CANADIAN Vitality Pathway

1990 AUSTRALIAN DOMESTIC TRADE REFORM IMPACT AND HOW CANADA CAN LEARN FROM THIS EXPERIENCE

CANADA'S LOW CARBON CORRIDOR

Assessment by Fred Gallagher with the assistance of ChatGPT.

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Politically and physiographically Canada shares more in common with Australia than any other country

SIMILARITIES

- Large Country with Small Population – low population density
- Concentrated Population Centers – coastal or along border
- Large Physiographic Barriers – low population hinterland
- UK Monarchy and Parliamentary System
  - similar timing of independence
- Resource Rich Export Driven Economies
  - Very large and powerful trading partner
- Significant Indigenous Population (~5%)
- Legal System – common law
- Strong Sub-national sovereignty
  - Provincial/State resource ownership
  - Sub-national debt capacity

DIFFERENCES

- Bilingualism (CAN)
- Elected Senate - 12 senators each state & 2 each territory (AUS)
- Lower House Preferential Voting – rank order (AUS)
- Manufacturing - in addition to resources(CAN)
- Provincial Taxation (CAN)
- Legal System in Quebec (Civil Law)
- Aboriginal Rights and Responsibilities

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Natural Resource Endowment (high Level)

Category	Canada	Australia	Key insight
Energy – Oil (reserves)	**~170 bn barrels** (mainly oil sands)	~3–5 bn barrels	Canada >> Australia
Energy – Natural Gas	**~1,200–1,300 Tcf**	~400–500 Tcf	Canada >> Australia
Coal (all types)	~6–7% of world	**~9–10% of world**	Australia leads
Iron Ore	~6–7% of world	**~30%+ of world**	Australia dominates
Copper	~2–3% of world	**~10% of world**	Australia leads
Gold	~3–4% of world	**~10% of world**	Australia leads
Uranium	~10% of world	**~30% of world**	Australia dominates
Nickel	~7–8% of world	**~20% of world**	Australia leads
Potash	**~30–35% of world**	Minimal	Canada dominates
Critical minerals (Li, Co, REEs)	**Very large, underdeveloped**	Large, better developed	Canada has latent advantage
Timber / Forestry	**~9% of world forests**	~2–3%	Canada dominates
Freshwater	**~20% of global freshwater**	Scarce	Canada dominates
Arable land (per capita)	**High**	Moderate	Canada advantage
Total estimated in-ground value	**~$30–35 trillion**	**~$20–25 trillion**	Canada ≥ Australia

“Australia is the world’s most efficient bulk-resource exporter; Canada is one of the world’s most comprehensively endowed resource nations – but monetizes that endowment more slowly due to geography, governance and market access”

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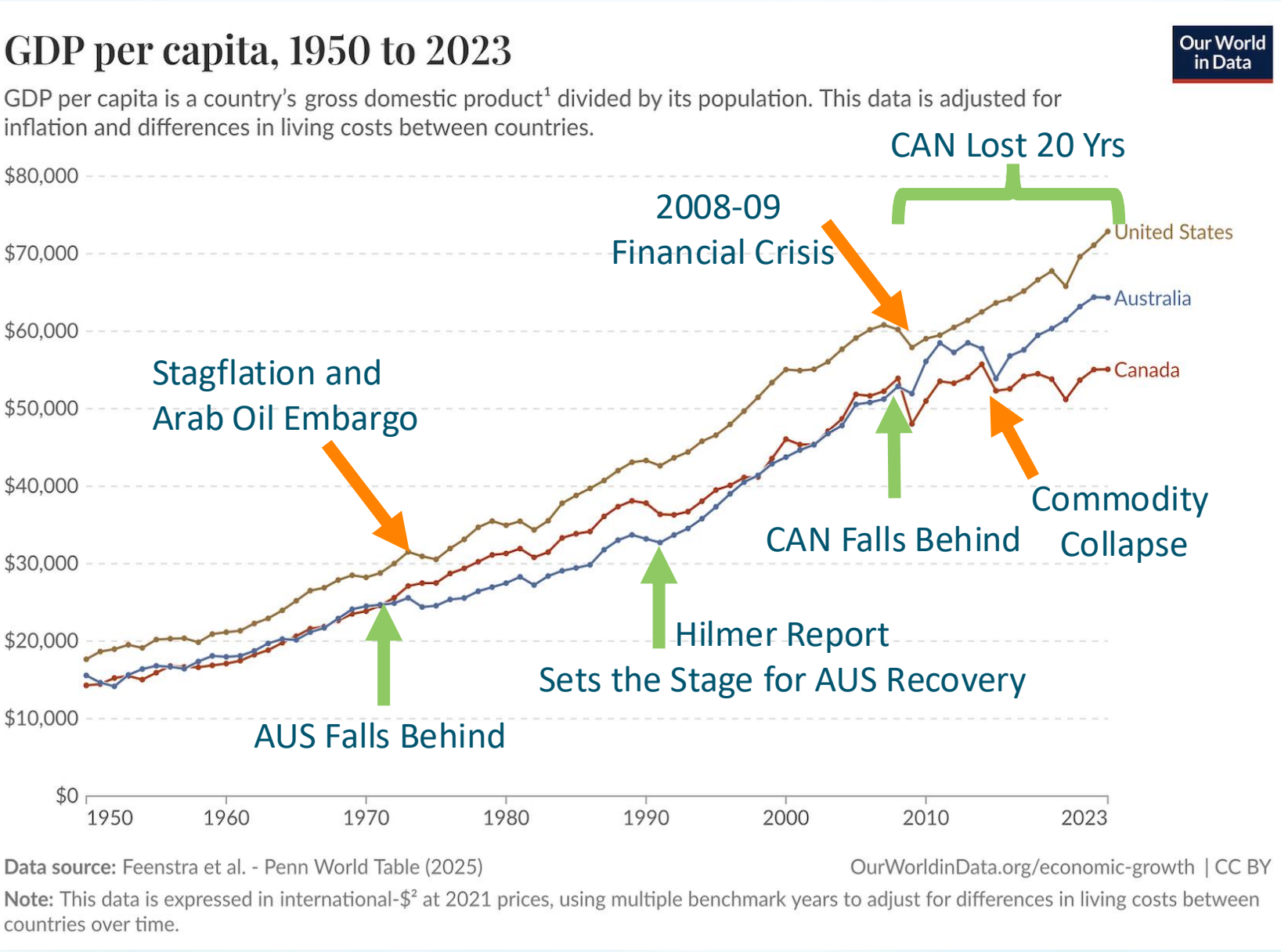
In 1993, Australia set the stage to close the GDP/person gap and raced ahead after the 2008 financial crisis.

