



**GOVERNMENT  
PRICES  
OVERSIGHT  
COMMISSION**

**ANNUAL REPORT 2006-07**

Printed October 2007  
Government Prices Oversight Commission  
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GOVERNMENT  
PRICES  
OVERSIGHT  
COMMISSION

The Hon. Michael Aird  
Treasurer  
Executive Building  
Level 9, 15 Murray Street  
HOBART TAS 7000

Dear Mr Aird

I have pleasure in submitting to you the Annual Report of the Government Prices Oversight Commission for the year ended 30 June 2007, in accordance with Section 40 of the *Government Prices Oversight Act 1995*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A J Reeves'.

Andrew Reeves  
COMMISSIONER

27 August 2007



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# COMMISSIONER'S REPORT

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This report describes the eleventh full year of the operation of Tasmania's Government Prices Oversight Commission (the Commission).

The Commission commenced operations on 1 January 1996, under the authority of the *Government Prices Oversight Act 1995* (the GPO Act). Its primary function was to investigate the pricing policies of the major Tasmanian public sector monopolies.<sup>1</sup> The Commissioner's powers to investigate the pricing policies of electricity entities were transferred to the Tasmanian Electricity Regulator (now Tasmanian Energy Regulator) on 1 July 1998.

In 1997, the GPO Act was amended to provide the Commission with powers to investigate National Competition Policy (NCP) competitive neutrality complaints.

As Commissioner of the Government Prices Oversight Commission, I also hold the office of the Regulator under the *Electricity Supply Industry Act 1995* and the Director of Gas under the *Gas Act 2000*. The Commission itself was appointed in June 2001 as the "local regulator" pursuant to the *Gas Pipelines Access (Tasmania) Act 2000*.

## Investigations into Pricing Policies

One of the Commission's roles under the GPO Act is to investigate and make recommendations of maximum prices which may be charged by government businesses that are monopoly suppliers of goods and services. The intent of the legislation is to protect the consumer from excessive prices arising from monopoly pricing or from the effects of higher costs due to inefficiency of operations.

During the 2006-07 period, the Commission completed an investigation into the pricing policies of the Hobart Regional Water Authority, Cradle Coast Water, and the Esk Water Authority (the bulk water authorities). The Commission also finalised the investigation of premiums charged by the Motor Accidents Insurance Board (MAIB).

The Commission released its Final Report in July 2006, which included recommendations for the maximum premiums to be charged by MAIB for motor accident (personal injury) insurance for the three-year regulatory period from 1 December 2006.

In relation to the investigation into the pricing policies of the bulk water authorities, the Commission released a draft report in May 2007 which made recommendations for the maximum prices to be charged by each of the bulk water authorities for the next three-year regulatory period. The final report was submitted to the Treasurer in June 2007.

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<sup>1</sup> The *Government Prices Oversight Act 1995* provides for the investigation of the pricing policies of certain government agencies, Government Business Enterprises, local government bodies, statutory authorities and State-owned Companies that are monopoly or near-monopoly providers of goods and services in Tasmania.


## Competitive Neutrality Principles Complaints

The Commission is pleased to report that it received no formal competitive neutrality reports in 2006-07.

## Consultancies

In addition to performing core legislative functions, the Commission, at the request of the Government, is able to undertake consultancy projects. This role involves completion of an assessment of Local Government Water and Wastewater Businesses to examine whether councils are recovering sufficient revenue from their water and wastewater businesses to recover all costs, but not so much as to provide a rate of return that incorporates monopoly profits. The review is undertaken on a biennial basis, with the next review scheduled for 2007-08.

In addition to this body of work, the Commission continued its role in the economic and technical regulation of the natural gas industry development in Tasmania. These activities, together with the activities of the Commissioner as the Regulator under the *Electricity Supply Industry Act 1995*, are described in the Annual Report of the Tasmanian Energy Regulator.



Andrew Reeves  
COMMISSIONER

# THE COMMISSION

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The Government Prices Oversight Commission (the Commission) is an independent statutory body. It was established following the commencement of the GPO Act on 1 January 1996. Its role is to investigate the pricing policies of Government Business Enterprises (GBEs), agency activities and local government businesses that are monopoly providers of goods and services in Tasmania.

The establishment of the Commission was part of Tasmania's commitment to the National Competition Policy Agreements that were signed by the Council of Australian Governments (COAG) in April 1995.

The COAG Competition Principles require that the source of prices oversight advice have the following characteristics:

- (a) it should be independent from the Government Business Enterprise whose prices are being assessed;
- (b) its prime objective should be one of efficient resource allocation but with regard to any explicitly identified and defined community service obligations imposed on a business enterprise by the Government or legislature of the jurisdiction that owns the enterprise;
- (c) it should apply to all significant Government Business Enterprises that are monopoly, or near-monopoly, suppliers of goods or services;
- (d) it should permit submissions by interested persons; and
- (e) its pricing recommendations and the reasons for them should be published.

The Commission was set up according to these principles.

The GPO Act was amended in 1997 to provide the Commission with powers to investigate alleged breaches of the National Competition Policy competitive neutrality principles by State and local government business activities.

The Competition Principles Agreement (CPA) requires government businesses to operate within a framework that ensures that they do not enjoy any net competitive advantage simply as a result of their public ownership. This is the concept of competitive neutrality. The competitive neutrality principles (CNPs) are set out in Clause 3 of the CPA. As a general principle, significant State and local government businesses should reflect full Commonwealth and State taxes or tax equivalents, be liable for debt guarantee fees, face the same regulatory framework as their private sector counterparts and earn a commercial return on the capital invested in them. The CPA also requires that there be a mechanism to consider complaints relating to the application of the CPA.

The complaint mechanism applicable to Tasmanian State and local government businesses is contained in the *Government Prices Oversight Regulations 1998*. The Commission does not have the power to investigate complaints in regard to Commonwealth government businesses or private sector businesses.

## Objectives of the Commission

The National Competition Policy (NCP) Agreements define the Commission's principal objectives, being to ensure that prices charged by government businesses promote efficient resource allocation decisions by the business, and thus benefit the wider economy. These objectives are given effect through the GPO Act.

As an independent regulatory body, the Commission does not have a primary role in policy development. However, the Commission does seek to promote, through its papers and reports, discussion of issues that will inform or impact on policies regarding the operations of the monopoly service providers.

The Commission's strategic and operational activities, roles and responsibilities are determined by the GPO Act.

## The Roles of the Commission

Under the GPO Act, the Commission has two key roles:

- ⇒ prices oversight of government monopolies; and
- ⇒ investigation of competitive neutrality complaints.

In addition to performing these key legislative functions, the Commission undertakes consultancy projects at the request of the Government. The assessment of Tasmanian councils' compliance with Tasmania's National Competition Policy water reform obligations as they apply to urban water and wastewater services is undertaken on a biennial basis, with the next review scheduled for 2007-08.

