

GOVERNMENT  
PRICES  
OVERSIGHT  
COMMISSION

2002-03 Annual Report

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Government Prices Oversight Commission  
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GOVERNMENT  
PRICES  
OVERSIGHT  
COMMISSION

The Hon Dr David Crean MLC  
Treasurer  
Executive Building  
Level 9, 15 Murray Street  
HOBART TAS 7000

Dear Dr Crean

I have pleasure in submitting to you the Annual Report of the Government Prices Oversight Commission for the year ended 30 June 2003, 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

21 October 2003



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# COMMISSIONER'S REPORT

This report describes the seventh full year of the operation of the 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 competitive neutrality complaints.

Minor amendments to the GPO Act in 2000 clarified the Commission's role to undertake consultancy assignments on behalf of the Government, specifically in relation to petroleum product price monitoring and monitoring of the Commonwealth Bank of Australia's (CBA) undertaking to the Australian Competition and Consumer Commission (ACCC) in regard to products and services offered in Tasmania.

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 *Government Prices Oversight Act 1995* 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.

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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.

During the 2002-03 period, the Commission completed an investigation into the pricing policies of Metro Tasmania Pty Ltd (Metro). The Commission also commenced the third investigation into the pricing policies of the Motor Accidents Insurance Board (MAIB).

The Commission's recommendations are usually in regard to prices for end customers. While that is the case for Metro, the reality is that the Government provides such a significant share of Metro revenue that fares are a better reflection of the Government's transport and social policies than they are of Metro costs. The Commission's recommendations in regard to fares thus take it into areas that are, in its view, rather more the province of the Government than of an economic regulator. Nevertheless, the Commission was asked to consider fares, and it has provided recommendations based on its observations of the fares charged by other operators in Tasmania and other Australian states. However, its primary role in regard to Metro is to make a recommendation on the total revenue needs of the organisation ie the combination of fare revenue and Government contribution.

In relation to the investigation into the pricing policies of the MAIB, the Commission is required by the GPO Act and by the terms of reference for the investigation to take account of matters such as the costs of providing the service and the financial circumstances of the MAIB, including the viability of the scheme and the need for a sustainable commercial rate of return for the State.

By the time the MAIB investigation is complete, the Commission will have reviewed MAIB estimates of the break-even premium, ie the premium that is forecast to be required to cover the costs

of claims and administration after taking account of investment returns on premiums. It will also have considered the requirement for a reasonable risk margin to determine the average premium. In developing recommendations for the maximum premiums to be paid for each class of vehicle, the Commission will have considered the claims experience of each class of vehicle taking account of the relativities in other similar schemes.

During the year, the Commission had the benefit of the expertise and assistance of Messrs Glenn Appleyard and Ron Champion, who were appointed as Assistant Commissioners for the purposes of the Metro and MAIB investigations respectively.

### **Competitive Neutrality Principles Complaints**

In addition to a number of general enquiries, the Commission received a formal complaint in 2002-03. The complaint was made against the Copping Refuse Disposal Site Joint Authority, jointly owned by the Clarence City, Sorell and Tasman Councils. At the time of publication of this Annual Report, the complaint was still under investigation. The outcome will be reported in the 2003-04 Annual Report.

### **Consultancies**

In addition to performing core legislative functions, the Commission, at the request of the Government, is able to undertake consultancy projects. During 2002-03, the Commission provided services in relation to three separate projects at the request of the Government.

In accordance with the brief provided by the Government in 1999-2000, the Commission continued monitoring wholesale and retail petrol and diesel

prices and retail prices for autogas in Tasmania. The information gathered as part of this project is published monthly on the Commission's website.

The Commission continued its role in monitoring compliance of the undertakings given by the CBA to the ACCC under section 87B of the *Trade Practices Act 1974*. The purpose of the monitoring is to ensure that, following the merger of the CBA with the former Colonial Bank Ltd, the Tasmanian community will enjoy the same level of pricing, new product innovations and service standards as those offered elsewhere in Australia. The Commission reports to the ACCC on a six-monthly basis. The undertakings were given in May 2000 for a period of five years. After three years, a review is to be undertaken whereby the CBA may be released by the ACCC from the undertakings. That review is underway.

The Commission was engaged by the State Government to assess whether Tasmanian's councils are complying with Tasmania's national competition policy (NCP) water reform obligations as they apply to urban water and wastewater services. The primary focus of the audit was to examine whether councils are recovering sufficient revenue from their water and wastewater businesses to recover all costs, but not so high as to provide a rate of return that indicates monopoly profits.

The audit determined that there was substantial compliance with the Urban Water Pricing Guidelines. The Department of Premier and Cabinet and the Department of Treasury and Finance are currently discussing the outcomes with those Councils where non-compliance was identified, to determine a strategy for adjusting revenue recoveries to ensure that compliance can be achieved within

one or two years, depending on the level of adjustment.