Political adoption of the 1993 Hilmer report recommendations created conditions for Australia's dramatic economic recovery.



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1990's Australia faced many similar underperformance issues that Canada faces today. Commissioning an independent inquiry in 1993 led by Fred Hilmer a leading Australian businessperson and academic.

Australian Economic Conditions Leading Up to 1990

Chronic Productivity Underperformance

- Australia uncompetitive in the World as compared to US, UK and Asia

Fragmented Internal Market

- State-based monopolies
- Licensing regimes and statutory authorities acted as internal trade barriers

High-Cost Infrastructure

- Electricity, gas, telecoms, rail and ports dominated by vertically integrated public monopolies

International Tariff Liberalization Underway

- Poorly prepared and small domestic firms exposed to global competition
- Internal markets and trade heavily restricted

Triggering the Council of Australian Governments to:

Commission an Independent Committee of Inquiry into Competition Policy (Hilmer Review 1993)

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Hilmer bluntly and in a non-partisan, fashion pointed to the elephant in the room, Australia's domestic protectionist problems, their dire economic effects and a prescription to cure Australia's lagging world competitiveness.

Hilmer Review Core Findings:

Blunt Diagnosis:

Australia's Domestic Market was a Patchwork of Protected State Economies

Key Findings:

- Many anti-competitive restrictions had no public interest justification
- Government businesses enjoyed implicit subsides & regulatory protection
- Infrastructure monopolies were inefficient, opaque and unaccountable
- State-based regulations often blocked interstate trade more effectively than even financial tariffs

Recommendations:

- Economy-wide competition extended to:
  - State-owned enterprises, professions, agriculture and utilities
- Competitive neutrality
  - Remaining government businesses must pay tax equivalents, face commercial requirements for rates of return and compete on an equal financial footing to private
- Structural reform of monopolies
  - Vertical separation of interests such as generation vs transmission vs distribution
  - Corporatization and privatization where "politically acceptable"
- Creation of third-party access regimes across the economy
  - Energy supply and infrastructure: electricity grids and gas pipelines
  - Transportation infrastructure and operations of: Rail, Ports and Airlines
- Review all legislation restricting competition
  - Remove unless a clear public benefit test was met

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A feared and theoretical reform agenda was transformed into a financially irresistible set of opportunities in a matter of 2 years but would take 15 years to implement.

Initial State Reaction

Fear of:

- loss of control over “their” utilities
- Revenue loss from Crown monopolies
- Political backlash from voters, unions and regional communities

The Critical Political Bargain That Was Struck

Financial incentives in the form of Competition reform payments

- Payments tied to verified reform milestones
- Progress assessed independently
- Amounted to Billions of AUD transferred over a decade

Reforms Began Within Two Years and Took 15 Years

Overseen by the:

Australian Competition and Consumer Commission

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The reforms were economy wide and comprehensive leading to significant upheaval.

In the final analysis Australia regained its international and domestic competitive footing, especially in resources.

