF) released the first paper in a series designed to inform public debate on federal issues. [Australia's Federal Future](#), prepared for the Council by Professor Glenn Withers and Associate Professor Anne Twomey, dispels many common misconceptions about federalism and identifies the range of benefits, including economic, that flow from federal systems of government.

The second paper in this series, [The Future of Schooling in Australia](#), was also released by the States and Territories in April 2007. This report proposes a national framework for schooling, based on the principle that the quality and performance of teachers, schools and jurisdictions are central to the life prospects of every student and to national prosperity.

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 **April 2007**, following extensive stakeholder consultations, the Premier released three Victorian action plans setting 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 to value good teaching and ensure that we have the best teachers possible in all our schools; build a culture of improvement in our schools; and direct our resources to where they can most make a difference.
- [Victoria's plan to address the growing impact of obesity and type 2 diabetes](#): Victoria committed \$137 million in new funds over the four years to target modifiable lifestyle risk factors for type 2 diabetes; cost-effective and targeted early detection and intervention; and integrated care for people with type 2 diabetes.
- [Victoria's Plan to improve outcomes in early childhood](#): Victoria committed \$136 million in new funds over four years to improve antenatal services; strengthen the health, development and learning of all children; enhance the provision of early childhood education and care services; and improve the early years workforce.

Prior to the COAG meeting in April 2007, States and Territories collaboratively 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. [Letter to the Prime Minister](#).

On 13 April 2007, COAG met to decide on implementation of the NRA, including funding and governance arrangements. The Commonwealth and States and Territories agreed on a number of important elements of the NRA:

- On competition and regulation reform, COAG agreed to address various regulatory hot spots, and agreed on reforms for energy, transport and infrastructure that will boost productivity and reduce bottlenecks in the economy.

- 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 also announced a commitment of \$100 million to combat growth in type 2 diabetes at COAG to complement the already considerable commitment made by States and Territories in their jurisdictional action plans.

However, the Commonwealth was unwilling to commit to substantial new funding arrangements to help States and Territories implement the full package of reform proposals brought forward to COAG. [COAG Communiqué April 2007](#)

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.