

QUEENSLAND
COMPETITION
AUTHORITY

Annual Report 1997/98

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Chairperson's Introduction

"The Authority sees its role as one of facilitation of competition rather than regulation"

The Queensland Competition Authority was established in May 1997 and its initial members were appointed in August 1997.

Under its enabling Act, the *Queensland Competition Authority Act 1997*, the Authority is responsible for defined tasks in relation to the implementation and maintenance of national competition policy in Queensland. Specifically these tasks relate to the pricing practices of government monopoly business activities, the adherence by government agencies to competitive neutrality principles in respect of their significant business activities and third party access to essential infrastructure. Other responsibilities may be added by government direction.

The Authority's first task was to ensure that it had the personnel and facilities available to enable it to undertake its responsibilities.

It is pleasing therefore to record that following the appointment of Mr Hall as Chief Executive in October 1997, the Authority by the close of this reporting period had appointed staff across the range of its tasks as should enable it to deal with the workload presently envisaged. In addition, internal procedures and policies had received attention to ensure appropriate practices are in place to meet the variety of accountabilities which apply and the Authority had moved into independent premises in Comalco Place, Brisbane. Relevant computerised information systems had also been installed.

This progress, which was achieved within the initial capital and operating budgets, would not have been possible without considerable initial input from officers seconded temporarily from Queensland Treasury.

Turning to operational aspects, it is similarly pleasing to report that the Authority completed all the major tasks which arose during this period. After due consideration, it submitted to government its recommendation as to the criteria to be used by the Premier and the Treasurer in deciding whether

to declare a government business activity to be a government monopoly business activity. It accepted and investigated two significant complaints which alleged breaches of competitive neutrality by government agencies in their business activities and completed its reports and recommendations thereon. It also was involved in a wide range of preliminary enquiries with third parties and in internal preparations for its forecast future activities. These matters are referred to later in the body of this report.

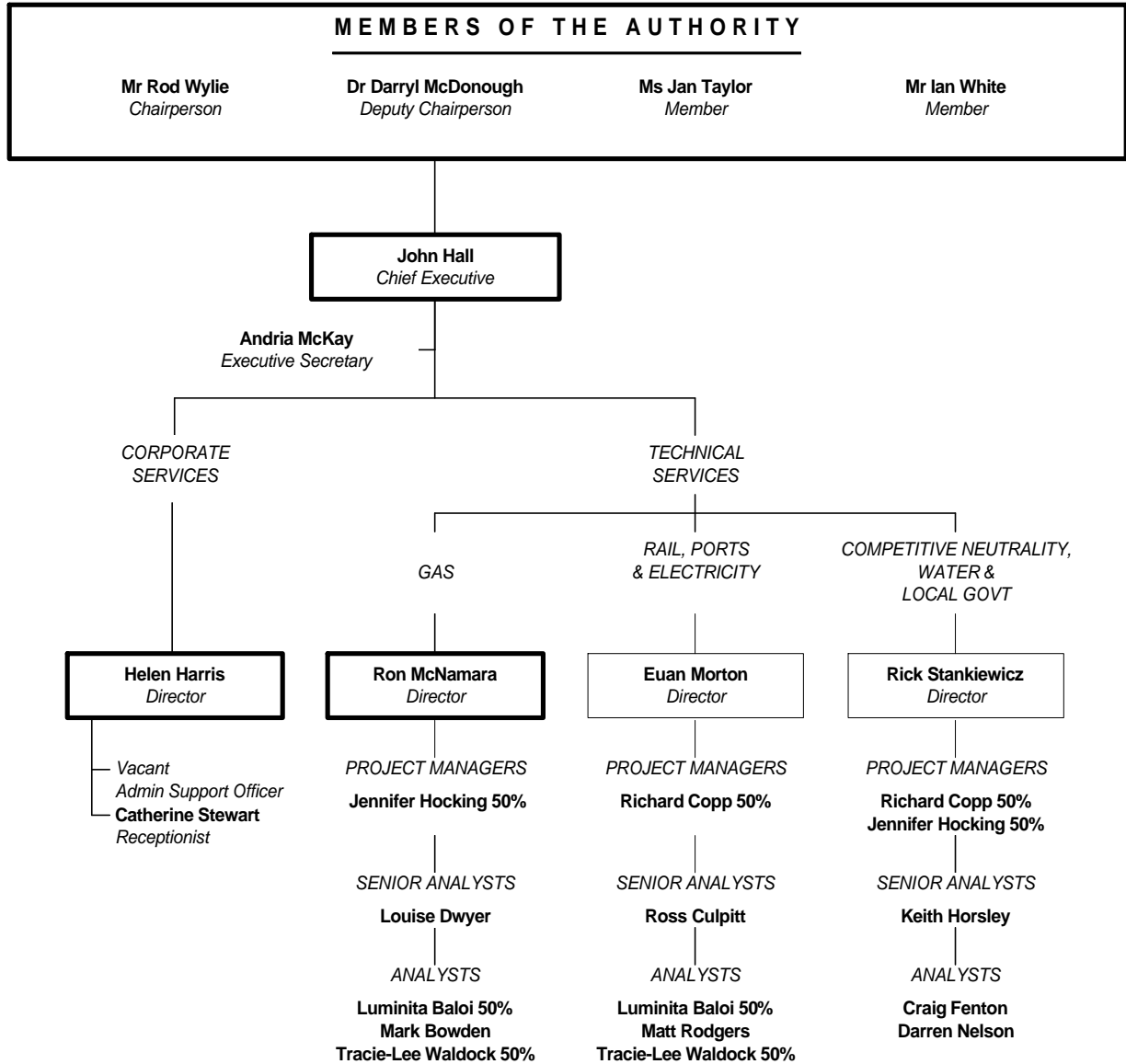
The members of the Authority have been pleased to have contributed to its effective establishment, believing the organisation will play a positive role in facilitating Queensland's compliance with national competition policy and in securing all the benefits which that will bring to our community in due course in the rapidly developing global business scene.

The Authority sees its role as one of facilitation of competition rather than regulation although it is acknowledged that regulation will be necessary in some circumstances. In its approach, the Authority has striven, and will continue to strive, to generate practical, sensible business outcomes to the issues which come before it, taking into account all relevant economic, social and community issues, as required by the Authority's governing legislation.