Specific Market Reforms (1995 – 2010)

Energy –

- National Electricity Market (NEM)
- Separation of:
  - Generation
  - Transmission
  - Distribution
- Corporatisation and partial privatisation (varied by state)

Gas

- Open access to pipelines
- National Gas Law
- Competitive wholesale markets

Transport

- Rail access regimes
- Port corporatisation
- Removal of state-based freight monopolies

Agriculture

- Deregulation of:
  - Wheat
  - Dairy
  - Sugar
- End of single-desk selling in most commodities

Professions and Retail

- Removal of:
  - Price controls
  - Geographic licensing
  - Exclusive practice rights
- Retail trading hours liberalised (unevenly)

Over time, challenges have occurred with some backtracking due to political and special interest group accommodation...

Electricity Market Reversals

Attempts at retail competition in electricity had mixed outcomes, often followed by policy reversals and renewed government involvement.

Rail Reform Struggles

Rail reform efforts were hindered by persistent vertical integration and ongoing control by the state, limiting progress.

Limited Sector Changes

Sectors like ports, planning, and taxis saw minimal reform or controversial exceptions, often retaining old structures.

Renewed State Intervention

After 2010, public backlash over energy costs led to more government protection of strategic industries and reversal of some reforms.

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… however, the economic value from implementation of the Hilmer Report recommendations were quantified and provided significant and permanent GDP benefits

Tangible Returns From Hilmer Recommended Reforms

Productivity Commission (2005 review) estimated the

- **reforms had delivered a permanent GDP uplift of at least ~2.5%**

Pre-Implementation estimates by the Industry Commission

- **Outer envelope max effects permanent uplift of ~5.5% of GDP**

Potential Canadian Effects of Similar Reforms

Canada Study and IMF Study cite approximately $200 Billion/yr

- **~6% of GDP**

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What a similar market transformation might look like as applied to Canadian counter-productive inefficiencies

Reform Example (Hilmer/NCP logic)	Australia from Hilmer 1993 (1990s–2010 outcomes)	Canada Analogue Look Alike	Concrete Canadian examples to target (energy, trade, infrastructure)
National "single market" goal (treat internal barriers as a competitiveness problem)	NCP created a coordinated cross-jurisdiction reform agenda; implementation tied to measurable milestones	A "Canadian National Market Program" under FPT agreement (or strengthened CFTA with fewer carve-outs), with measurable deliverables	CFTA exceptions reduction; pan-Canadian mutual recognition for goods/services; consistent standards adoption (where safe)
Mutual recognition (if legal in one jurisdiction, sale/operation allowed in others)	Reduced state-level barriers and expanded interstate commerce	Broad mutual recognition across provinces/territories (beyond pilots)	Expand trucking mutual recognition pilots; extend to building products, appliances, alcohol distribution rules, etc. (Canada)
Competition law applied broadly (including government business & statutory monopolies)	Competition rules applied more widely; scrutiny of anti-competitive regulation	Extend/clarify application of competition and market conduct rules to provincially regulated sectors where feasible	Review supply-chain restrictions that function like domestic tariffs (distribution rules, quota-like regimes, exclusive selling authorities)
"Public interest test" for restrictive regulation (legislate-and-review discipline)	Systematic reviews of legislation restricting competition; reforms where net public benefit not proven	A cross-Canada regulatory review program: **"retain only if net public benefit"** with transparent methodology	Occupational licensing; professional accreditation; interprovincial procurement restrictions; product standards divergence
Competitive neutrality(government entities shouldn't have hidden subsidies)	Government businesses required to operate on comparable footing	Crown corporations and regulated monopolies required to operate on comparable financing/tax/regulatory basis	Provincial power utilities; port authorities; crown lenders/insurers; transit agencies where they crowd out private provision
Structural reform of network monopolies(separate "wires/pipes" from competitive services where appropriate)	Electricity/gas reforms included access regimes and structural changes; competition where feasible	Improve interprovincial energy trade via open access / transparent tariffs, and accelerate transmission interties	Intertie expansion & transparent congestion pricing; clearer access rules for transmission; coordinated reliability planning across provinces
Third-party access regimes (make essential facilities accessible on fair terms)	Access regimes for infrastructure (energy networks, some transport) were central	Establish/strengthen access frameworks for "essential facilities" with independent oversight	Rail bottlenecks; ports/terminals; pipelines where they function as essential facilities; electricity transmission
Independent assessment + incentives (states moved because money was on the table)	NCP payments to states were a major driver of adoption	Ottawa uses **conditional transfers** or revenue-sharing to buy down provincial resistance	"Internal Market Dividend" transfers tied to verified milestones (labour mobility, mutual recognition, infrastructure access rules, etc.)
Infrastructure as productivity policy (not just projects)	Reforms targeted underlying cost structures in infrastructure services	Treat "infrastructure governance + access" as part of productivity and trade strategy	Faster permitting *plus* market design: open access, predictable tariffs, competitive procurement, harmonized standards

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CONCLUSION

Australian 1990s reforms illustrate the power of change at a moment of crisis. The Hilmer Report also provides a clear roadmap for important changes to Canada's economy.

Canada has a golden moment to change course and adopt reforms that will not only make Canada more independent but structurally more competitive to drive prosperity in the long term.

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APPENDIX

Other comparisons and reference materials for further discussion.