## Prices Oversight

In providing prices oversight of government monopolies, the Commission is required to investigate prices charged by certain government bodies for monopoly services and to recommend maximum prices to apply for the ensuing three-year period. An investigation is initiated upon receipt of the terms of reference issued by the Minister administering the GPO Act. The Commission is required to take account of the terms of reference and the specific matters set out in Section 31 of the GPO Act. These matters include:

- ⇒ the cost of supplying or providing the monopoly service;
- ⇒ interstate benchmarks for prices and costs;
- ⇒ the need to protect consumers from the adverse effects of the exercise of monopoly power;
- ⇒ the need for the monopoly provider to be financially viable;
- ⇒ the need for a reasonable return to the State, including the payment of dividends;

- ⇒ the Ministerial Charter of the GBE prepared in accordance with Section 36 of the *Government Business Enterprises Act 1995* (GBE Act)<sup>2</sup>;
- ⇒ any community service obligations; and
- ⇒ the quality of the supply of the monopoly service.

In essence, the Commission is required to consider and recommend maximum prices based primarily on grounds of economic efficiency. These outcomes do not always accord with the Government's social and economic objectives, and the Government has the opportunity to reflect its policies in the Minister's determination of maximum prices, which is set out in an Order.<sup>3</sup>

The creation of the Commission was not intended to take away the Government's ability to use prices charged for Government services as instruments of policy, but to bring greater transparency.

The GBE Act provides for the identification and payment of community service obligations (CSOs) where it requires a GBE to undertake a non-commercial activity. Non-commercial activities could include providing services at a concessionary rate to a particular class of customer. The Ministerial Charter may also require a GBE to carry out certain activities required by the Government. Non-commercial activities or community service activities (CSAs) undertaken by a State-owned Company (SOC) are performed under contract with the Government.

There is an expectation by consumers and community interest groups that the Commission will address social and other issues in its investigations. The Commission can not consider matters that are outside its Terms of Reference in developing recommendations, but respects community expectations by accepting submissions not only on matters that specifically address the terms of reference, but also on related issues. These issues are then raised for the information of the Government in the Commission's reports. The Commission expects that this treatment will assist the Government to make better-informed decisions when maximum prices are prescribed.

To assist it in undertaking its price investigation role, the Commission seeks the expert contributions of persons appointed as Assistant Commissioners and its consultants. It also draws upon the experience of other regulators, similar investigations in other jurisdictions, and informed comment from the community and stakeholders.

### **Amendments to the *Government Prices Oversight Act 1995***

In late June 2007, amendments to the *Government Prices Oversight Act 1995* (the GPO Act) were passed. The purpose of the amendments is to enable the Commission to conduct its

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<sup>2</sup> Where the government monopoly is incorporated under Corporations Law, the Commission looks to the Memorandum and Articles of Association. Where the monopoly has been established as a joint authority under the Local Government Act, the Commission looks to the Charter issued by the relevant councils.

<sup>3</sup> In the case of a local government monopoly business, the Minister responsible for administering the *Local Government Act 1993* is able to issue a determination under the GPO Act.

pricing policy investigations in a more efficient and effective manner and improve the competitive neutrality complaints investigation process. It has also reduced administrative burdens for government bodies including local government bodies. Additionally, it consolidates all of the Commission's functions into the one piece of legislation.

Key amendments are as follows:

- ⇒ The frequency of pricing policy investigations has been reduced from three years to five years for the bulk water authorities and Metro Tasmania and four years for the Motor Accidents Insurance Board.
- ⇒ The requirement that the approval of a majority of local government bodies is required for each scheduled pricing investigation of a local government body, such as a bulk water authority, has been removed. However, for unscheduled investigations that can change an existing prices order or determination, approval from the majority of affected local government bodies is required.
- ⇒ The functions of the Commission relating to inquiries and competitive neutrality complaints have been transferred from the *Government Prices Oversight Regulations 1998* (the GPO Regulations) to the GPO Act.
- ⇒ The information gathering powers of the Commission have been enhanced for the purposes of investigation of competitive neutrality complaints, including addition of an offence for failing to provide information to the Commission during a preliminary assessment of a competitive neutrality complaint.

## Competitive Neutrality

The CPA requires that the State have a complaint mechanism in place to consider complaints relating to the application of the competitive neutrality principles by government businesses. The prescribed process for making and investigating complaints is contained in the *Government Prices Oversight Regulations 1998* (the Regulations).

In February 1999, the Commission issued *National Competition Policy Competitive Neutrality Principles Complaints Mechanism Guidelines* (the Guidelines). The purpose of these Guidelines is to describe:

- ⇒ the processes for the review of complaints from persons about alleged breaches of, and non-compliance with, competitive neutrality principles;
- ⇒ the role of the Commission in relation to the review of complaints;
- ⇒ the procedures to be followed by complainants; and
- ⇒ the internal review process required of government bodies in relation to complaints made against their business activities.

At the completion of an investigation, the Commission is required to forward a copy of the final report containing a summary of findings and recommendations in relation to each matter to the relevant government body, the complainant, the relevant Minister and the Treasurer. The findings of the Commissioner are final.

An outline of the complaints mechanism is provided in Appendix B. The Guidelines and other relevant documents are also available from the Commission or its website, <http://www.gpoc.tas.gov.au>.

## Composition of the Commission

The Commission for a scheduled price investigation consists of the Commissioner and any Assistant Commissioner(s) specifically appointed for a particular investigation. In regard to other matters, the Commission consists of the Commissioner alone.

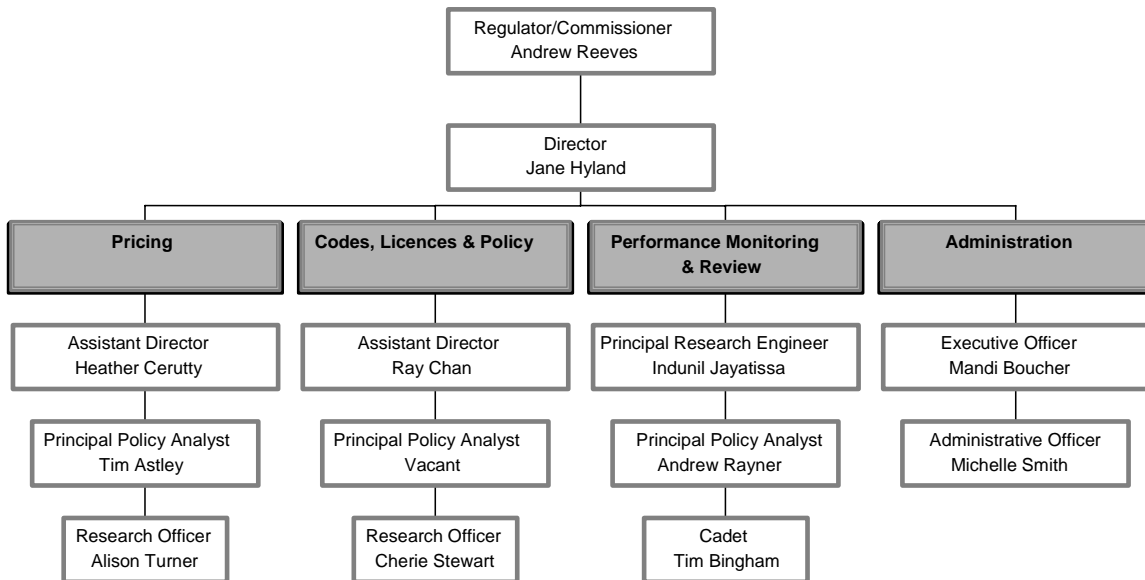
Since his inaugural appointment on 1 January 1996, Mr Andrew Reeves has subsequently had his tenure extended on three occasions, with the latest appointment on 1 January 2005 taking his current contract through to the end of 2007.