In summary, the Authority is determined to meet its statutory obligations in an effective, timely and reliable way. It will seek to provide a recognised avenue whereby both government and third parties can rely on an independent, objective appraisal of the issues subject to its review. It will also seek to produce sensible, forward-looking solutions and recommendations which are capable of practical implementation and which facilitate compliance within Queensland with the principles of national competition policy.

R. M. Wylie
Chairperson

Organisation Chart



The Members

Under the *Queensland Competition Authority Act 1997*, the Authority is to consist of at least three members, who each may be appointed for a term of not longer than five years. In appointing a member, regard must be had to the desirability of the members collectively having knowledge and understanding of commerce, economics, the interests of consumers and the interests of the Government in government agencies that carry on business activities. There are currently four members, each of whom was appointed on 14 August 1997 for a period of two years.

Chairperson, Mr Rodney Wylie, OBE BCOMM BA FCA FAICD

Formerly senior partner of the Queensland practice of Peat Marwick Mitchell & Co., Mr Wylie is Chairman of Thiess Contractors Pty Limited, Deputy Chairman of Leighton Holdings Limited and a Director of AMP Limited and of Queensland Alumina Limited. Mr Wylie was Chairman of Pauls Limited for approximately 20 years prior to its recent takeover. He is also a former Chairman and member of the Queensland Branch Council and Federal Council of both the Institute of Chartered Accountants in Australia and the Institute of Directors in Australia.

photo

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Deputy Chairperson, Dr Darryl McDonough, B.BUS LLB (HONS) SJD CPA FAICD

Dr McDonough is a Brisbane partner of national law firm Clayton Utz, specialising in corporate matters. He is a Director of the Bank of Queensland Limited and of ForBio Limited, a Trustee of the Brisbane Cricket Ground Trust and immediate past State President and past National Councillor of the Australian Institute of Company Directors.

Member, Ms Jan Taylor, BALLB

Formerly Queensland's Commissioner for Consumer Affairs, Ms Taylor now manages a consultancy firm providing services to government and industry. She is currently on the board of the RACQ, the Building Services Authority, the Queensland Dairy Authority and Wyatt Gallagher Bassett and chairs the Community Housing Grants Board, the Australian Council of Business Women and Epilepsy Queensland Inc. Ms Taylor is also a member of the Y2K National Steering Committee.

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Member, Mr Ian White, BECON (HONS) CPA FAICD

Mr White has extensive experience in management, particularly in the area of agribusiness. He is currently Chief Operating Officer for Australia of Queensland Cotton Corporation Limited. Prior to this he held chief executive level positions with Defiance Mills Limited and with Grainco Cooperative Queensland Limited.

Senior Staff Profile

photo

Mr E John Hall, BCOM BECON AAUQ

Chief Executive - Mr Hall has substantial experience at chief executive level in both the public and private sectors, particularly in the areas of management, finance and public policy development and implementation.

From 1970 to 1990, he held a variety of senior positions in the Queensland Treasury, including that of Under Treasurer (Chief Executive) from 1988 to 1990. Subsequent to this, and until his appointment to the QCA, he was firstly Executive Director of major Queensland law firm Feez Ruthning and, upon its merger with national law firm Allen Allen and Hemsley, Queensland Practice Director of the merged firm.

He is a member of the board of Consolidated Rutile Ltd and has held board positions with a variety of Queensland statutory bodies, including Suncorp Insurance and Finance, the Queensland Industry Development Corporation (Deputy Chairman), the Queensland Tourist and Travel Corporation, Queensland Events Corporation (Deputy Chairman), the North Queensland Enterprise Zone and the Workers' Compensation Board.

Ms Helen Harris, BCOMM

photo

Director, Corporate Services – Ms Harris joined the QCA in June 1998 from the Australian Genome Research Facility where she held the position of Business Manager. She brings with her considerable experience in the finance, information technology, administration, personnel and legal fields. From 1988 to 1997, Ms Harris held a variety of management roles within the university sector. Prior to that, she spent some time in the banking sector and held a number of voluntary positions overseas.

photo

Dr Ronald McNamara, BA (ECONOMICS) BA (ECOLOGY) MA (ECONOMICS) PHD (ECONOMICS)

Director – Prior to joining the QCA, Dr McNamara was Manager, Research and Development with the Electricity Market Company Ltd (New Zealand) where he was primarily responsible for the ongoing development of the recently implemented wholesale and retail electricity markets. Additional work was focused on the issue of network access and security of supply. Between 1979 and 1995, Dr McNamara acted as a private consultant and university lecturer in the areas of micro-economics, industrial organisation and regulatory economics at universities in the United States and New Zealand.

Mr Euan Morton, BCOM LLB (HONS) BECON (HONS)

Director - Prior to joining the QCA, Mr Morton was Principal Advisor - Regulation with the Queensland Electricity Reform Unit where he was particularly focused on developing the regulatory environment for the Queensland electricity supply industry in the deregulated market. Between 1992 and 1997, Mr Morton was with the Queensland Treasury where he managed the corporatisation process for Queensland Rail and the commercialisation process for DPI Forestry and was involved in the implementation of national competition policy.

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Mr Rick Stankiewicz, BECON MECON ST

Director – Mr Stankiewicz has considerable experience in micro-economic reform and joined the QCA from Queensland Treasury, where he was a Director (micro-economics). During his time with Treasury, he was an advisor to the Commission of Audit and, subsequently, a Director of the Audit Commission Implementation Office responsible for the economic portfolios. Mr Stankiewicz has also held various other roles involving structural reform and implementation.

Mr Nevil Elford, BCOM

Mr Elford was seconded to the QCA from Queensland Treasury in June 1997 to assist in setting up the Authority. Within Treasury, he was Director, Human Resource Management. Mr Elford retired in April 1998.

photo

Roles & Responsibilities

Legislative Framework

The Queensland Competition Authority (QCA) was established by the *Queensland Competition Authority Act 1997* (QCA Act).

The creation of the QCA arose out of a series of Council of Australian Government agreements, the most notable of which was the Competition Principles Agreement. The aim of these agreements was to forge a national approach to the implementation of competition policy.