The next audit is expected to commence in November 2003 for completion prior to the March 2004 Report to the National Competition Council.

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

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 (NCP) 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 (or both);
- (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 (CNP) 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 Agreements define the Commission's principal objectives, being to ensure that prices charged by government businesses promote efficient resource allocation decisions by the business, government and thus 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 through its papers and reports does seek to promote discussion of issues that will inform or impact on policies in regard to 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 the key legislative functions, the Commission undertakes consultancy projects at the request of the Government. Consultancies undertaken during 2002-03 included:

- ⇒ an audit of Tasmanian councils' compliance with Tasmania's NCP water reform obligations as they apply to urban and wastewater services;
- ⇒ monitoring of wholesale and retail petroleum and diesel prices, and retail prices for autogas (LPG) in Tasmania; and
- ⇒ monitoring of the CBA retail banking activities.

### **Prices Oversight**

In providing prices oversight of Government monopolies, the Commission is required to investigate prices charged by government bodies for monopoly services and to recommend maximum prices to apply for the ensuing three-year period. An investigation is initiated on receipt of the terms of reference issued by the Minister administering the GPO Act, currently the Treasurer. 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 corporation (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. In practice, the Commission meets these 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.

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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 for Local Government (currently the Premier) is able to issue a determination under the GPO Act.

## 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 its 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 Minister and 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 [www.gpoc.tas.gov.au](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.

Mr Andrew Reeves was appointed as the first Commissioner for an initial three-year term on 1 January 1996. This appointment was renewed for a further three-year period on 1 January 1999 and again on 1 January 2002.

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 Pipeline 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 (formerly the Office of the Tasmanian Electricity Regulator).

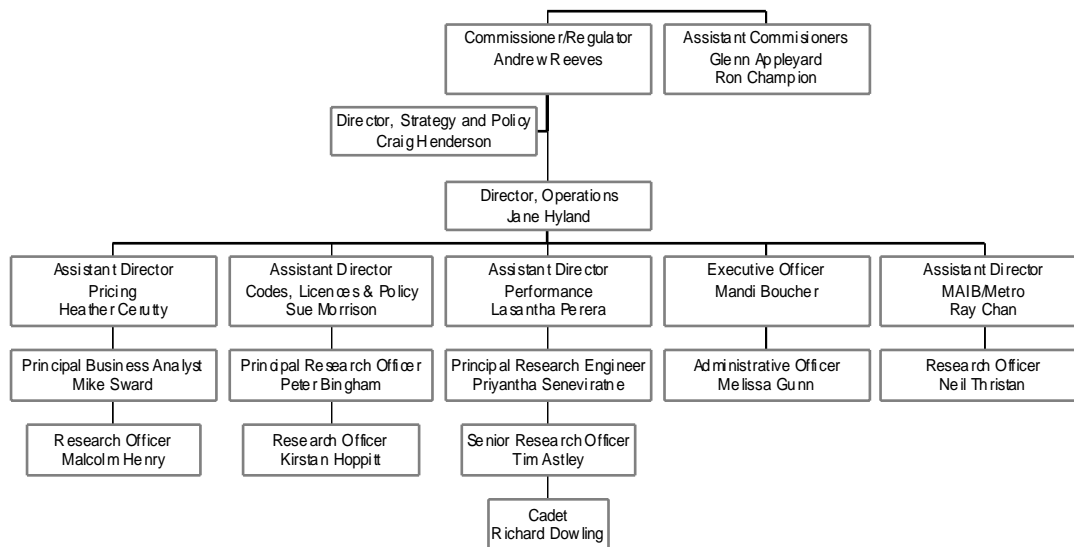
In 2002-03, Mr Ron Champion and Mr Glenn Appleyard were appointed as Assistant Commissioners for the purposes of the Metro and MAIB investigations respectively.

While the Commission and the Regulators 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. The Office staff are employees of the Department of Treasury and Finance and the sharing of resources improves the

efficiency and experience of the two organisations. Under the ESI Act and the Tasmanian Electricity Code, 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 is shown as follows and comprises three functional units: Pricing; Performance Monitoring and Review; and Codes, Licences and Policy. An administrative unit supports the functional units. Given the concurrence of three significant investigations<sup>4</sup> within the co-located Office, a further unit was created, on a temporary basis, to undertake the work associated with the MAIB and Metro investigations.

Figure 1: Government Prices Oversight Commission / Office of the Tasmanian Energy Regulator Organisational Chart as at 30 June 2003



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

<sup>4</sup> Investigations into the pricing policies of Metro, MAIB and Aurora Energy's electricity distribution and retail services.