Constitutional responsibilities and requirements of the Crown are distinctly different in terms of Indigenous affairs

Comparison of Indigenous Rights and Crown Responsibilities

Dimension	Australia	Canada
Indigenous legal status	Statutory land rights	Constitutional nations
Who grants access	State / statute	Crown (non-delegable)
Equity timing	Upfront	**Post-approval**
Agreement type	ILUA (standardized)	IBAs + commercial contracts
Replicability	High	**Low but improving**

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Comparative Port Infrastructure

While Canada has more ports vs Australia; multifunctional use, governance, weather and scale make Canadian ports less efficient.

Category	Canada	Australia
Total ports (all types)	~550+	~70–80
National / major ports	~17–18	~15–16
Deep-water ports (practical count)	**~15–18**	**~18–22**
Ice-free year-round deep-water ports	~10–12	~18–22
Ports purpose-built for bulk export	Fewer (more mixed-use)	Many (iron ore, coal, LNG)

Differences

- Scale of Deep-Water Ports –
  - Australia's largest are 3-4x larger (Port Hedland world's largest port)
- Focus –
  - Australia - Single use and export focus vs Canada multi-purpose
- Governance -
  - Australia - Deep-water ports – Private
  - Canada – Deep-water ports public ownership and governance
- Weather – Canada suffers from ice clogging many of our inland ports

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Urban Rail and Transit Comparison

Urban public transportation is a high national priority for Australia.

It was clear in the major cities visited that urban public transportation was considerably better and more modern than Canada.

Metric	Canada	Australia	Why
Major cities with metro / heavy rail	~6–7	~6–7	Similar count
Urban rail track km (approx.)	~1,000–1,200 km	**~1,300–1,500 km**	Australia slightly ahead
Recent rail capex (last ~15 yrs)	Moderate, uneven	**Very high, sustained**	Australia has clearer pipelines
Rail investment per million capita (recent)	25-30km/mcapita	**50-60km/mcapita**	National political prioritization

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Rail Infrastructure – Scale, Task and Intensity

Australia runs 3x the freight per km of rail than Canada because of industrially dedicated and automated rail systems (the Pilbara-style model)

Metric	Canada	Australia	Why
Total rail network (route-km)	~49,000 km	~33,000 km	Canada has more track, but not more *capacity*
Rail freight task (tonne-km / year)	~350–400 billion t-km	~650–700 billion t-km	Australia moves ~2× freight on less track
Rail freight intensity (t-km per route-km)	**~7–8 million**	**~20–22 million**	Core efficiency gap
Share of national freight task (rail)	~40%	~55–60%	Australia relies more on rail for bulk
Heavy-haul dedicated corridors	Few	**Many (Pilbara, Hunter, Bowen)**	Structural difference
Private ownership (freight rail)	Limited	**Common**	Incentives align with throughput
Axle loads (typical max)	~30–32 t	**40+ t**	Directly affects productivity

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Road Infrastructure Comparison – Size and Role

Like Canada new road building is expensive for a sparsely populated country. However, we witnessed considerable new road building in Queensland and other states in 2025.

Metric	Canada	Australia	Comments
Total road network (km)	~1.04 million km	~0.88 million km	Similar order of magnitude
Paved road share	~40%	~35%	Geography-driven difference
Road freight share of freight task	~55–60%	**~65–70%**	Australia leans harder on roads
Long-haul road freight	Moderate	**Very high**	Fills gaps between bulk rail corridors
User-pay / tolling prevalence	Limited	**More common**	Cost recovery & pricing discipline