The QCA has also been assigned additional legislative responsibilities in other legislation, namely:

- *the Local Government Act*;
- *the Electricity Act*; and
- *the Gas Pipelines Access (Queensland) Bill*.

The Authority reports to both the Premier and the Treasurer (the Ministers).

Prices Oversight

The QCA has two roles in prices oversight conferred upon it by the QCA Act, namely:

- developing a set of criteria for assessing whether government businesses should be referred to the Authority for prices oversight; and
- investigating the pricing practices of government monopoly business activities referred to it by the Ministers.

Competitive Neutrality

Under the QCA Act, the QCA's role in competitive neutrality is to:

- investigate complaints of alleged breaches of competitive neutrality by significant business activities (SBAs) which are gazetted under the Act; and

- assess whether SBAs which seek accreditation ought to be accredited as complying with the principles of competitive neutrality.

In addition, the *Local Government Act* has been amended to confer upon the QCA similar roles in relation to the application of competitive neutrality for local government, as follows:

- assessing whether local government business activities which seek accreditation should be accredited as complying with the principle of competitive neutrality;
- investigating competitive neutrality complaints against specified significant local government business activities where it has been appointed by the relevant local authority to be the referee; and
- acting as an appeal body for competitive neutrality complaints against specified significant local government business activities where the QCA has not been appointed by the relevant local authority as the referee.

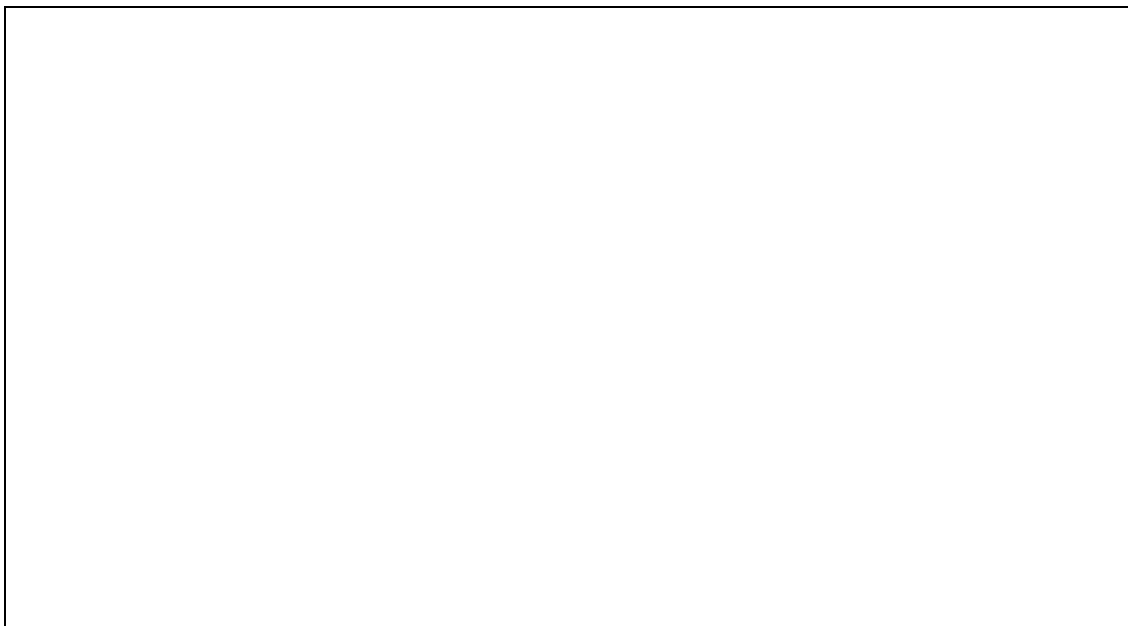
Third Party Access

The QCA Act establishes a State based third party access regime which requires the Authority to:

- assess whether services ought to be declared for third party access;
- comment on access codes;
- accept (or refuse to accept) access undertakings in respect of declared services; and
- arbitrate third party access disputes.

Section 10(e) Referral – Local Government Incentive Payments

Under Section 10(e) of the QCA Act, the Authority was directed by the Ministers in July 1998 to examine and report on the implementation of competition policy reforms by local governments and to recommend levels of payments to councils under the local government financial incentive payments scheme. The Authority must report annually from 1998 to 2002, with the first report to be provided by end-November 1998.



“Authority to examine and report on the implementation of competition policy reforms by local governments.”

Electricity Act 1997

The *Electricity Act 1994* was amended in 1997 to confer upon the QCA responsibilities in relation to:

- the monitoring of electricity prices and service quality; and
- the making and administering of conduct rules to regulate market conduct of particular retailers and distributors.

The relevant provisions of the Act have not yet been proclaimed. This is expected to occur in November 1998.

Gas Pipelines Access (Queensland) Bill 1998

The Commonwealth and each of the States and Territories agreed in 1997 to enact a uniform national framework for third party access to gas pipelines which:

- facilitates the development of a national market for natural gas;
- prevents the abuse of monopoly power;
- promotes a competitive market for natural gas in which customers choose suppliers, including producers, retailers and traders;
- provides rights of access to natural gas pipelines on conditions that are fair and reasonable for the owners and operators of gas

transmission and distribution pipelines and persons wishing to use the services of those pipelines; and

- provides for the resolution of disputes.

Under the proposed legislation, it is envisaged that the QCA will be responsible for approving third party access arrangements with respect to gas distribution networks in Queensland. This legislation appears unlikely to be proclaimed before early 1999.

Objectives

The major objective of the Authority in its first (partial) year of operation was to meet its statutory requirements in as efficient and professional a way as possible.

To this end, the Authority established two separate divisions:

- a technical division to undertake investigations and prepare reports on matters placed before it; and
- a corporate services division to establish and maintain a suitable environment in which this work can be carried out.

The activities of these two divisions are outlined below in Activities to Date.

Activities to Date

Corporate Services

Establishment

While the *Queensland Competition Authority Act* was assented to in May 1997, effective operation of the Authority did not commence until the Members were appointed on 14 August 1997. The Authority was initially located in temporary premises at level 6, Comalco Place, 12 Creek Street, Brisbane.