## Prices Oversight

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>5</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 the publication of the Annual Report, the following investigations had been completed:

- ⇒ Hydro-Electric Commission – 30 August 1996<sup>6</sup>
- ⇒ Metropolitan Transport Trust (MTT) – 28 February 1997
- ⇒ Motor Accidents Insurance Board – 29 August 1997
- ⇒ Hobart Regional Water Authority North West North Regional Water Authority Esk Water Authority – 23 December 1998
- ⇒ Metro Tasmania Pty Ltd (Metro) (previously MTT)<sup>7</sup> - 2 June 2000
- ⇒ Motor Accidents Insurance Board (MAIB) - 31 August 2000

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<sup>5</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.

<sup>6</sup> As noted above, 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.

<sup>7</sup> The Government corporatised MTT on 2 February 1998 as part of its transport reform package.

⇒ Hobart Regional Water Authority, North West Regional Water Authority, Esk Water Authority - 31 July 2001

⇒ Metro Tasmania Pty Ltd (Metro) – 30 June 2003

The Commission also commenced a second investigation into the pricing policies of the Hydro-Electric Corporation in 1998. However, this investigation was transferred to the, then, Office of the Tasmanian Electricity Regulator following the establishment of that Office.

## 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 to this Report.

## Public Consultation

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

Assistant Commissioner(s) are appointed for their expertise on the matter under investigation. However the Commission also draws on business and community knowledge to identify the particular issues of 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 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.

The Commission publishes all its public documents and entity submissions on its website [www.gpoc.tas.gov.au](http://www.gpoc.tas.gov.au).

### **Information Gathering**

Submissions from the monopoly business whose pricing policies are under investigation are a major source of information. In addition, the Commission has powers under Section 29 of the GPO Act to require material to be provided. In 2002-03, the total number of Section 29 requests were issued as follows:

- Metro Tasmania Pty Ltd – 16 requests
- Motor Accidents Insurance Board – 29 requests

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

## Pricing Investigations

### Investigation into the Pricing Policies of Metro Tasmania Pty Ltd

In October 2002, the Treasurer issued terms of reference for an investigation into the pricing policies of Metro Tasmania Pty Ltd (Metro). The Commission received an amended terms of reference in January 2003. This was the third investigation into the pricing policies of Metro. The first investigation was undertaken prior to Metro being corporatised under the Corporations Law, and was completed in 1997. The second investigation was completed in 2000. Under the terms of reference for this investigation, the Final Report was to be completed by 30 June 2003.

The Commission for this investigation comprised Mr Andrew Reeves, Commissioner and Mr Glenn Appleyard, Assistant Commissioner.

Following receipt of the terms of reference for the investigation, Metro provided the Commission with a submission. This detailed submission described Metro's operations and performance since the previous investigation and also raised issues and factors that Metro wished to be considered by the Commission in making its recommendations. Metro's submission and the Commission's Invitation for Submissions were released for public comment in January 2003. Submissions were sought from a range of persons and organisations on the matters raised in both Metro's submission and the Commission's Invitation for Submissions. Thirteen submissions were received in response to the Invitation for Submissions. In addition, the Commission held meetings with Metro staff and a number of interested parties before releasing its Draft Report.

The Draft Report was released for comment in March 2003. Five submissions were received in response to the Draft Report. Following consideration of all the matters raised during the investigation, the Commission presented the Final Report and recommendations to the Minister and the Treasurer in early July 2003.

The Commission's recommendations have not been included in this report as the Commission's Final Report has yet to be released by the Minister and is therefore not publicly available.

A copy of the Metro Investigation Issues Paper, Draft Report and all public submissions are available on the Commission's website [www.gpoc.tas.gov.au](http://www.gpoc.tas.gov.au). The Final Report will be made publicly available and placed on the Commission's website once the Minister has made his decisions after taking account of the Commission's recommendations.

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

In March 2003, the Treasurer issued terms of reference for an investigation into the pricing policies of the Motor Accidents Insurance Board (MAIB). This was the third investigation into the pricing policies of the MAIB; the second investigation having been completed in 2000 and the first in 1997. Under the terms of reference for this investigation, the Final Report was to be completed by 31 August 2003.

The Commission for this investigation comprised Mr Andrew Reeves, Commissioner and Mr Ronald Champion, Assistant Commissioner.

Following receipt of the terms of reference for the investigation, the MAIB provided the Commission with a comprehensive submission for consideration during the course of the investigation. The MAIB submission and the Commission's Issues Paper were released for public comment in March 2003. Submissions were sought from interested parties on the matters raised in both the MAIB's submission and the Commission's Paper.

As at 30 June 2003, the investigation was still in progress.

A copy of the MAIB Investigation Issues Paper and public submissions are available at the Commission's website [www.gpoc.tas.gov.au](http://www.gpoc.tas.gov.au). The Draft Report, submissions in response to the Draft

Report and the Final Report will be placed on the Commission's website as the investigation progresses and the Minister releases the Final Report.