The Commissioner was also appointed as the independent Regulator on 1 July 1998 under the *Electricity Supply Industry Act 1995* (ESI Act) and the Director of Gas under the *Gas Act 2000* on 16 July 2001. In addition, the Commission was appointed as the "local regulator" on 20 June 2001 under the *Gas Pipelines Access (Tasmania) Regulations 2001* pursuant to the *Gas Pipelines Access (Tasmania) Act 2000*. For administrative purposes, the functions of the two Regulators and the Director of Gas are carried out by the Office of the Tasmanian Energy Regulator. In 2006–07, Glen Appleyard undertook the role of Assistant Commissioner for the purposes of the investigation of the pricing policies of the Hobart Water Authority, the Esk Water Authority, and Cradle Coast Water.

While the Commission, Regulator and Director of Gas are separate and discrete statutory entities, in practice there is a common set of core skills required. The office of the Commission is co-located with the Office of the Tasmanian Energy Regulator. Office staff are employees of the Department of Treasury and Finance and the sharing of resources improves efficiency and experience of the two organisations. Under the ESI Act, the Regulator is required to prepare a separate annual report. The Annual Report of the Office of the Tasmanian Energy Regulator also provides details of the roles and functions of the "local regulator" for natural gas and the Director of Gas.

The structure of the Office, as shown in Figure 1, comprises three functional units: Pricing; Codes, Licences and Policy; and Performance Monitoring and Review. An administrative unit supports the functional units.

Figure 1: Government Prices Oversight Commission / Office of the Tasmanian Energy Regulator Organisational Chart as at 30 June 2007



The Department of Treasury and Finance provides assistance to the Commission in human resource management, information technology, and financial and accounting services.

## Past Investigations

The GPO Act provides for the investigation of the major public sector (State and local government) monopolies in Tasmania at least once in every three years.<sup>4</sup> The Commission may also be required to investigate any other monopoly service provided by a State or local government body. At the date of publication of this Annual Report, the following investigations had been completed:

- ⇒ Hobart Regional Water Authority, Cradle Coast Water, Esk Water Authority – 29 June 2007
- ⇒ Motor Accidents Insurance Board (MAIB) – 1 August 2006
- ⇒ Metro Tasmania Pty Ltd (Metro) – 22 May 2006
- ⇒ Hobart Regional Water Authority, North West Regional Water Authority, Esk Water Authority – 14 July 2004
- ⇒ Motor Accidents Insurance Board (MAIB) – 29 August 2003
- ⇒ Metro Tasmania Pty Ltd (Metro) – 30 June 2003
- ⇒ Hobart Regional Water Authority, North West Regional Water Authority, Esk Water Authority – 31 July 2001
- ⇒ Motor Accidents Insurance Board (MAIB) – 31 August 2000
- ⇒ Metro Tasmania Pty Ltd (Metro) (previously MTT)<sup>5</sup> – 2 June 2000
- ⇒ Hobart Regional Water Authority, North West Regional Water Authority, Esk Water Authority – 23 December 1998
- ⇒ Motor Accidents Insurance Board (MAIB) – 29 August 1997
- ⇒ Metropolitan Transport Trust (MTT) – 28 February 1997
- ⇒ Hydro-Electric Commission – 30 August 1996<sup>6</sup>

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<sup>4</sup> The *Government Prices Oversight Amendment Act 1998* extended the scope of the Commission to provide for investigations of prices charged by statutory authorities and State-owned Companies, and local government monopoly businesses. The 2007 amendments reduce the frequency of the investigations from three to five years for Metro and the bulk water authorities and four years for MAIB.

<sup>5</sup> The Government corporatised MTT on 2 February 1998 as part of its transport reform package.

<sup>6</sup> Responsibility for investigation of the pricing policies of electricity entities in Tasmania (including those of the former Hydro-Electric Commission) was transferred to the Tasmanian Electricity Regulator on 1 July 1998.

## **Conduct of Investigations**

The procedures for the conduct of major investigations, the requirement for reports and the procedures for setting prices are described in Appendix A.

## **Public Consultation**

Public consultation is an important component of the Commission's work.

Assistant Commissioners are appointed for their expertise on the individual matters under investigation. However, the Commission also draws on business and community knowledge to identify the particular issues in each investigation.

Where it is considered appropriate, the Commission will also release a background or issues paper to encourage initial submissions. After consideration of all initial submissions and the issues raised, the Commission prepares a draft report with the Commission's draft proposals. The draft report becomes the focus for further submissions, which are then taken into account in preparing the final report and recommendations.

While the GPO Act provides for the Commission to convene public hearings, no formal hearings were convened during the 2006-07 year. Rather, the Commission has preferred to meet separately with interested parties. The formality of a public hearing is daunting for some, and the process, while effective in some circumstances for gathering information, gives less opportunity for meaningful exchange than direct consultations with interested parties. Procedural fairness is preserved by requiring complementary written submissions and providing the business under investigation the opportunity to respond to any matter raised.

The Commission publishes all public documents and entity submissions on its website, <http://www.gpoc.tas.gov.au>.

# REPORT ON THE PERFORMANCE OF THE COMMISSION'S FUNCTIONS AND POWERS

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## Pricing Investigations

### Publication of Material

In accordance with the requirements under the GPO Act, the Commission is to make available to the public a copy of any draft report, the final report and all submissions. All or part of a submission can be withheld from public release if a submitter requests that it remain confidential. It is the Commission's policy to publish any issues paper, draft report, final report and all non-confidential submissions on its website.

### Investigation into the Pricing Policies of the Motor Accidents Insurance Board

In July 2006 the Commission released its final report on its investigation into the pricing policies of the Motor Accidents Insurance Board (MAIB). The investigation was conducted in accordance with terms of reference issued by the Minister for Finance in February 2006. The Commission made recommendations in relation to the maximum premiums MAIB may charge for motor accident (personal injury) insurance for the three years from 1 December 2006.

### Investigation into the Pricing Policies of the Hobart Regional Water Authority, Cradle Coast Water, and the Esk Water Authority

In June 2007 the Commission released its final report on its investigation into the pricing policies of the Hobart Regional Water Authority, Cradle Coast Water, and the Esk Water Authority (the bulk water Authorities). The investigation was conducted in accordance with the terms of reference issued by the Treasurer in March 2007. The Commission made recommendations in relation to the pricing policies and the maximum revenues that each of the bulk water Authorities may earn for the following three-year regulatory period.

### Competitive Neutrality Complaints

The Commission received no formal competitive neutrality complaints in 2006-07.

### Consultancies

No consultancy projects were undertaken by the Commission in 2006-07.



# OFFICE ADMINISTRATION

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## **Application of Government Procurement Policies**

The Commission complies with the Treasurer's Instructions in the purchase of goods and services.

## **Human Resource Management and Policies**

Staff of the Commission (excluding the Commissioner, who is employed under the GPO Act) are employees of the Department of Treasury and Finance and are made available to the Commissioner on a full-time basis. Consequently, Office staff are subject to the same human resource management policies and procedures as apply in the Department and which are referred to in the Annual Report of the Department of Treasury and Finance.