Following appointment of the Chief Executive, a detailed assessment was undertaken of the Authority's responsibilities under the QCA Act (and other applicable legislation) and the staff required to complete those responsibilities. The Authority also secured and fitted out appropriate accommodation within Comalco Place.

These premises, which were occupied from 9 March 1998, are located on level 19, Comalco Place, 12 Creek Street, Brisbane.

Staffing

To accommodate the responsibilities of the Authority, staff numbers rose progressively to 19 staff at 30 June.

For specific projects requiring particular expertise, this number has been and will be supplemented by consultants.

The Authority has sought to appoint staff who are both technically competent and perceptive and who are able to respond to the demands of a commercial and competitive environment. Staff have been recruited from a range of private and public sector organisations as is demonstrated by the staff profiles listed in a later section.

Meetings of the Authority

During the year ending 30 June 1998, there were a total of eleven (11) meetings held by the Authority.

The number of meetings attended by Members of the Authority was as follows:

Mr R. Wylie	11
Dr D. McDonough	11
Ms J. Taylor	11
Mr I. White	10

Systems

During the year, the Authority has progressively implemented the systems required to support its responsibilities.

Initially, financial support services were provided by Queensland Treasury. However, an independent accounting system is now in operation.

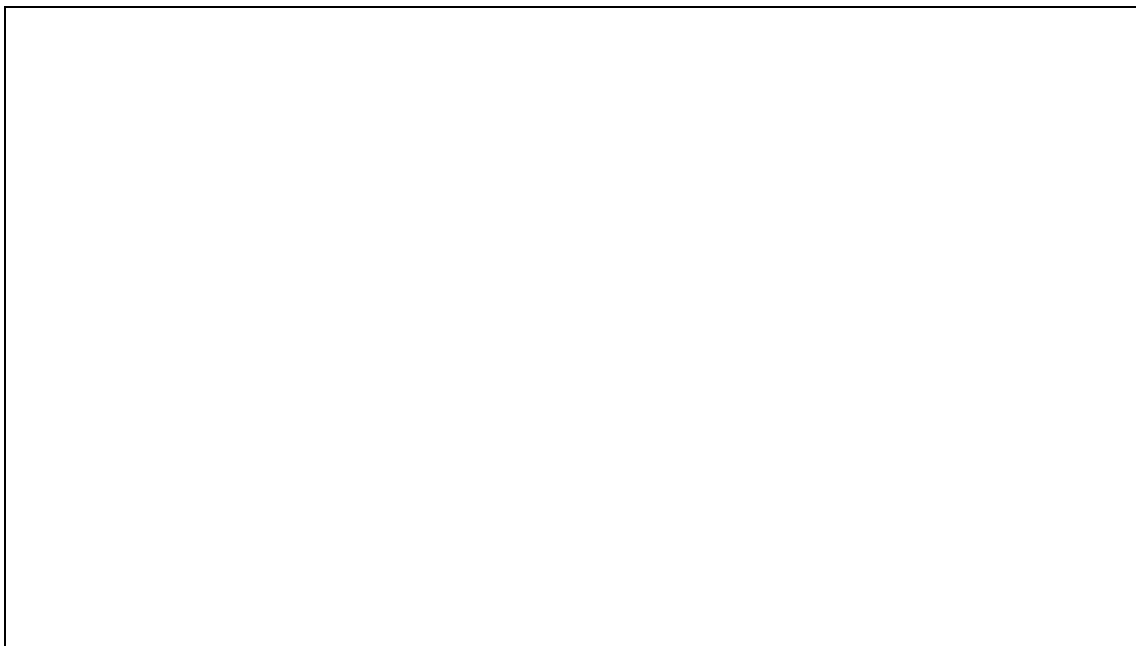
The Authority is still in the process of refining its information system requirements although it is already operating in a networked environment.

Travel

There was no overseas travel during the year ending 30 June 1998.

FOI, Sexual Harassment, Equal Opportunity

The QCA strongly supports the principles behind freedom of information, sexual harassment and equal opportunity legislation and actively ensures that these principles are adhered to in the QCA work environment. As at the end of the financial year, there have been no complaints or requests in any of these areas.



“Adherence to competitive neutrality is necessary to remove distortions arising out of public ownership.”

Technical

Criteria for the Identification of Government Monopoly Business Activities

The Authority’s first task under the QCA Act was to develop criteria for use by the Government for deciding whether to declare a government business activity to be a government monopoly business activity.

The Authority submitted its criteria to government in December 1997, together with a detailed paper in elaboration.

The Premier and Treasurer accepted the criteria early in 1998.

Competitive Neutrality Investigations and Reports

Three complaints were lodged with the Authority in 1997/98 alleging breaches of the principle of competitive neutrality. Two were considered by the Authority to require investigation within the context of the *Queensland Competition Authority Act 1997*.

Wide Bay - Burnett Electricity Corporation (the Corporation) and Robin Russell and Associates

Robin Russell and Associates lodged a complaint against the Corporation claiming that the Corporation’s cost estimates for the design and construction of electricity reticulation and street

lighting were too low and that this prevented the private sector from gaining professional engagements in their area of supply.

Following investigation of the matter, the Authority found that the principle of competitive neutrality had been breached, as the estimates of those costs provided to developers did not include profit, sales tax, debt guarantee fees or a share of corporate overheads. The Authority also concluded that the approach adopted by the Corporation did not produce reliable estimates of cost on an individual project basis, thereby reducing the ability of developers to make effective decisions on the use of the services of the Corporation or private contractors.

The Authority also considered whether the breach of competitive neutrality could be justified in the context of the requirements of the QCA Act. There were several significant issues in this respect. These included whether the current arrangements represented the least cost means of achieving augmentation and installation, whether the current arrangements were conducive to competition and whether a departure from the current arrangements would result in any untoward effects upon the Wide Bay-Burnett region and particularly upon employment. The Authority considered that compliance with the principle of competitive neutrality would result in superior outcomes.

The Authority recommended that, to ensure that the principle of competitive neutrality is satisfied in the future, the Corporation should:

- include provisions for profit, sales tax, debt guarantee fees and a share of corporate overheads in any future estimates of the cost of design and construction provided to private sector developers; and
- refine its estimating process so that more reliable estimates are produced in respect to individual projects.