### *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 submittant 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.

### **Competitive Neutrality Complaints**

In addition to a number of general enquiries, the Commission received a formal complaint in 2002-03. The complaint was made against the Copping Refuse Disposal Site Joint Authority (Joint Authority), jointly owned by the Clarence City, Sorell and Tasman councils.

In brief, the complainant alleged that the Joint Authority has breached the Competitive Neutrality Principles by not applying full cost attribution to the services it provides. After accepting the complaint the Commission wrote to the Joint Authority for response as required under the legislation.

At the time of publication of this Annual Report, the complaint was still under investigation. The outcome of the investigation will be reported in the 2003-04 Annual Report.

## Consultancies

### *Monitoring of Petroleum Prices*

At the Treasurer's request, the Commission has been monitoring and reporting Tasmanian wholesale and retail petrol prices since August 1999, and average retail prices for diesel and LPG (autogas) since April 2000. This monitoring and reporting keeps the community informed of fuel prices paid by Tasmanians relative to mainland motorists.

During the 2002-03 reporting period, the Commission found that petrol price competition was greatest in areas where Liberty Oil Company (Liberty) supplied fuel to retailers.

Past price monitoring has shown that well-publicised increases in international prices have translated rapidly to price increases at the pump, but retail prices do not drop significantly when international prices fall.

Competition introduced by Liberty has kept suppliers' margins down and reduced suppliers' capacity to sustain high prices, although prices have been more volatile.

In August 2002, Claremont and Glenorchy, in the south of the State, recorded prices lower than those in the north for the first

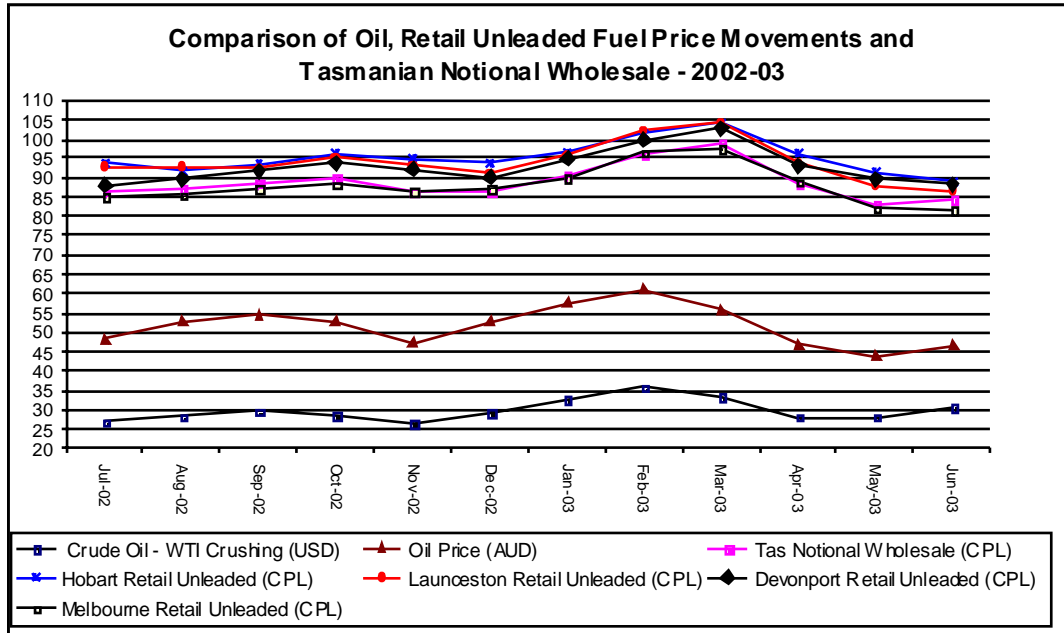
time since Liberty closed its Glenorchy site in November 2001. This was attributed to the petrol price war instigated by Liberty in supplying two retail outlets in Granton and Chigwell from July 2002. With Liberty expanding its operations in 2002-03 to Granton, Chigwell, New Norfolk and Cygnet, retail unleaded prices, particularly in the northern suburbs of Hobart, have been comparable to prices in the north of the State. It should be noted that during the reporting period Liberty's supply chain increased by one to a total of five in the north of the State compared to four in the south of the State.

Figure 2 shows that the average Tasmanian notional wholesale price typically increased in line with average international petrol refinery price movements. From December 2002, the effect of the rise in international oil prices was offset to some extent by the stronger Australian dollar.

Throughout the reporting period, Tasmanian motorists paid on average 5.88 cpl more than Melbourne motorists for retail unleaded petrol. The average margins on Melbourne prices were 7.09 cpl in Hobart, 5.89 cpl in Launceston, 4.64 cpl in Devonport, 4.93 cpl in Claremont and 5.15 cpl in Glenorchy.