## **Public Interest Disclosures**

The Commission is established as a body corporate by Section 9 of the *Government Prices Oversight Act 1995* and is, therefore, a public body for the purposes of the *Public Interest Disclosures Act 2002*. A disclosure of improper conduct or detrimental action by the Commission may be reported to the Ombudsman. Procedures for reporting disclosures of improper conduct by employees of the Department of Treasury and Finance are available on the Department's website, <http://www.treasury.tas.gov.au>.

## **Asset Management and Risk**

Major corporate support services for the Office, including the management of assets, are undertaken by the Department of Treasury and Finance. Refer to the Annual Report of the Department of Treasury and Finance for information in this regard.

## **Pricing Policies**

Under Section 23 of the GPO Act, a monopoly provider that is the subject of an investigation is liable for the whole or part of the reasonable expenses incurred by the Commission arising from the conduct and reporting of that investigation. On this basis, the Commission is able to recover from the relevant entity(ies) all reasonable costs, including overheads, associated with the conduct of the investigation.

## **Freedom of Information Act 1991**

The *Freedom of Information Act 1991* (FOI Act) applies to the activities of the Government Prices Oversight Commission. However, where the Commission gives directions prohibiting or restricting the publication of information provided to it, the FOI Act will not apply in respect of that information.

During the 2006-07 reporting period, one request for information was made of the Commission under the FOI Act. The request was for information in regard to the Investigation of the Pricing Policies of the MAIB. The requested information was released.

### **Publications by the Commission during 2006-07**

The following publications were released during the 2006-07 financial year:

<b>Publication</b>	<b>Released</b>
Motor Accidents Insurance Board Pricing Policies Investigation – Final Report	July 2006
Government Prices Oversight Commission Annual Report 2005-06	October 2006
Investigation into the Pricing Policies of the Hobart Regional Water Authority, Esk Water Authority and Cradle Coast Authority – Draft Report	May 2007
Investigation into the Pricing Policies of the Hobart Regional Water Authority, Esk Water Authority and Cradle Coast Authority – Final Report	June 2007 <sup>7</sup>

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<sup>7</sup> Released to the Minister for Local Government, the Treasurer and the three bulk water authorities.

# Government Prices Oversight Commission

## Certification of Financial Statements

For the period ended 30 June 2006

The accompanying Financial Statements of the Government Prices Oversight Commission have been prepared in compliance with the provisions of the *Government Prices Oversight Act 1995*. The statements are in agreement with the relevant accounts and records so as to present fairly the financial transactions for the year ended 30 June 2006 and the financial position as at 30 June 2006.

At the date of signing I am not aware of any circumstances that would render the particulars included in the Financial Statements misleading or inaccurate.



Andrew Reeves  
COMMISSIONER

14 August 2007

# Independent Audit Report



**Tasmanian Audit Office**

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5 October 2007

Mr A Reeves  
Commissioner  
Government Prices Oversight Commission  
111 Macquarie Street  
**Hobart Tas**

Dear Mr Reeves

**GOVERNMENT PRICES OVERSIGHT COMMISSION – AUDIT OF  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

The audit of the financial statements for the Government Prices Oversight Commission has been completed. I have issued my audit report on the financial statements, a copy of which is enclosed.

Yours sincerely



N G I'Anson  
**MANAGER – FINANCIAL AUDIT**

Enc.

*Accountability on Your Behalf*



## **Tasmanian Audit Office**

### **INDEPENDENT AUDIT REPORT**

**To Members of the Parliament of Tasmania**

### **GOVERNMENT PRICES OVERSIGHT COMMISSION**

**Financial Statements for the Year Ended 30 June 2007**

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Government Prices Oversight Commission, which comprises the balance sheet as at 30 June 2007, the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement from the Commissioner.

#### *The Responsibility of the Commissioner for the Financial Statements*

The Commissioner is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Government Prices Oversight Act 1995*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statements based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commissioner's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the

Commissioner, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Independence**

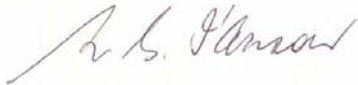
In conducting my audit, I have met applicable independence requirements of Australian professional ethical pronouncements.

**Auditor's Opinion**

In my opinion the financial statements of the Government Prices Oversight Commission:

- (a) present fairly, in all material respects, the financial position of the Commission as at 30 June 2007, and of its financial performance, cash flows and changes in equity for the year then ended; and
- (b) are in accordance with the Australian Accounting Standards (including Australian Accounting Interpretations).

**TASMANIAN AUDIT OFFICE**



N G I'Anson  
**MANAGER – FINANCIAL AUDIT**  
Delegate of the Auditor-General

HOBART  
5 October 2007

## Income Statement for the year ended 30 June 2007

	Notes	2007 Actual \$'000	2006 Actual \$'000
<b>INCOME</b>			
Appropriation revenue – recurrent	1.3(a), 2.1	36	56
Sales of goods and services	1.3(b), 2.2	192	151
<b>TOTAL INCOME</b>		<b>228</b>	<b>207</b>
<b>EXPENSES</b>			
Employee entitlements	1.4(a), 3.1	72	235
Supplies and consumables	1.4(b), 3.2	36	46
Other expenses	1.4(b), 3.3	17	38
<b>TOTAL EXPENSES</b>		<b>125</b>	<b>319</b>
<b>NET OPERATING SURPLUS (DEFICIT)</b>		<b>103</b>	<b>(112)</b>

This Income Statement should be read in conjunction with the accompanying notes.

## Balance Sheet 30 June 2007

	Notes	2007 Actual \$'000	2006 Actual \$'000
<b>ASSETS</b>			
<i>Financial assets</i>			
Receivables	1.5(a), 4.1	33	...
<i>Non-financial assets</i>			
Other assets	1.5(b), 4.2	1	...
<b>TOTAL ASSETS</b>		<b>34</b>	<b>...</b>
<b>LIABILITIES</b>			
<i>Financial liabilities</i>			
Cash and deposits - overdraft	1.6(a), 8.1	34	78

	Notes	2007 Actual \$'000	2006 Actual \$'000
Payables	1.6(b), 5.1	5	4
Employee entitlements	1.6(c), 5.2	21	45
Other liabilities	1.6(e), 5.3	1	3
<b>TOTAL LIABILITIES</b>		<b>61</b>	<b>130</b>
<b>NET ASSETS (LIABILITIES)</b>		<b>(27)</b>	<b>(130)</b>
<b>EQUITY</b>			
Accumulated funds		(27)	(130)
<b>TOTAL EQUITY</b>	7.1	<b>(27)</b>	<b>(130)</b>

This Balance Sheet should be read in conjunction with the accompanying notes.