In addition, the Authority recommended that:

- a public benefit test should be implemented before any consideration is given to reversing the current policy of allowing private sector developers to undertake the design and construction of electricity reticulation and street lighting; and
- the Corporation should clearly distinguish the general approach to developer security arrangements from the approach to costing infrastructure and present the details in a simple form available to developers.

Ministers have accepted the findings and recommendations and have directed the Corporation to comply. Other electricity distributors have been asked by Queensland Treasury for a report on the implications of the findings and recommendations.

Queensland Rail (QR) and Coachtrans Australia

Sita Queensland Pty Ltd, trading as Coachtrans Australia, lodged a complaint alleging that the principle of competitive neutrality had been breached by the prices that QR was charging for the Brisbane to Gold Coast passenger rail service and by certain procedural and regulatory advantages enjoyed by QR. The Authority investigated the complaint and concluded that:

- the fares charged by QR for its Brisbane to Gold Coast services breach the principle of competitive neutrality; but
- QR does not enjoy any procedural or regulatory advantage in respect of Brisbane to Gold Coast services which breach the principle of competitive neutrality.

The Authority recommended that:

- a CSO (Community Service Obligation) framework be developed for the Brisbane to Gold Coast public transport service which:
 - (i) complies with the principle of competitive neutrality;
 - (ii) achieves an efficient resource allocation within the public transport market in South East Queensland; and
 - (iii) promotes competition in the public transport passenger transport market;
- until such time as the appropriate framework is established and implemented, the Queensland Government should, within six months of the release of the Report, ensure that passengers currently travelling by bus retain access to those or equivalent public transport service; and
- Queensland Transport and QR establish a framework to facilitate adherence to the protocols required under the *Government Owned Corporations Act 1993* in respect of the establishment of prices for QR services and the payment of CSOs.

Furthermore, the Authority suggested that in the interests of an overall efficient allocation of resources, the framework adopted in due course to remedy the breach of competitive neutrality should also reflect the contribution of public transport relative to private transport to the transport needs of the region.

The Authority submitted its Report to the Honourable the Premier and the Treasurer. The Ministers have:

- (a) rejected the QCA's decision that there has been a breach of the principle of competitive neutrality in relation to the fares charged by QR for its Brisbane to Gold Coast services, on the basis that "the information available [to the Ministers] was not sufficiently conclusive to support the QCA's decision"; and
- (b) accepted the QCA's decision that QR does not enjoy any procedural or regulatory advantages in respect of the Brisbane to Gold Coast services which breach the principle of competitive neutrality.

The Ministers have also requested that Queensland Transport develop, as a matter of priority, a CSO framework which takes account of the principle of competitive neutrality, based on model studies for South East Queensland.

Major Issues Facing the Authority in 1998/99

Technical

Queensland Rail Access Undertaking

Queensland Rail (QR) has approached the Authority and indicated that it intends to submit to the Authority a draft third party access undertaking for approval during the course of 1998/99. The matters likely to be considered as part of the undertaking include:

- how charges for access to services are to be calculated;
 - information to be given to access seekers;
 - information to be given to the Authority;
 - time frames for giving information in the conduct of negotiations about access to the service;
 - how spare capacity is to be established;
- the operation of secondary markets;
 - accounting requirements to be satisfied by the owner and a user in relation to the service or separate parts of the service;
 - ringfencing arrangements;
 - terms relating to capital contributions and extensions to a facility;
 - requirements for the safe operation of the facility;
 - how contributions by users to the cost of establishing or maintaining the facility will be taken into account in calculating charges for access to the service;
 - provisions to be included in access agreements; and
 - arrangements for the review of the undertaking.



“Looking at issues to be addressed in QR’s access undertaking.”

Local Government Incentive Payments

The Commonwealth Government has agreed to financial arrangements with the States and Territories involving payments based on the appropriate implementation of competition reforms in each jurisdiction. Queensland's share of these payments is expected to total around \$756 million over five years.

Part of the Queensland Government's commitment to implement competition reforms is the application of these reforms at the local government level. To this end, the government has elected to allocate to local governments approximately \$150 million out of its share of the competition payments anticipated.

The framework for payments to local governments was developed by the Queensland Government in conjunction with the Local Government Association of Queensland and the Brisbane City Council. The funding package has three components, namely a \$1 million training and assistance pool; a \$7.5 million review pool; and a \$141.5 million implementation pool.

On 10 July 1998, the Authority received a direction from the Ministers under section 10(e) of the *Queensland Competition Authority Act 1997* to examine and report to the Ministers on the implementation of competition policy reforms by local governments and to recommend levels of payments to councils from the implementation pool under the local government financial incentive package.

The Authority is required to assess compliance with the *Local Government NCP Financial Incentive Implementation Pool Guidelines* and the relevant provisions of the *Local Government Act 1993* and the *Local Government Finance Standard 1994*. The Authority's assessment in any given year relates to the preceding 12 months to 31 July, and will encompass the three sub-pools identified in the guidelines, namely:

- *competitive neutrality*, incorporating reforms such as commercialisation and full cost pricing intended to ensure that local government business activities do not enjoy any competitive advantage simply as a result of public ownership;

- *COAG water reform*, including the introduction of tariff reforms where cost effective and the identification and disclosure of subsidies, cross-subsidies and community service obligations in the delivery of water services; and
- compliance with other reforms such as reviewing local laws and changing tendering practices for State road works, referred to as the *flagfall* sub-pool.