Figure 2 shows, for the 2002-03 reporting period: monthly average retail prices<sup>8</sup> for Hobart, Launceston, Devonport and Melbourne; the Tasmanian notional wholesale price<sup>9</sup> for unleaded petrol; the Crude Oil (WTI Crushing) price<sup>10</sup>; and the Australian oil price<sup>11</sup>.

Figure 2 Average International Oil Price, Notional Wholesale Prices and Retail Price Movements 2002-03



The Commission commenced reporting unleaded petrol, diesel and auto-gas retail prices for Wynyard, Queenstown and Smithton in January 2003. However, this was discontinued in May 2003 primarily due to difficulties in obtaining consistent and reliable data.

<sup>8</sup> Source: Shell Website – Average Weekly Pump Prices Calculated by GPOC.

<sup>9</sup> Source: The Commission’s Wholesale Pricing Model is based on the Intervention Pricing System used by the Commonwealth *Prices Surveillance Authority* (PSA) and later adopted by the ACCC in its Intervention Price Series. The Commission has calculated a daily notional wholesale price for Tasmania taking account of Singapore product prices and other cost factors. Other cost factors include: freight to Australia, wharfage in Australia, insurance and loss, taxes, local transport costs, marketing and distribution costs, and wholesale margin.

<sup>10</sup> Source: Energy Information Administration Website – Average Weekly Crude Oil Prices Calculated by GPOC.

<sup>11</sup> Source: APMM – AUD Daily Exchange Rate.

### *Monitoring of the Commonwealth Bank's Undertaking*

In March 2000, the Commonwealth Bank of Australia (CBA) and Colonial Limited (Colonial) announced their intention to merge.

The Tasmanian Government and the ACCC, among others, expressed concerns that the proposed merger might have a detrimental impact on retail banking services throughout the State. To address these concerns, the CBA gave a commitment to the Tasmanian Government that Tasmanian customers will receive the same prices, new product innovations and service standards as those enjoyed by customers elsewhere in Australia. That commitment was subsequently incorporated in an enforceable undertaking given to the ACCC as a condition of approval of the merger. The same undertaking was given in relation to regional New South Wales, a region identified by ACCC as another market that might be adversely affected by the merger.

As part of the undertaking, the CBA agreed to appoint independent Monitors for Tasmania and New South Wales to ensure that the CBA complies with the undertaking. The Monitors' roles are to monitor the CBA compliance and to report to the ACCC every six months. The Tasmanian Government has nominated the Commission as the Monitor for Tasmania. To assist the Monitors, the CBA also agreed to appoint an independent Reporter in accordance with the Reporting and Monitoring Guideline proposed by the Commission.

The Commission submitted its first report to the ACCC in February 2001 for the period May to November 2000. Further reports have been prepared and provided

to the ACCC on a six monthly basis since that time.

The consistent finding in these reports has been one of 'substantial compliance with the undertakings'. This has reflected a significant commitment of resources by the CBA to compliance and ongoing integration of CBA and Colonial products, processes and branches, all of which tend to reduce the risk of non-compliance.

There have been very few complaints received by the ACCC, the Commission, the CBA or the Banking Industry Ombudsman which relate to compliance with the undertakings. Any such complaints have been rigorously investigated. To date, the ACCC has found no evidence of non-compliance arising from any of these complaints. The Commission has reviewed, through its independent Reporter, the integrity of the CBA complaint handling process and is satisfied that it fairly reflects the number and content of actual complaints in this matter.

The process of product, system and branch integration between the CBA and Colonial is now complete. The CBA has continued to allocate appropriate resources, and evidence an ongoing commitment to compliance, in this matter. The undertakings may be brought to an end at the conclusion of three years by agreement between the ACCC and the CBA. This will have regard to the compliance history of the CBA, but is a matter for the ACCC and the CBA.

The Commission has not published its reports as they are provided to the ACCC. It is a matter for the ACCC to report on compliance with section 87B undertakings.<sup>12</sup>

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<sup>12</sup> *Trade Practices Act 1974.*

### *Local Government Compliance (Water)*

The Commission was requested by the Government in 2003, under terms of reference issued by the Treasurer in March 2003, to conduct an annual assessment of Tasmanian councils' compliance with Tasmania's National Competition Policy (NCP) water reform obligations as they apply to urban water and wastewater services. The Commission's assessment was presented to the Treasurer in April 2003.

The terms of reference for the audit required an examination of whether or not councils are meeting the requirements for full cost recovery for their water and wastewater businesses. In addition, the Commission was required to consider a number of other issues such as asset valuations, Community Service Obligations and own-use transfers, the structure of two-part tariffs and the use of property-value based fixed charges.