## Cash Flow Statement for the year ended 30 June 2007

	Notes	2007 Actual \$'000 Inflows (Outflows)	2006 Actual \$'000 Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH INFLOWS</b>			
Appropriation Receipts - Recurrent		36	56
Other cash receipts		159	151
<b>TOTAL CASH INFLOWS</b>		<b>195</b>	<b>207</b>
<b>CASH OUTFLOWS</b>			
Employee Entitlements		(96)	(204)
Other Cash Payments		(55)	(80)
<b>TOTAL CASH OUTFLOWS</b>		<b>(151)</b>	<b>(284)</b>
<b>NET CASH FROM (USED BY) OPERATING ACTIVITIES</b>	8.2	<b>44</b>	<b>(77)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>NET CASH FROM (USED BY) INVESTING ACTIVITIES</b>		...	...
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>NET CASH FROM (USED BY) FINANCING ACTIVITIES</b>		...	...

	Notes	2007 Actual \$'000 Inflows (Outflows)	2006 Actual \$'000 Inflows (Outflows)
NET INCREASE (DECREASE) IN CASH HELD		44	(77)
CASH AT THE BEGINNING OF THE REPORTING PERIOD		(78)	(1)
CASH AT THE END OF THE REPORTING PERIOD	8.1	(34)	(78)

This Cash Flow Statement should be read in conjunction with the accompanying notes.

## Statement of Recognised Income and Expense for the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY NET INCOME RECOGNISED DIRECTLY IN EQUITY		...	...
Net surplus/(deficit) for the period		103	(112)
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD</b>		<b>103</b>	<b>(112)</b>

This Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2007

### Note 1: Significant Accounting Policies

The following summary explains the significant accounting policies that have been adopted in the preparation of this general purpose financial report. Unless otherwise stated, the accounting policies are consistent with those applied in the previous year.

#### 1.1 Basis of Accounting

The Financial Statements are a general purpose financial report and have been prepared in accordance with:

- the *Government Prices Oversight Act 1995* and Ministerial Directives under section 40(3) of that Act; and
- Australian Accounting Standards issued by the Australian Accounting Standards Board.

In 2006-07 the transactions of the Government Prices Oversight Commission (the Commission) were funded through the Special Deposits and Trust Fund Account T654 Government Prices Oversight Commission/Energy Regulator Account.

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AEIFRS). Compliance with AEIFRS may not result in compliance with International Financial Reporting Standards (IFRS), as AEIFRS includes requirements and options available to not-for-profit organisations that are inconsistent with IFRS. The Commission is considered to be not-for-profit and has adopted some accounting policies under AEIFRS that do not comply with IFRS.

The Financial Statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention. The accounting policies are generally consistent with the previous year except for those changes outlined in Note 1.2 below.

The Financial Statements are presented in Australian dollars.

#### 1.2 Changes in Accounting Policies

##### (a) Impact of new Accounting Standards

In the current year, the Commission has adopted all of the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period.

The new and revised Standards have had no impact on the information presented in the Commission's Financial Statements and associated notes.

## **(b) Impact of new Accounting Standards yet to be applied**

The following new Standard has been issued by the AASB and is yet to be applied:

- AASB 2007 4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments

This Standard is operative from 1 July 2007, and early adoption of this Standard will not increase the relevance or reliability of the 2006 07 Financial Statements. Based on current information the adoption of AASB 2007 4 is not expected to have a financial impact on the Financial Statements for the Commission. The actual effect may differ from this estimate due to ongoing work being undertaken to assess the impact, and emerging accepted practice in the interpretation and application of this Standard.

## **(c) Voluntary changes in accounting policy**

The Commission has adopted new accounting policies that result in the presentation of more relevant and reliable information as identified below.

The liability for on costs (payroll tax and workers compensation premiums) on accrued salary and wages, annual leave and long service leave has previously been included in the Employee Entitlements liability. As AASB 119 Employee Benefits does not specifically address employee on costs, it is considered more appropriate that they fall under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. As a result, on costs have been reclassified to Other Liabilities.

The impact of these changes has been adjusted in the comparative information presented in the Financial Statements and associated notes. As these changes are reclassifications between line items on the face of the Balance Sheet, there is no impact on the overall net assets (liabilities) figures.

## **1.3 Income**

Income is recognised in the Income Statement when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

### **a) Appropriation Revenue**

Appropriations, whether recurrent or capital, are recognised as revenues in the period in which the Commission gains control of the appropriated funds. Except for any amounts identified as carried forward in Note 2.1, control arises in the period of appropriation.

### **b) Sales of Goods and Services**

Amounts earned in exchange for the provision of goods are recognised when the good is provided and title has passed. Revenue from the provision of services is recognised when the service has been provided.

## **1.4 Expenses**

Expenses are recognised in the Income Statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

#### **a) Employee Entitlements**

Employee entitlements include entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits.

#### **b) Other Expenses**

Expenses from ordinary activities are recognised when it is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred and the consumption or loss of future economic benefits can be measured reliably.

### **1.5 Assets**

Assets are recognised in the Balance Sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

#### **a) Receivables**

Receivables are recognised at the amounts receivable as they are due for settlement. Impairment of receivables is reviewed on an annual basis. Impairment losses are recognised when there is an indication that there is a measurable decrease in the collectability of receivables.

#### **b) Other Assets**

The Commission records prepaid expenses and accrued revenue at the expected recovery amount.

### **1.6 Liabilities**

Liabilities are recognised in the Balance Sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

#### **a) Cash and Deposits - Overdraft**

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund. Deposits are recognised at their nominal amounts.

#### **b) Payables**

Payables, including goods received and services incurred but not yet invoiced, are recognised at the nominal amount when the Commission becomes obliged to make future payments as a result of a purchase of assets or services.

The tax liability is the Goods and Services Tax (GST) component included in receivables that is payable to the Australian Taxation Office and is recognised as an amount payable.

### **c) Employee Entitlements**

Liabilities for wages and salaries and annual leave are recognised when the employee becomes entitled to receive the benefit. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee entitlements are measured as the present value of the benefit at 30 June 2007, where the impact of discounting is material, and at the amount expected to be paid if discounting is not material.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

### **d) Superannuation**

The Commission does not recognise a liability for the accruing superannuation benefits of employees. This liability is held centrally and is recognised within the Finance General Division of the Department of Treasury and Finance.

### **e) Other Liabilities**

#### *Employee On-Costs*

On costs, such as payroll tax and workers' compensation premiums, are recognised when the employment to which they relate has occurred. Employee on costs are calculated on the value of the expected employee benefits to be settled.

Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. On costs calculated on the long service leave liability expected to be settled after 12 months are measured as the present value of expected future payments in respect of services provided by employees up to the reporting date.

## **1.7 Leases**

The Commission has entered into a number of operating lease agreements for buildings and office equipment, where the lessors effectively retain all the risks and benefits incidental to ownership of the items leased. Equal instalments of lease payments are charged to the Income Statement over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

## **1.8 Judgements and Assumptions**

In the application of Australian Accounting Standards, the Commission is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the Commission that have significant effects on the Financial Statements are disclosed in the relevant notes to the Financial Statements.

The Commission has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

### **1.9 Foreign Currency**

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated gains and losses are not material.

### **1.10 Comparative Figures**

Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards. Details of the impact of changes in accounting policy on comparative figures are at Note 1.2.

### **1.11 Rounding**

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the Financial Statements will contain a note expressing the amount to the nearest whole dollar.

### **1.12 Taxation**

The Commission is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax and the Goods and Services Tax (GST).

Income and expenses are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST component is recognised as part of the cost of acquisition of the asset or as part of the expense.