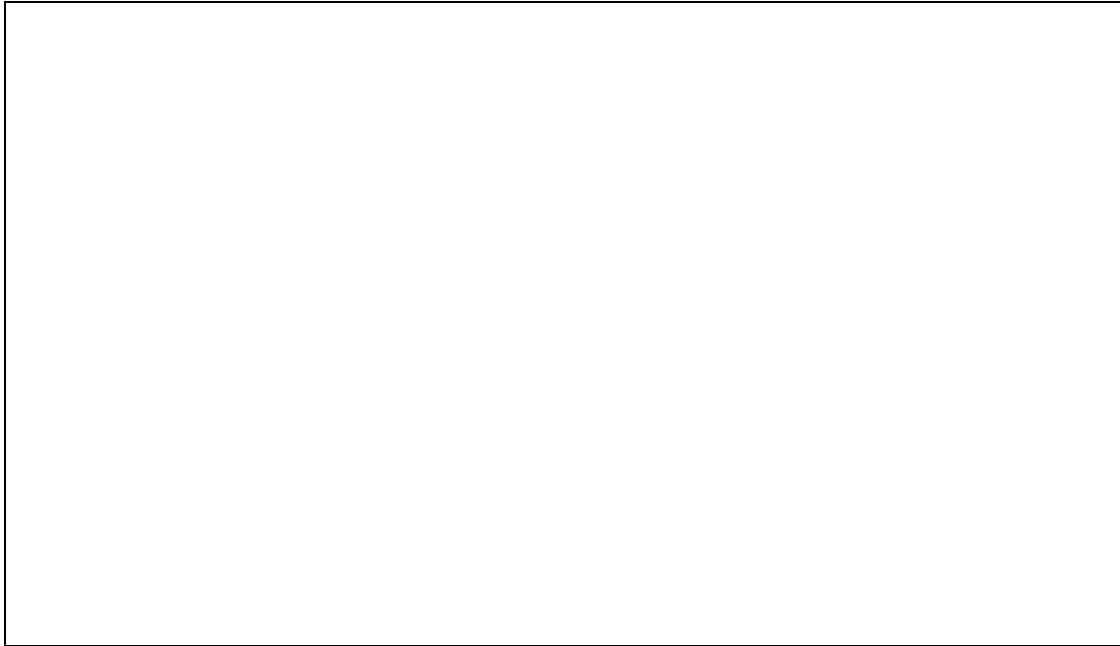
The Authority is also required to assess public benefit assessments (PBAs) for local government significant business activities completed prior to 31 December 1997 where the recommendation of the PBA is less than commercialisation, and PBAs completed after 31 December 1997 as deemed appropriate by the Authority. PBAs are undertaken by councils to assess whether competition reforms should be applied to local government business activities.

The first assessment of councils' compliance with competition reforms will occur in the first five months of 1998-99.

Gas Access

The passage of the *Gas Pipelines Access (Queensland) Bill 1998* (which is unlikely to be proclaimed before early 1999) initiated a well-defined and significant work programme for the Authority that will be completed in 1999. The Bill is primarily the enacting legislation for the National Third Party Access Code for Natural Gas Pipeline Systems (the Code). Under the Code, the Authority is defined as the Relevant Regulator in respect of gas distribution systems and is responsible for approving third party access arrangements in respect of those systems. According to the Code, an access arrangement must include:

- a services policy that details the services offered;
- the reference tariff(s) for the specific services;
- the terms and conditions on which the service provider will supply a reference service;
- a capacity management plan;



“Instituting open access to natural gas distribution networks will facilitate the further development of the energy market.”

- a trading policy;
- a queuing policy that specifies how priority will be established;
- an extensions and/or expansions policy; and
- a review date by which time revisions to the access arrangements must be submitted.

In approving the access arrangements, the Authority will have to address a number of substantive issues including whether or not existing prices include a cross subsidy between different customer classes. The latter issue is especially important since the legislation also mandates the elimination of franchise rights held by existing retailers in two steps. On 1 January 2000, all customers using at least 100 terajoules will be contestable (approximately 18 to 20 customers). On 1 September 2001, all customers, regardless of size, can make a similar decision.

Competitive Neutrality

There are currently no outstanding complaints alleging breaches of competitive neutrality. However, the Authority has no control over the timing of such complaints and, with the Authority accepting responsibility as a referee with respect to certain local government activities from 1 July 1998, new complaints are likely to be raised.

Accreditation of an agency for a particular business activity under the *Queensland Competition Authority Act 1997* removes doubt as to whether a government agency is carrying on a significant business activity in accordance with the principle of competitive neutrality. A number of Queensland Government agencies have indicated that they will be seeking accreditation during 1998/99. Similar interest has been indicated from local government councils in respect of some of their activities.

Technical Research Program

The Authority recognises that the implementation of national competition policy across Australia raises a wide range of regulatory issues. In some instances, these issues have, or are being, addressed by other regulators within Australia or elsewhere.

To the extent that the Authority will be required to form its own judgment on many of these issues, or where the circumstances of Queensland State and local government businesses raise further concerns, the Authority recognises that internal preparation and consideration of key technical issues is required.

Accordingly, an internal technical research program has been initiated. The program has a particular focus upon relevant aspects of regulation.