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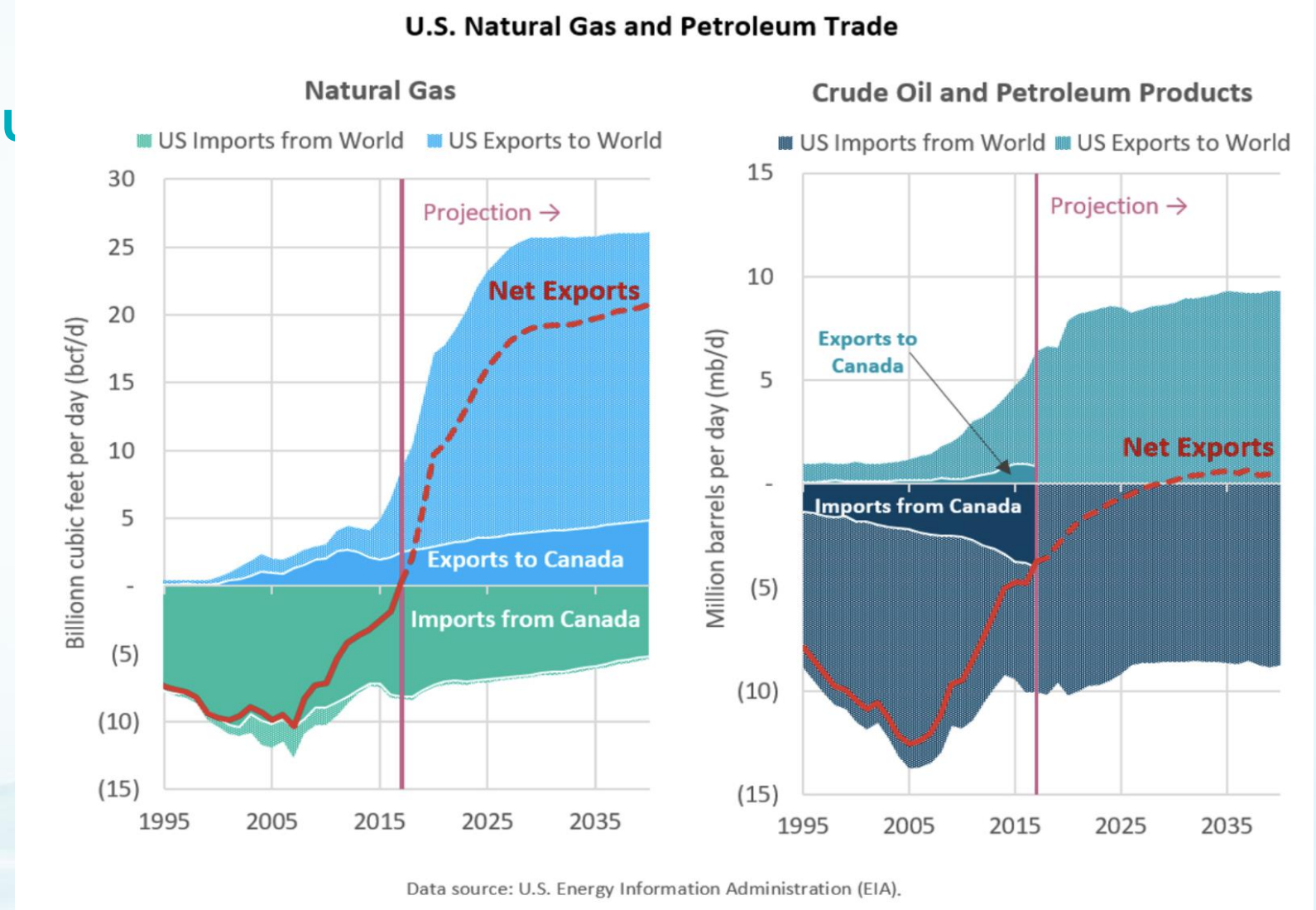
Significant new US domestic production of both oil and gas eroded continental export opportunities for Canadian energy supply…

Note: Slide from 2019

Updated numbers in next slide

Spoiler alert, it hasn't gotten better



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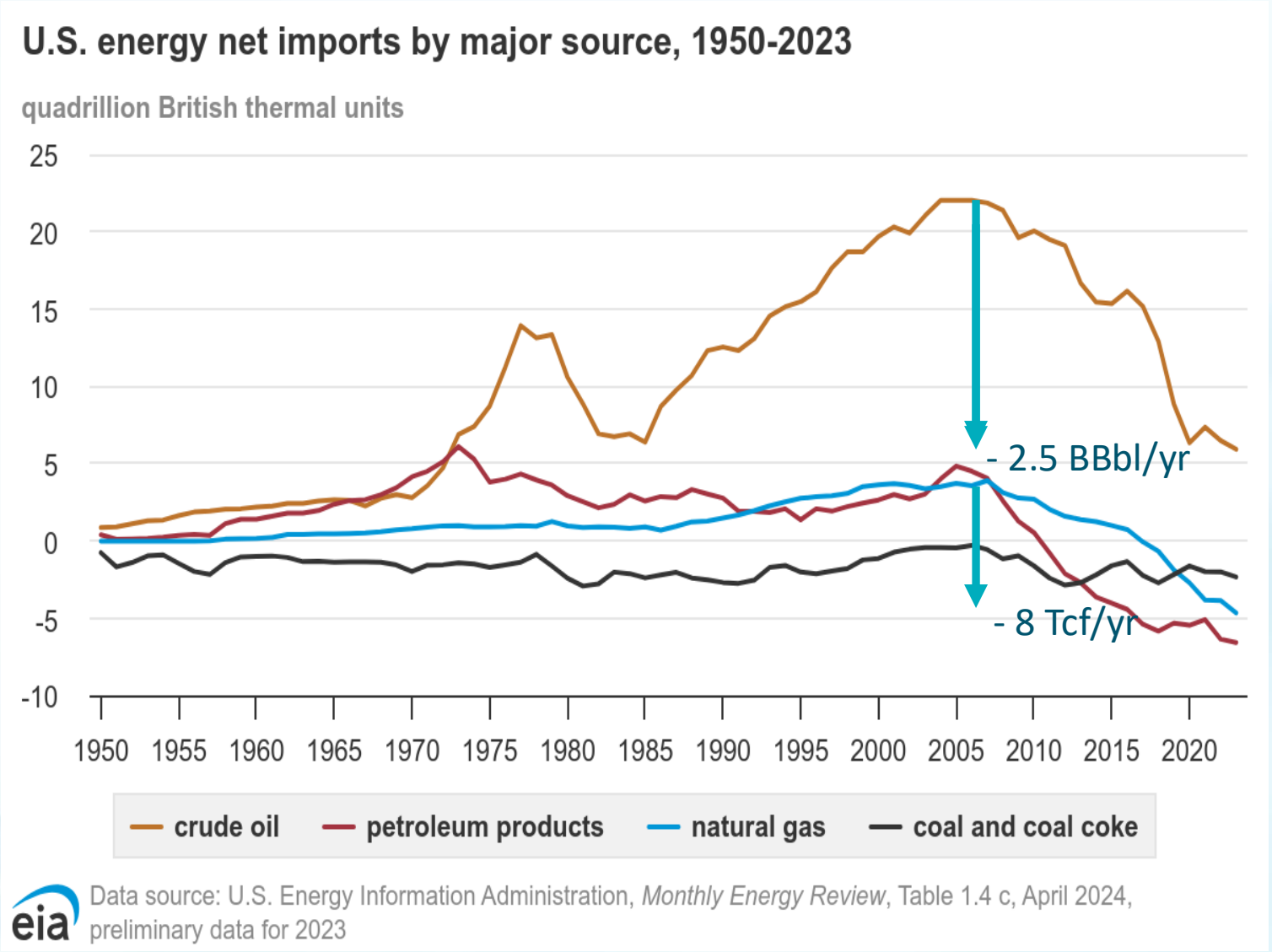
Canada's Largest Energy Customer Dynamics