To enable the audit to be conducted, councils were requested by the Department of Premier and Cabinet to provide financial data relating to their water and wastewater businesses for the 2001-02 financial year using the pro-forma contained in the Urban Water Pricing Guidelines.

The audit covered all 29 Tasmanian councils. However, Tasman Council does not provide water or wastewater services, and Flinders Council does not provide wastewater services.

The primary data source for the audit was the cost recovery data provided by councils. The data was reviewed in conjunction with the information provided in councils' annual financial statements, particularly the Statement of Significant Business Activities required to be prepared by councils under section 84(2)(da) of the

*Local Government Act 1993*. As part of this review process, the Commission also discussed the data and any queries directly with council staff.

This review process resulted in adjustments being made to the data provided by several councils to ensure consistency across councils in the application of the Guidelines.

The audit found a generally high level of compliance by Tasmanian councils in both water and wastewater pricing as 21 of the 28 councils providing water services were in practical compliance with the Guidelines. Waratah-Wynyard, Southern Midlands, Clarence, Launceston, Break O'Day Central Highlands and Latrobe did not meet the Guidelines. However, the Commission was concerned that there are a number of councils that have not revalued assets for some time. While the Commission's basic indexation of these valuations made little difference to the achievement of full cost recovery, it is concerned that an actual revaluation may result in significantly different asset values and may therefore impact upon revenue needs.

With regard to asset valuations, the Commission found that 11 councils are using a fair value basis to value water and wastewater assets while 17 councils continue to use a cost basis. Councils are required under the Guidelines to move to a fair value basis with regular revaluations. The 17 councils using a cost basis will be required to move to a fair value basis by mid-2003 in preparation for the 2002-03 audit to be conducted in March 2004.

Further, all but one council (Glenorchy) have yet to undertake a condition assessment of assets and thus are not able to calculate the required annuity to properly determine their lower limit requirements. In these cases, the

Commission considers it critical for these councils to undertake a condition assessment of their water assets and determine the revenue needs for a sustainable water business.

In relation to wastewater, 24 of the 27 councils providing these services were considered to be in practical compliance with the Guidelines. Sorell, West Coast and King Island did not meet the Guidelines.

Councils were also required to submit 2001-02 budget information to enable the Commission to make an assessment of their forecast revenue requirements and thus budget compliance compared to actual results. The Commission is aware that actual revenues and expenses may vary from forecast for a number of reasons and thus actual compliance may vary from original estimates. The Commission also found that, for both water and wastewater businesses, the majority of councils had budgeted to meet the full cost recovery required under the Guidelines.

The Commission was also required to consider the level of compliance with the Community Service Obligation (CSO) Guidelines and the reporting of own-use transfers. The audit revealed that only a small number of councils (6 for water and 5 for wastewater) are reporting CSOs. The remaining councils have not identified CSOs consistent with the Guidelines.

In relation to own-use transfers, the Commission was more concerned to find that only a small number of councils (8 for water and 7 for wastewater) are identifying such usage. All councils must have some form of own-use of water and wastewater services through council buildings. It is important that such uses be identified and funded by the council through a transfer so that water users are not subsidising council consumption.

The Commission was required to consider the structure of two-part tariffs and the use of property-value based charges. The Commission found that of the 15 councils reporting two-part tariffs, the majority were structured consistent with the Guidelines.

Finally, the Commission was required to consider issues surrounding efficient pricing and the use of property value based charges in single and two-part tariffs. In conclusion, the Commission considers that:

- The absence of two-part pricing does create inefficiencies and cross-subsidies, irrespective of whether property values, connections size or any other measure is used to allocate costs. However, these inefficiencies may be less than those when the cost of administering a metering scheme outweighs the benefits.
- Any volumetric rate that does not reflect the Long Run Marginal Cost (LRMC) of providing additional water is inefficient.
- The use of property value or connection size to allocate fixed costs is not necessarily inefficient, and neither does it represent a cross subsidy, provided that the charges do not exceed the value that a consumer places on connection to, and supply from, the network.



# OFFICE ADMINISTRATION

## 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 (Treasury) 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. Refer to the Annual Report of the Department of Treasury and Finance for information in this regard.

## Internal Audit

In 2002-03, an internal audit review was conducted by KPMG, in relation to the following administrative functions of the Office:

- recording and costing of employee time;
- the basis for the allocation of costs and the recovery of those costs from external parties;
- the purchase of goods and services (including the engagement of consultants); and
- the documentation of administrative policies and procedures.

No significant issues were identified. Procedures have been implemented to address minor issues relating to the costing of significant overheads evenly throughout the year, and the independent review of calculation of fees and charges for invoicing purposes.

## 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 an investigation.

The Commission's competitive neutrality activities are undertaken free of charge to either the complainant or the entity subject of the complaint. However, the Regulations require a deposit of \$100 to be lodged with the Commission at the time a complainant lodges the complaint. This amount is refundable if the complaint is found to be justified.