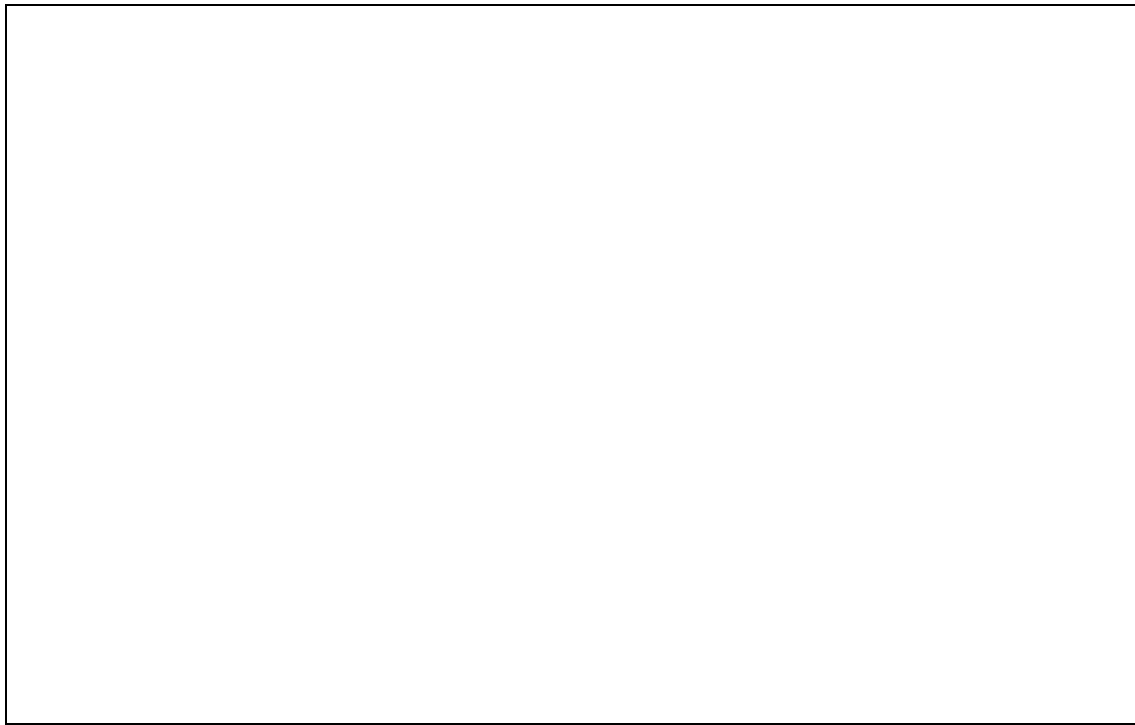
Corporate Services

As the roles and responsibilities of the Authority increase, the support structure required to maintain an effective organisation must be expanded and improved.

The Authority intends to enhance its information technology program to encompass a fully electronic information gathering and storage environment. This will facilitate document access and retrieval as

well as enable cross referencing of internal and external research material.

The Authority also plans a communication strategy designed to increase public awareness of the Authority and the functions it provides. This will be supported by the introduction of an advanced web site that will allow on line access to Authority reports and facilitate submissions and complaints.



“Planning the support systems needed to maintain an effective organisation.”

List of Local Government Nominations of QCA to act as Competitive Neutrality Referee

Under the *Local Government Act 1993*, councils may resolve to appoint the Queensland Competition Authority as referee for hearing of competitive neutrality complaints against specified significant local government business activities. Below is a list of the councils which have appointed the Authority as competitive neutrality referee for various business activities. The list is current to 30 June 1998.

Local Government	Business Activity
Barcaldine Shire Council	Roads Business
Belyando Shire Council	Roads Business
Blackall Shire Council	Roads Business
Broadsound Shire Council	Roads Business
Cambooya Shire Council	Roads Business
Chinchilla Shire Council	Roads Business
Cooloola Shire Council	Roads Business
Crows Nest Shire Council	Roads Business
Dalrymple Shire Council	Roads Business
Duaringa Shire Council	Roads Business
Hervey Bay City Council	Roads Business Water and Sewerage Business
Livingstone Shire Council	Roads Business
Mackay City Council	Roads Business Water and Sewerage Business
Mount Isa City Council	Roads Business
Paroo Shire Council	Roads Business
Rockhampton City Council	Roads Business Water and Sewerage Business
Thuringowa City Council	Roads Business Water and Sewerage Business
Townsville City Council	Roads Business Water and Sewerage Business Waste Services Business

List of Declared Significant Business Activities

For the Authority to be able to investigate a potential breach of the principle of competitive neutrality by a government business activity, a complaint must be directed against a government business activity which has been “declared” to be a significant business activity by gazette notice. The following is a list of declared significant business activities as at July, 1998.

Significant Business Activity	Relevant Government Agency	Date of Declaration
All the business activities of Queensland Generation Corporation	Queensland Generation Corporation	1 July 1997
All the business activities of AUSTA Energy Corporation	AUSTA Energy Corporation	1 July 1997
All the business activities of Stanwell Corporation	Stanwell Corporation	1 July 1997
All the business activities of Tarong Energy Corporation	Tarong Energy Corporation	1 July 1997
All the business activities of C S Energy	C S Energy	1 July 1997
All the business activities of Queensland Transitional Power Trading Corporation	Queensland Transmission and Supply Corporation	1 July 1997
All the business activities of Capricornia Electricity Corporation	Capricornia Electricity Corporation	1 July 1997
All the business activities of Far North Queensland Electricity Corporation	Far North Queensland Electricity Corporation	1 July 1997
All the business activities of Mackay Electricity Corporation	Mackay Electricity Corporation	1 July 1997
All the business activities of Queensland Electricity Transmission Corporation	Queensland Electricity Transmission Corporation	1 July 1997
All the business activities of South East Queensland Electricity Corporation	South East Queensland Electricity Corporation	1 July 1997
All the business activities of South West Queensland Electricity Corporation	South West Queensland Electricity Corporation	1 July 1997
All the business activities of Wide Bay-Burnett Electricity Corporation	Wide Bay-Burnett Electricity Corporation	1 July 1997
All the business activities of Southern Electricity Retail Corporation	Southern Electricity Retail Corporation	1 July 1997
All the business activities of Northern Electricity Retail Corporation	Northern Electricity Retail Corporation	1 July 1997
All the business activities of Central Electricity Retail Corporation	Central Electricity Retail Corporation	1 July 1997
All the business activities of DPI Forestry	DPI Forestry	1 July 1997
All the business activities of State Water Projects	State Water Projects	1 July 1997
All the business activities of CITEC	CITEC	1 July 1997
All the business activities of GOPRINT	GOPRINT	1 July 1997
All the business activities of Queensland Property Management (QPM)	Queensland Property Management (QPM)	1 July 1997
All the business activities of Project Services	Project Services	1 July 1997
All the business activities of Sales and Distribution	Sales and Distribution	1 July 1997
All the business activities of Cairns Port Authority	Cairns Port Authority	1 July 1997
All the business activities of Gladstone Port Authority	Gladstone Port Authority	1 July 1997
All the business activities of Mackay Port Authority	Mackay Port Authority	1 July 1997
All the business activities of Port of Brisbane Corporation	Port of Brisbane Corporation	1 July 1997
All the business activities of Ports Corporation of Queensland	Ports Corporation of Queensland	1 July 1997
All the business activities of Rockhampton Port Authority	Rockhampton Port Authority	1 July 1997
All the business activities of Townsville Port Authority	Townsville Port Authority	1 July 1997
All the business activities of Queensland Rail	Queensland Rail	1 July 1997
All the business activities of Road Transport Construction Service	Department of Main Roads	1 July 1997
All the business activities of Plant Hire Service	Department of Main Roads	1 July 1997
All the business activities of Queensland Investment Corporation	Queensland Investment Corporation	1 July 1997
All the business activities of North Queensland Electricity Corporation Limited	North Queensland Electricity Corporation	19 Sept 1997
All the business activities of the Bundaberg Port Authority	Bundaberg Port Authority	19 Sept 1997
All the business activities of Golden Casket Lottery Corporation Limited	Golden Casket Lottery Corporation Limited	19 Sept 1997

Staff Profiles

Project Managers

Richard Copp, BCom (Hons) BEcon LLB PhD (Economics)
Prior to joining the QCA, Dr Copp was a private consultant, advising a variety of government agencies and public companies in the areas of economics and finance. Prior to this, Dr Copp lectured in finance and accounting.