Beginning in 2005, Canada's primary market for energy exports has contracted by:

- 2.5 Billion bbl/yr of oil
- 8 Tcf/yr of gas

consequently reducing Canadian exports of gas by 3 Tcf/yr, eroding Canada's domestic gas market by 1.8 Tcf/yr and severely compromising oil price leverage.



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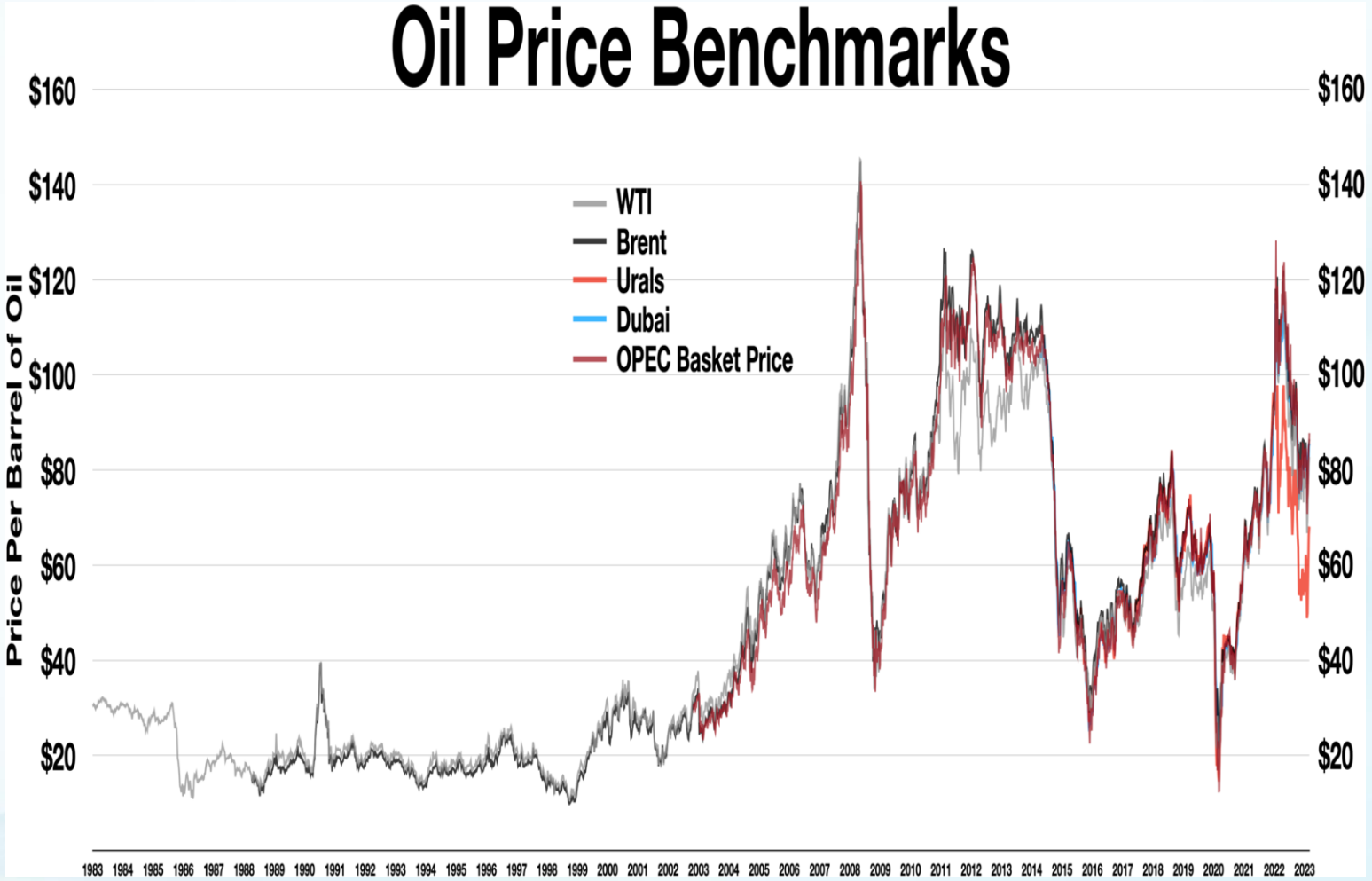
Oil price collapse with the 2008 financial crisis and again in 2014 provided significant shocks to the CDN economy and dollar.