## Note 2: Income

### 2.1 Appropriation Revenue

Revenue from Appropriations includes revenue from appropriations, appropriations carried forward under section 8A of the *Public Account Act 1986* and Items Reserved by Law.

	2007 Actual \$'000	2006 Actual \$'000
Appropriation Revenue - recurrent	36	56
<b>TOTAL</b>	<b>36</b>	<b>56</b>

### 2.2 Sales of Goods and Services

	2007 \$'000	2006 \$'000
Metro Price Investigation	47	121
Motor Accidents Insurance Board Price Investigation	100	30
Bulk Water Investigation	45	...
<b>TOTAL</b>	<b>192</b>	<b>151</b>

Under the *Government Prices Oversight Act 1995*, cash proceeds from the Sales of goods and services are required to be paid into Consolidated Revenue. These funds are then returned to the Commission by way of an additional appropriation.

## Note 3: Expenses

### 3.1 Employee Entitlements

	2007 \$'000	2006 \$'000
Wages and salaries (including fringe benefits and non-monetary components)	79	202
Annual Leave	(1)	13
Long Service Leave	(14)	(3)
Sick Leave	1	1
Superannuation	7	22
<b>TOTAL</b>	<b>72</b>	<b>235</b>

Superannuation expenses relating to defined benefit schemes relate to payments into the Superannuation Provision Account (SPA) held centrally and recognised within the Finance General Division of the Department of Treasury and Finance. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The current employer contribution is 11 per cent of salary.

Superannuation expenses relating to contributory schemes are paid directly to the superannuation fund at a rate of nine per cent of salary. In addition, the Commission is also required to pay into the SPA a "gap" payment equivalent to two per cent of salary in respect of employees who are members of contributory schemes.

### 3.2 Supplies and Consumables

	2007 \$'000	2006 \$'000
Advertising and promotion	4	3
Communications	2	4
Consultants	14	8
Information technology	3	4
Maintenance and property services	3	4
Training	1	3
Travel and transport	5	11
Other supplies and consumables	4	9
<b>TOTAL</b>	<b>36</b>	<b>46</b>

### 3.3 Other Expenses

	2007 \$'000	2006 \$'000
Audit fees – financial audit by Tasmanian Audit Office	2	3
Operating lease costs	10	21
Payroll tax	5	14
<b>TOTAL</b>	<b>17</b>	<b>38</b>

## Note 4: Assets

### 4.1 Receivables

	2007	2006
	\$'000	\$'000
Receivables	33	...
<b>TOTAL</b>	<b>33</b>	<b>...</b>
Sales of goods and services (inclusive of GST)	33	...
<b>TOTAL</b>	<b>33</b>	<b>...</b>
Settled within 12 months	33	...
Settled in more than 12 months	...	...
<b>TOTAL</b>	<b>33</b>	<b>...</b>

### 4.2 Other Assets

#### (a) Carrying amount

	2007	2006
	\$'000	\$'000
<b>Other Current Assets</b>		
Prepayments	1	...
<b>TOTAL</b>	<b>1</b>	<b>...</b>
Settled within 12 months	1	...
Settled in more than 12 months	...	...
<b>TOTAL</b>	<b>1</b>	<b>...</b>

(b) Reconciliation of movements

	2007	2006
	\$'000	\$'000
Carrying amount at 1 July	...	...
Net transfers	1	...
Carrying amount at 30 June	1	...

**Note 5: Liabilities**

**5.1 Payables**

	2007	2006
	\$'000	\$'000
Creditors	1	...
Accrued expenses	1	4
Tax liability	3	...
<b>TOTAL</b>	<b>5</b>	<b>4</b>
Due within 12 months	5	4
Due in more than 12 months	...	...
<b>TOTAL</b>	<b>5</b>	<b>4</b>

Settlement is usually made within 30 days.

**5.2 Employee Entitlements**

	2007	2006
	\$'000	\$'000
Accrued salaries	1	2
Annual leave	6	12
Long service leave	14	31
<b>TOTAL</b>	<b>21</b>	<b>45</b>

	2007	2006
	\$'000	\$'000
Due within 12 months	9	17
Due in more than 12 months	12	28
<b>TOTAL</b>	<b>21</b>	<b>45</b>

### 5.3 Other Liabilities

	2007	2006
	\$'000	\$'000
<b>Other Liabilities</b>		
Employee benefits – on-costs	1	3
<b>TOTAL</b>	<b>1</b>	<b>3</b>
Due within 12 months	...	1
Due in more than 12 months	1	2
<b>TOTAL</b>	<b>1</b>	<b>3</b>

## Note 6: Commitments and Contingencies

### 6.1 Schedule of Commitments

	2007	2006
	\$'000	\$'000
<b>BY TYPE</b>		
<i>Capital Commitments</i>		
Buildings	16	50
<b>TOTAL CAPITAL COMMITMENTS</b>	<b>16</b>	<b>50</b>
<i>Lease Commitments</i>		
Operating leases	1	1
<b>TOTAL LEASE COMMITMENTS</b>	<b>1</b>	<b>1</b>
<b>TOTAL</b>	<b>17</b>	<b>51</b>

	2007 \$'000	2006 \$'000
<b>BY MATURITY</b>		
<i>Capital Commitments</i>		
One Year or Less	10	20
From One to Five Years	6	30
<b>TOTAL CAPITAL COMMITMENTS</b>	<b>16</b>	<b>50</b>
<i>Operating Lease Commitments</i>		
One year or less	1	1
From one to five years	...	...
<b>TOTAL OPERATING LEASE COMMITMENTS</b>	<b>1</b>	<b>1</b>
<b>TOTAL</b>	<b>17</b>	<b>51</b>

The Commission leases office accommodation under an operating lease. The current lease covers a five year period ending 31 January 2009. Lease rentals are based on negotiated agreements that reflect the current market rent rates paid for comparable buildings within the precinct. Lease payments are made by monthly instalments in advance and are reviewable to market biennially.

The Commission leases office equipment for a three year lease period, paid in arrears. On expiry of the lease the Commission has the option to return the equipment, purchase at fair market value or renew the lease arrangements at which time all terms are renegotiated.

## Note 7: Equity and Movements in Equity

### 7.1 Reconciliation of Equity

	Accumulated Funds		Total Equity	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<b>BALANCE AT 1 JULY</b>	<b>(130)</b>	<b>(18)</b>	<b>(130)</b>	<b>(18)</b>
Net surplus/deficit	103	(112)	103	(112)
<b>BALANCE AT 30 JUNE</b>	<b>(27)</b>	<b>(130)</b>	<b>(27)</b>	<b>(130)</b>

Note that accumulated funds include both contributed capital on formation of the Commission and accumulated surpluses or deficits in subsequent years.

## Note 8: Cash Flow Reconciliation

### 8.1 Cash and Cash Equivalents

Cash and Deposits includes the balance of the Special Deposits and Trust Fund Account held by the Commission, and other cash held, excluding those accounts which are administered or held in a trustee capacity or agency arrangement.