Consultancy work is generally undertaken on a fee for service basis. However, the monitoring of petroleum product prices is undertaken on behalf of the Government and is funded through a Consolidated Fund appropriation. Monitoring of CBA compliance with the ACCC undertaking is funded by the CBA.

## Payments to Consultants

The following payments were made to consultants during 2002-03.

Table 1: Consultancies less than (or equal to \$50,000).

Consultant	Location	Description	Actual Expenditure (GST inclusive)
Wise Lord & Ferguson	TAS	Post Implementation Review of the Office restructure	1 133.00
Farley Consulting Group	TAS	Development of performance measures for the Office	457.60

## 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 2002-03 reporting period, one request for information was made of the Commission under the FOI Act. The requested information was released.

## Publications by the Commission During 2002-03

The following publications were released during the 2002-03 financial year:

Publication	Released
Petrol Pricing Monitoring Reports – published monthly on the Commission's website	July 2002 to June 2003
Government Prices Oversight Commission Annual Report 2001-02	November 2002
Audit of Local Government Water and Wastewater Businesses 2001-02 Report	April 2003
Metro Pricing Policies Investigation 2003, Invitation For Submissions	January 2003
Metro Pricing Policies Investigation, Draft Report	May 2003
MAIB Pricing Policies Investigation, Issues Paper	March 2003



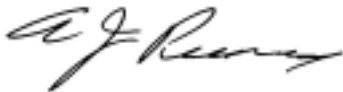
## Government Prices Oversight Commission

### Certification of Financial Statements

For the period ended 30 June 2003

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 period ended 30 June 2003 and such components of financial position as at 30 June 2003 which the Minister requires under section 40(3) of the *Government Prices Oversight Act 1995* to be disclosed in the Financial Statements.

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



Andrew Reeves  
COMMISSIONER

8 September 2003

## Independent Audit Report



### **INDEPENDENT AUDIT REPORT**

**To the Government Prices Oversight Commissioner**

#### **Scope**

I have audited the special purpose financial report comprising a financial statement prepared on the cash basis of accounting, including notes and supplementary information, of the Government Prices Oversight Commission for the year ended 30 June 2003. The Commissioner is responsible for the preparation of the financial report on the cash basis of accounting in accordance with the direction given under the provisions of Section 42(2) of the *Financial Management and Audit Act 1990*. I have conducted an independent audit of the financial report in order to express an opinion on it to the Commissioner.

The audit has been conducted in accordance with Australian Auditing Standards and used procedures which included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether in all material respects, the financial report is presented fairly in accordance with the cash basis of accounting which does not require the application of Accounting Standards and other mandatory professional reporting requirements.

The audit opinion expressed in this report has been formed on the above basis.

#### **Audit Opinion**

In my opinion the financial report presents fairly, in accordance with the cash basis of accounting the financial transactions of the Government Prices Oversight Commission for the year ended 30 June 2003 and such components of financial position at that date as are disclosed in the financial report.

#### **TASMANIAN AUDIT OFFICE**

A handwritten signature in blue ink, appearing to read "G R Morffew".

G R Morffew  
Assistant Director  
**Delegate of the AUDITOR-GENERAL**

7 October 2003  
**HOBART**

## Government Prices Oversight Commission

The Consolidated Fund  
Statement of Receipts and Expenditure for the  
Year Ended 30 June 2003

	2003	2002
	\$'000	\$'000
<b>Receipts</b>		
Fees and Recoveries	....	119
<b>Total Receipts</b>	....	119
<b>Expenditure</b>		
Employee Entitlements	....	72
Rentals and Other Accommodation Related Outgoings	....	6
Communications	....	2
Travel and Transport	....	4
Consultancies	....	20
Information Technology	....	1
Advertising and Promotion	....	1
Other Expenses	....	17
<b>Total Expenditure</b>	....	123

For 2002-03, all transactions for the Government Prices Oversight Commission were transacted through the Special Deposits and Trust Fund Account T654 *Government Prices Oversight Commission/Energy Regulator Account*.

# Government Prices Oversight Commission

## Statement of Receipts and Expenditure for the Year Ended 30 June 2003

	2003	2002
	\$'000	\$'000
<b>Opening Balance</b>	....	....
<b>Receipts</b>		
Recurrent Appropriation	112	....
Other	10	....
<b>Total Receipts</b>	<b>122</b>	....
<b>Expenditure</b>		
Employee Entitlements	179	....
Rentals and Other Accommodation Related Outgoings	12	....
Communications	3	....
Travel and Transport	9	....
Consultancies	6	....
Information Technology	5	....
Advertising and Promotion	4	....
Other Expenses	22	....
<b>Total Expenditure</b>	<b>240</b>	....
<b>Closing Balance</b>	<b>(118)</b>	....