This partially explains some of the Canadian lost 20 years.



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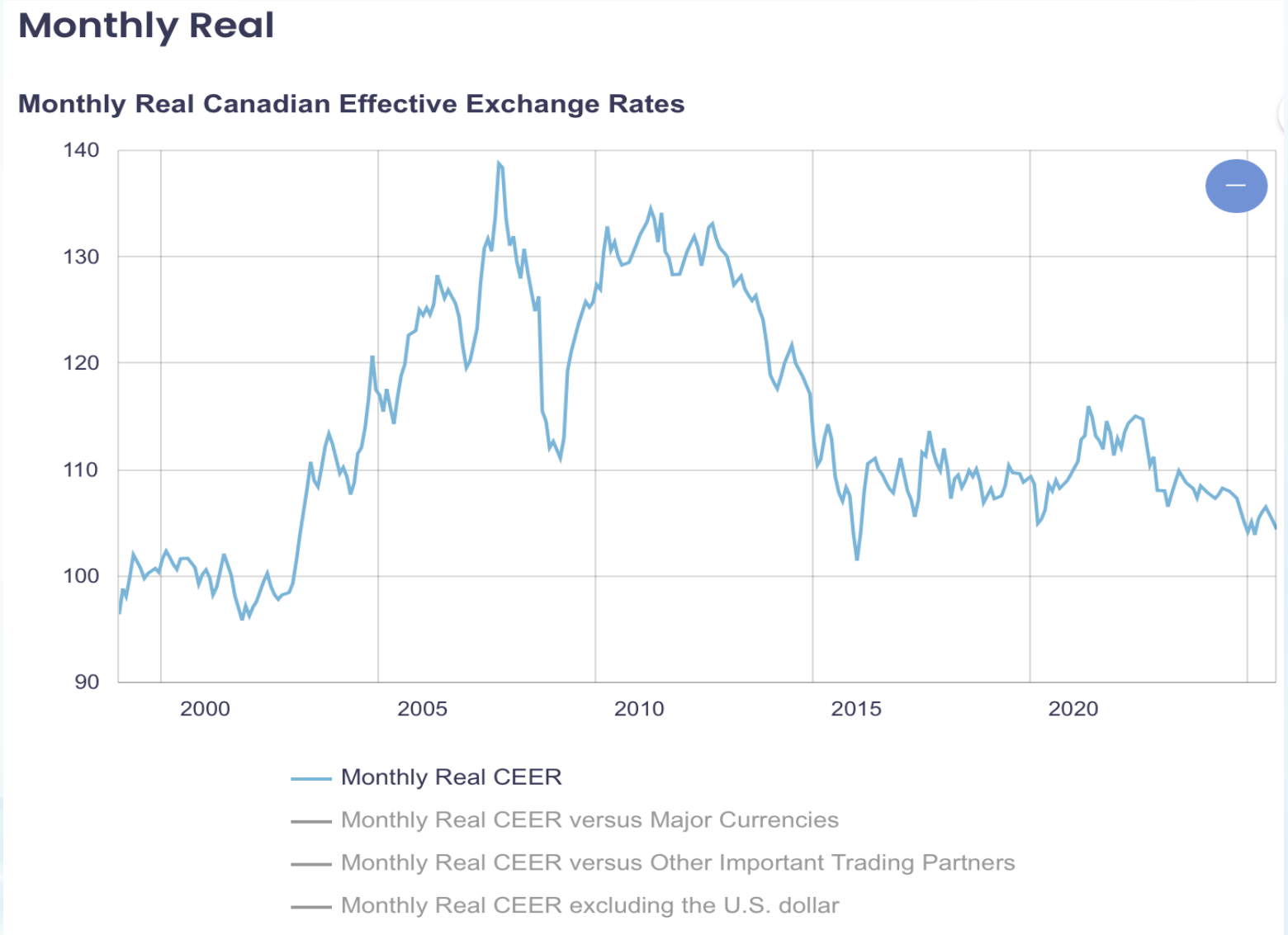
Canadian Currency vs Basket of Trading Partners (CEER)

Trade weighted currency comparisons are useful but only tell part of the story.