	2007 \$'000	2006 \$'000
<b>SPECIAL DEPOSITS AND TRUST FUND BALANCE</b>		
T654 Government Prices Oversight Commission/Energy Regulator Account	119	143
<b>TOTAL</b>	<b>119</b>	<b>143</b>
Less: Cash balance of the Office of the Tasmanian Energy Regulator	153	221
<b>CASH BALANCE ATTRIBUTABLE TO THE GOVERNMENT PRICES OVERSIGHT COMMISSION</b>	<b>(34)</b>	<b>(78)</b>

### 8.2 Reconciliation of Operating Surplus to Net Cash from Operating Activities

	2006 \$'000	2005 \$'000
Net operating surplus (deficit)	103	(112)
Decrease (increase) in Receivables	(33)	...
Decrease (increase) in Prepayments	(1)	...
Increase (decrease) in Employee entitlements	(24)	31
Increase (decrease) in Payables	1	4
Increase (decrease) in Other liabilities	(2)	...
<b>NET CASH FROM (USED BY) OPERATING ACTIVITIES</b>	<b>44</b>	<b>(77)</b>

## Note 9: Financial Instruments

### 9.1 Risk Exposures

#### (a) Risk Management Policies

Financial Instrument	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
<i>FINANCIAL ASSETS</i>		
Cash	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	
Receivables	Receivables are recognised at the nominal amounts due, less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are generally 30 days.
<i>FINANCIAL LIABILITIES</i>		
Payables	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having being invoiced).	Settlement is usually made within 30 days.

#### (b) Credit Risk Exposures

The credit risk on financial assets of the Commission which have been recognised in the Balance Sheet, other than investments in shares, is generally the carrying amount, net of any Provision for impairment.

The credit risk is minimised due to a majority of the transactions taking place with State and Australian Government entities.

#### (c) Interest Rate Risk

As at 30 June 2007, there is no interest rate exposure, as all financial instruments are non-interest bearing. The Commission's exposure to interest rate risk and the effective weighted average

interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the Financial Statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Commission intends to hold fixed rate assets and liabilities to maturity.

2007	Weighted		Fixed Interest Maturing in:								Total
	Average Effective Interest Rate	Floating Interest Rate	1 Year	2 Years	3 Years	4 Years	5 Years	5 Years	More than 5 Years	Non-Interest Bearing	
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>FINANCIAL ASSETS</b>											
Receivables	...	...	...	...	...	...	...	...	...	33	33
<b>TOTAL</b>		...	...	...	...	...	...	...	...	33	33
<b>FINANCIAL LIABILITIES</b>											
Cash and deposits - overdraft	...	...	...	...	...	...	...	...	...	34	34
Payables	...	...	...	...	...	...	...	...	...	5	5
<b>TOTAL</b>		...	...	...	...	...	...	...	...	39	39

2006	Weighted		Fixed Interest Maturing in:								Total
	Average Effective Interest Rate	Floating Interest Rate	1 Year	2 Years	3 Years	4 Years	5 Years	5 Years	More than 5 Years	Non-Interest Bearing	
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>FINANCIAL ASSETS</b>											
<b>TOTAL</b>		...	...	...	...	...	...	...	...	...	...
<b>FINANCIAL LIABILITIES</b>											
Cash and deposits - overdraft	...	...	...	...	...	...	...	...	...	78	78
Payables	...	...	...	...	...	...	...	...	...	4	4
<b>TOTAL</b>		...	...	...	...	...	...	...	...	82	82

## 9.2 Net Fair Values of Financial Assets and Liabilities

	2007		2006	
	Total Carrying	Net Fair	Total Carrying	Net Fair
	Amount	Value	Amount	Value
	\$'000	\$'000	\$'000	\$'000
<b>FINANCIAL ASSETS</b>				
Receivables	33	33	...	...
<b>TOTAL FINANCIAL ASSETS</b>	<b>33</b>	<b>33</b>	...	...
<b>FINANCIAL LIABILITIES</b>				
<b>(RECOGNISED)</b>				
Cash and deposits - overdraft	34	34	78	78
Payables	5	5	4	4
<b>TOTAL FINANCIAL LIABILITIES</b> <b>(RECOGNISED)</b>	<b>39</b>	<b>39</b>	<b>82</b>	<b>82</b>

### Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

The net fair values of receivables are based on the nominal amounts due.

### Financial Liabilities

The net fair values for trade creditors are approximated by their carrying amounts.



# APPENDIX A

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## Government Prices Oversight Commission: Summary of Procedures

This appendix summarises the Commission's investigation procedures and the procedures for the setting of prices following an investigation.

### Conduct of Investigations

#### *The Notice*

An investigation is initiated by the Minister administering the Government Prices Oversight Act (now the Treasurer) with the agreement of the Portfolio Minister (the Minister with responsibility for the "monopoly provider"). Upon receiving the requirement to conduct an investigation, the Commission is required to give notice to the monopoly provider and in Tasmanian daily newspapers.

Such a notice must include the terms of reference and must specify the purpose of the investigation, how submissions may be made to the Commission, and the matters that the Commission would like submissions to address.

#### *Matters to be Considered*

In addition to issues specifically mentioned in the Terms of Reference, Section 31 of the Act requires the Commission to consider certain matters. These include:

- ⇒ the cost of providing the monopoly service;
- ⇒ interstate or international benchmarks for prices, costs, revenues and return on assets;
- ⇒ the need to protect consumers from any adverse exercise of monopoly power;
- ⇒ any community service obligations of the monopoly provider;
- ⇒ the need for efficiency in the provision of the monopoly service and for the monopoly provider to be financially viable; and
- ⇒ the impact on pricing policies of any borrowing, capital, dividend and tax equivalent obligations of the monopoly provider, including obligations to renew or increase assets.

### The Investigation Process

In conducting an investigation, the Commission may receive written and oral submissions, consult with any person, hold hearings and seminars, and conduct workshops.

Preliminary notice of any hearing must be advertised in the Tasmanian daily newspapers. The hearing is to be held in public unless the Commission considers that for reasons of public interest, or because the evidence to be presented is likely to be confidential or commercially sensitive, the hearing should be held in private.

## Freedom of Information Act

The *Freedom of Information Act 1991* (FOI Act) applies to the activities of the Government Prices Oversight Commission. However, where the Commission gives directions prohibiting or restricting the publication of information provided to it, the FOI Act will not apply in respect of that information.

### Section 29 Requests

The Commission may require any person, normally a Government agency or GBE, to supply information by a request under Section 29(1) of the Government Prices Oversight Act. This information may be in oral or written form. Section 30(2) of the Act enables the Commission to give directions prohibiting or restricting the publication of all or part of this information.

As noted above, where the Commission gives such a direction under Section 30(2), the FOI Act will not apply in respect of that information, nor to records relating to the production of such information.

If information is provided in response to a Section 29 requirement and the provider of the information requests that the Commission give a direction under Section 30(2) to prohibit or restrict the publication of that information, the Commission will not make that information available to any person without prior consultation with the provider.

## Reports and Recommendations

### *Draft Report*

The Commission may prepare a draft report when required by the terms of reference, or by the Minister and Portfolio Minister, or by its own decision. If a draft report is made public, any person may make submissions. The Commission is required to take these submissions into consideration before making a final report.

### *Final Report*

The Commission must prepare a final report containing a recommendation in relation to the appropriate maximum prices chargeable by the monopoly provider for the monopoly service during the three years after completion of the report.