# Government Prices Oversight Commission

## Notes to the Statement of Receipts and Expenditure

### 1. Basis of Accounting

The Financial Statements have been prepared in accordance with the *Government Prices Oversight Act 1995* and Ministerial Directives under section 40(3) of that Act.

In 2001-02, all the transactions of the Government Prices Oversight Commission (the Commission) were funded through the Consolidated Fund.

In 2002-03 the transactions of the Commission were funded through Special Deposits and Trust Fund Account T654 *Government Prices Oversight Commission/Energy Regulator Account*.

All the records are maintained on the cash basis of accounting by the Department of Treasury and Finance on behalf of the Commission.

The Commission is exempt from all forms of taxation except fringe benefits tax, payroll tax and the goods and services tax (GST).

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

All figures presented have been rounded to the nearest thousand dollars.

### 2. Assets

#### 2.1 Receivables

	2003	2002
	\$'000	\$'000
Debtors (inclusive of GST)	116	5
	116	5

#### 2.2 Property, Plant and Equipment

The Commission has a policy of recording all assets regardless of value in its asset register. These assets are recorded at cost and are not depreciated. However, for reporting purposes only assets with a value greater than \$5 000 and an estimated useful life greater than two years are shown in the statements.

As at 30 June 2003 the Commission did not have any assets which met the above reporting criteria.

### 3. Liabilities

#### 3.1 Payables

	2003	2002
	\$'000	\$'000
Creditors (inclusive of GST)	1	1
	1	1

#### 3.2 Employee Entitlements

	2003	2002
	\$'000	\$'000
Accrued Salaries	5	4
Annual Leave	12	10
Long Service Leave	22	16
<b>Total</b>	<b>39</b>	<b>30</b>
Current	18	14
Non Current	21	16
<b>Total</b>	<b>39</b>	<b>30</b>

## APPENDIX A

### Government Prices Oversight Commission: Summary of Procedures

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

#### Conduct of Investigations

##### *The Notice*

An investigation is initiated by the Minister administering the 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 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 is required to 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 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.

## **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 Act. This information may be in oral or written form. Section 30(2) 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 or 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.

### Price-setting

The Portfolio Minister must lay a copy of the 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.

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, which 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

### Government Prices Oversight Commission: Complaints Mechanism

The Competition Principles Agreement (CPA) requires that the State have in place a complaint mechanism to consider complaints relating to the application of the competitive neutrality principles (CNP).<sup>13</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* (the GPO Act) and by procedures set out in the *Government Prices Oversight Regulations 1998* (the Regulations).

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>14</sup>; and
- ⇒ only formally consider complaints after the person 'has discussed that supposed contravention with the Government body'<sup>15</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.

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<sup>13</sup> The national competition policy competitive neutrality principles as set out in clause 3 of the Competition Principles Agreement.

<sup>14</sup> See clause 4 of the *Government Prices Oversight Regulations 1998*.

<sup>15</sup> See clause 4 of the *Government Prices Oversight Regulations 1998*.

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

*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 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 Commissioner is also able to seek additional material from the complainant and 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 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 Complaints 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

## Glossary of Terms

Term	Meaning within the Context of this Report
ACCC	Australian Competition and Consumer Commission
Application Statements	<i>Application of the Competitive Neutrality Principles under National Competition Policy</i> and <i>Application of the National Competition Policy to Local Government</i> both issued June 1996
CBA	Commonwealth Bank of Australia
CNPs	Competitive Neutrality Principles as defined in clause 3 of the CPA and the <i>Application Statements</i>
COAG	Council of Australian Governments
Commission	The Government Prices Oversight Commission unless otherwise specified
CPA	Competition Principles Agreement
CSA	Community Service Activity – being a non-commercial activity undertaken by a State-owned Corporation under contract with the State Government
cpl	cents per litre
CSO	Community Service Obligations (as defined in the GBE Act 1995)
ESI Act	<i>Electricity Supply Industry Act 1995</i>
FCA	Full Cost Attribution (as defined in the <i>Guidelines for Implementing Full Cost Attribution Principles</i> separately issued to Tasmanian Government Agencies and Local Government in 1997)
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 Commonwealth Government's Goods and Services Tax
GPO Act	<i>Government Prices Oversight Act 1995</i>
GPOC	Government Prices Oversight Commission
LPG	Liquefied Petroleum Gas
LRMC	Long Run Marginal Cost
MAIB	Motor Accidents Insurance Board
Metro	Metro Tasmanian Pty Ltd (established in February 1998)
MTT	Metropolitan Transport Trust (prior to 1998)
NCP	National Competition Policy
OTTER	Office of the Tasmanian Energy Regulator
The Regulations	the <i>Government Prices Oversight Regulations 1998</i>