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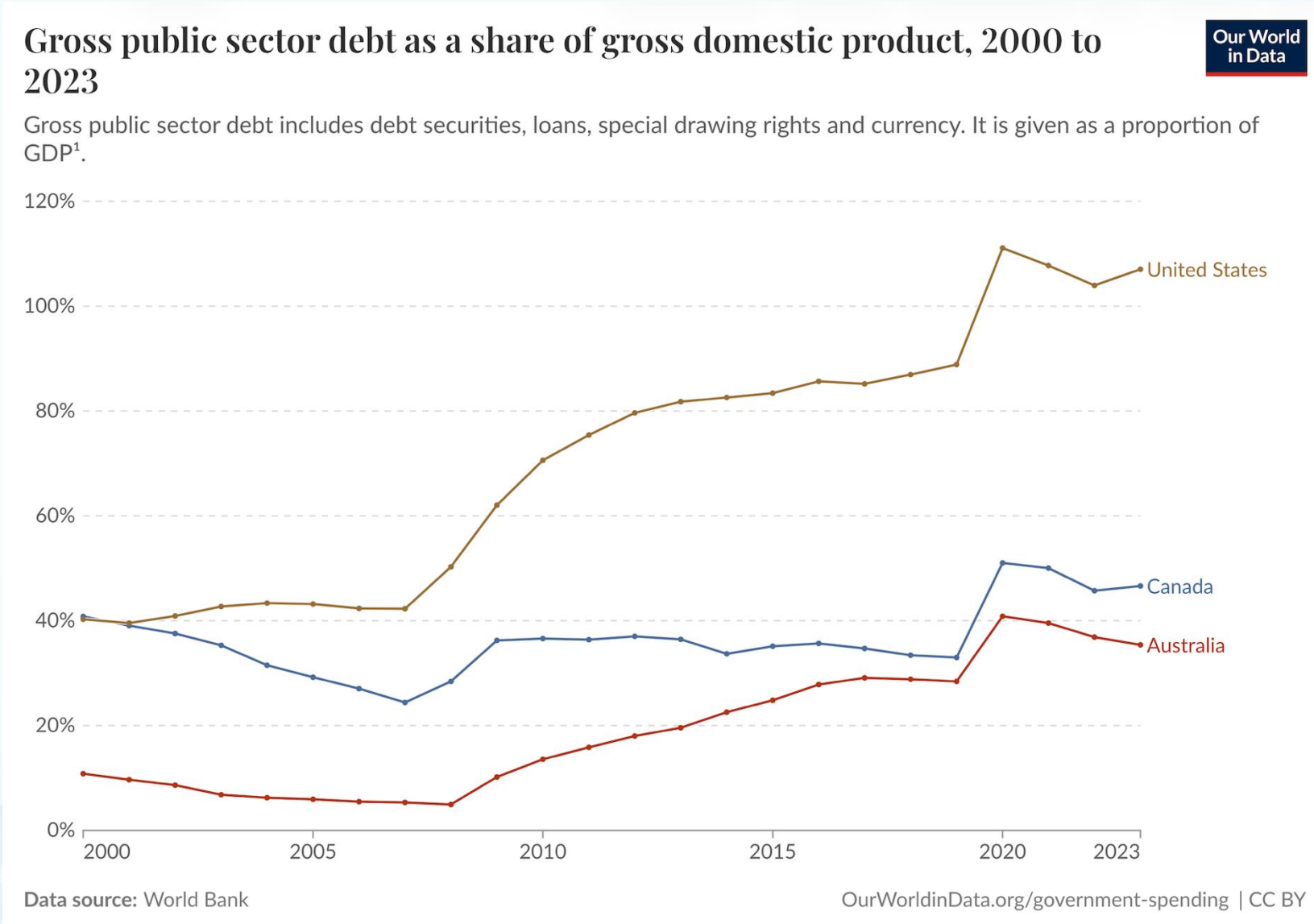
Public Sector Debt Comparison

Australia and Canada share similar public sector debt and states like provinces have similar debt issuing capacity.



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Environmental Assessment (EA) itself does not present issues for Canada, however the EA has become the focal point where constitutional, Indigenous, climate and jurisdictional conflicts converge vs Australia where those conflicts resolved before or outside EA.

Process Time Certainty is Difference

Dimension	Canada	Australia
Statutory timelines	Flexible / extendable	**Firm and enforced**
Scope changes	Common	**Rare**
Parallel approvals	Limited	**Standard practice**
Effective EA duration (major projects)	5–10+ years	**2–4 years**

Key Infrastructure Blockers?

Rank	Constraint	Canada	Australia
1	Indigenous constitutional status	**Very high impact**	Low
2	Post-approval litigation	**Very high**	Low
3	Federal–provincial overlap	High	Moderate
4	EA process design	Moderate	**Low**
5	Environmental protection level	Similar	Similar