Section 4 of the Act sets out the form in which maximum prices may be expressed. These include:

- ⇒ maximum prices or the maximum rate of increase or the minimum rate of decrease in maximum prices;
- ⇒ average prices or average rates of increase or decrease in such average prices;
- ⇒ pricing policies or principles; and
- ⇒ by reference to a general price index, the cost of production, revenue, a rate of return on assets, or any other factor.

The Portfolio Minister must lay a copy of the Commission's final report before each House of Parliament within 20 sitting days of receiving the report. Copies are to be available for purchase by members of the public.

### **Price-setting**

Where the monopoly provider sets its prices by statutory rule, or has been declared a "prescribed monopoly provider", then the process for price-setting includes Parliamentary oversight as described below:

- ⇒ Within 60 days of receiving the final report, the Portfolio Minister is required to consult with each Minister of the Crown and the monopoly provider in relation to the recommendations of the Commission. The Portfolio Minister must either accept the Commission's recommendations in relation to the maximum prices, or take some alternative decision about those maximum prices.
- ⇒ The Portfolio Minister must then make an order (which is disallowable in Parliament) that gives effect to that decision.
- ⇒ The Act further requires that the monopoly provider must, during the 60 days between when the order is made and when it takes effect, re-determine its prices, tariffs or charges so that new arrangements are in place to conform with the order from the day it commences.
- ⇒ In re-setting its prices and in varying those prices at any time during the next three years, the monopoly provider must obtain a certificate from the Commission to the effect that the proposed prices are within the maximum prices that have been established by the order.

In all other cases, the Act simply requires that after receiving a final report the Portfolio Minister, after consulting with each Minister of the Crown and the monopoly provider, must determine the maximum prices to be charged by the monopoly provider during the next three years and take such action as is necessary to ensure that those maximum prices are met.



# APPENDIX B

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## Government Prices Oversight Commission: Complaints Mechanism

The Competition Principles Agreement requires that the State have in place a complaint mechanism to consider complaints relating to the application of the Competitive Neutrality Principles.<sup>8</sup>

The Government decided that the Commission would be responsible for overseeing the complaints mechanism within Tasmania in addition to its existing function of oversight of the prices charged by public sector businesses that are monopoly, or near-monopoly, suppliers of goods or services.

The Commission was empowered to administer the complaints mechanism by the inclusion of this function under Section 10 of the *Government Prices Oversight Act 1995* and by procedures set out in the *Government Prices Oversight Regulations 1998*<sup>9</sup>.

Under the Regulations, the Commission will:

- ⇒ only consider complaints by “a person who believes that a Government body has contravened any of the principles and is adversely affected by that supposed contravention”<sup>10</sup>; and
- ⇒ only formally consider complaints after the person “has discussed that supposed contravention with the Government body”<sup>11</sup> against which the complaint is made.

On the completion of an investigation into an alleged breach, the Commission is to report on its findings to the Treasurer and the Portfolio Minister, and make its recommendations public in an annual report.

Where a complaint is lodged concerning a government business activity which, in accordance with the relevant Application Statement, is not subject to the competitive neutrality principles, the Commission will consider whether the person has been adversely affected by the failure to apply the competitive neutrality principles to that business activity.

The process that governs the review of complaints concerning the application of the competitive neutrality principles can be divided into three stages:

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<sup>8</sup> The National Competition Policy competitive neutrality principles as set out in Clause 3 of the Competition Principles Agreement.

<sup>9</sup> The *Government Prices Oversight Amendment Act 2007*, which came into effect on 1 August 2007, transferred the functions relating to inquiries and competitive neutrality complaints from the *Government Prices Oversight Regulations 1998* to the *Government Prices Oversight Act 1995*.

<sup>10</sup> See Clause 4 of the *Government Prices Oversight Regulations 1998*.

<sup>11</sup> See Clause 4 of the *Government Prices Oversight Regulations 1998*.

*Stage 1 – Identification and Lodgement of a Complaint:* by the body or person adversely affected by the alleged non-compliance with the competitive neutrality principles. Prior to formal lodgement the complainant is required to discuss the complaint with the relevant government body.

*Stage 2 – Investigation of the Complaint:* by the Commissioner. As part of the investigation, the government body that is the subject of the complaint is required to provide the Commission with a statement of facts in response to each of the alleged breaches of the CNPs. The Commission is also able to seek additional material from the complainant and from the body subject to the complaint and from any other relevant body.

*Stage 3 – Reporting on the Review Outcomes:* to the Minister responsible for the government business (in the case of a local government body, to the Minister for Local Government) and the Minister responsible for administering NCP. The report may contain recommendations in relation to the application of the CNPs by the government body that was the subject of the complaint, and/or in relation to the Application Statement itself. Where the Commission has made a recommendation in relation to the application of CNPs, the relevant government body and Responsible Minister are required to advise the Commission of action being taken as a result of the Commission's findings and recommendations. Where the Commission has made a recommendation in relation to the Application Statement, the Treasurer is required to advise the Commission of action that he/she intends to take in relation to the recommendation.

Under Regulation 18, the Commission in its Annual Report must include:

- ⇒ particulars of any contravention of the CNPs admitted by a government body in response to a complaint or determined by the Commission; and
- ⇒ include particulars of action taken by a government body as a result of such an admission or determination of a contravention of the CNPs.

The Commission may also include any other matters it considers appropriate to include or other matters that the Minister requires to be included.

To assist government bodies and potential complainants to understand the complaint mechanism process, the Commission released the *Competitive Neutrality Principles Mechanism under National Competition Policy Guidelines* in early 1999. A copy of this document is available on the Commission's website. In addition, the Commission's staff meet with potential complainants to discuss the process and requirements under the Regulations.

# APPENDIX C

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## Glossary of Terms

Term	Meaning within the Context of this Report
Application Statements	<i>Application of the Competitive Neutrality Principles under National Competition Policy and Application of the National Competition Policy to Local Government, both issued June 1996</i>
CNPs	Competitive Neutrality Principles as defined in Clause 3 of the Competition Principles Agreement and the Application Statements
COAG	Council of Australian Governments
Commission	The Government Prices Oversight Commission unless otherwise specified
CPA	Competition Principles Agreement
CSA	Community Service Activity – a non-commercial activity undertaken by a State-owned corporation under contract with the State Government
CSO	Community Service Obligations (as defined in the GBE Act)
ESI Act	<i>Electricity Supply Industry Act 1995</i>
FOI Act	<i>Freedom of Information Act 1991</i>
GBE	Government Business Enterprise, being a wholly owned Government business subject to the GBE Act
GBE Act	<i>Government Business Enterprises Act 1995</i>
GST	The Australian Government's Goods and Services Tax
GPO Act	<i>Government Prices Oversight Act 1995</i>
GPOC	Government Prices Oversight Commission
MAIB	Motor Accidents Insurance Board
Metro	Metro Tasmania Pty Ltd (established in February 1998)
MTT	Metropolitan Transport Trust (prior to 1998)
NCP	National Competition Policy
OTTER	Office of the Tasmanian Energy Regulator
SOC	State-owned Company
The Regulations	<i>Government Prices Oversight Regulations 1998</i>