Jennifer Hocking, BEcon (Hons)
Ms Hocking worked in the Audit Commission Implementation Office (ACIO) before moving to the QCA. She was seconded to ACIO in July 1996 to assist in implementing economic reforms recommended by the Commission of Audit. Ms Hocking has previously worked in the microeconomics branch of Queensland Treasury, the Commonwealth Treasury and the Industry Commission.

Senior Analysts

Ross Culpitt, BEcon
Mr Culpitt is seconded to the QCA from the Department of Primary Industries where his role was to assess market structures and regulatory regimes under NCP principles. Prior to that, Mr Culpitt was in the Government Owned Enterprises Unit of the Queensland Treasury.

Louise Dwyer, BEcon MEcon St
Before joining the QCA, Ms Dwyer was a lecturer in economics. Ms Dwyer's career has been largely academic and she has taught extensively in the areas of economics, financial institutions management, and quantitative methods.

Keith Horsley, BEcon CPA
Mr Horsley joined the QCA from the Department of Mines & Energy where he was responsible for economic analysis on a range of pipeline operations. Before that, he carried out a range of financial and commercial consulting activities in both the private and public sectors.

Analysts

Luminita Baloi, BSc(Maths), GradDip StatOR
Before joining the QCA, Ms Baloi was a research analyst with the Royal Automobile Club of Victoria

and a forecasting officer with Eastern Energy in Melbourne. Ms Baloi is currently undertaking a masters degree in Data Analysis and Mathematical Modelling and postgraduate studies in Actuarial Studies.

Mark Bowden, BEcon BSc
Mr Bowden is seconded from the energy policy and planning division of the Department of Mines & Energy where he was an economic and financial analyst.

Craig Fenton, BEcon
Prior to joining the QCA, Mr Fenton was with the Office of the Co-ordinator General advising on major project developments, energy sector reforms and infrastructure provision and planning.

Darren Nelson, BEcon (Hons)
Mr Nelson joined the QCA from NSW Treasury where he worked in the areas of national competition policy as well as the financial analysis and agency relations management of government businesses and departments.

Matt Rodgers, BEcon
Mr Rodgers was previously in the structural policy division of the Commonwealth Treasury, where he worked on a range of competition policy issues. He has also held positions in the macroeconomic analysis area of the Commonwealth Treasury Department.

Tracie-Lee Waldock, BBus
Ms Waldock is a post-graduate student, currently studying for an Honours degree in economics.

Administration

Andria McKay, Executive Secretary
Ms McKay joined the QCA from the private sector where she had worked at an executive management level for the past five years, gaining considerable experience in computer software applications and office management procedures.

Catherine Stewart, Receptionist
Ms Stewart has worked in the private sector for four years as a Receptionist and has experience in secretarial duties.

Financial Statements

Operating Statement

for year ended 30 June 1998

	Notes	\$
OPERATING REVENUE		
Government Grant		2,300,000
Interest		33,779
Total Operating Revenue		2,333,779
OPERATING EXPENSES		
Members Fees	3	125,616
Staff and Related Costs	4	1,037,251
Other Operating Costs	5	438,225
Total Operating Expenses		1,601,092
OPERATING SURPLUS		732,687

This statement is to be read in conjunction with the notes to and forming part of the financial statements.

Statement of Financial Position

as at 30 June 1998

	Notes	\$
CURRENT ASSETS		
Cash	6	29,141
Investments	6	1,381,734
Receivables	7	21,640
Prepayments	7	30,852
Total current assets		1,463,367
NON CURRENT ASSETS		
Prepayments	7	7,757
Property, Plant & Equipment	8	930,408
Total non current assets		938,165
Total Assets		2,401,532
CURRENT LIABILITIES		
Creditors	9	62,115
Provisions	10	53,272
Total current liabilities		115,387
NON CURRENT LIABILITIES		
Provisions	10	73,679
Total non current liabilities		73,679
Total Liabilities		189,066
Net Assets		2,212,466
EQUITY		
Capital	11	1,579,027
Accumulated Result carried forward	12	633,439
Total Equity		2,212,466

This statement is to be read in conjunction with the notes to and forming part of the financial statements.

Statement of Cash Flows

for year ended 30 June 1998

	Notes	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Inflows:		
Operating Grant		2,300,000
Interest		33,779
		2,333,779
Outflows:		
Members Fees		(125,616)
Staff Related Expenses		(1,013,704)
Other Operating Costs		(383,701)
		(1,523,021)
Net cash used in operating activities	13(a)	810,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Outflows:		
Property, Plant & Equipment		(958,883)
Net cash used in investing activities	13(b)	(958,883)
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows:		
Establishment Grant from Government		1,559,000
Net cash provided in financing activities		1,559,000
Net increase in cash held		1,410,875
Cash at beginning of reporting period		Nil
Cash at end of reporting period	13(c)	1,410,875

This statement is to be read in conjunction with the notes to and forming part of the financial statements.

Notes To and Forming Part of the Financial Statements

for the year ended 30 June 1998

1: Objective

The Queensland Competition Authority (the "QCA") is a statutory body established under the *Queensland Competition Authority Act 1997*. Its aim is to perform specified services associated with national competition policy in Queensland. Broadly, the Authority is responsible for:

- subject to reference or declaration by the Ministers (the Premier and the Treasurer), undertaking prices oversight of monopoly or near monopoly Government business activities;
- receiving and investigating competitive neutrality complaints against significant government and local government business activities;
- accrediting significant Government and local government business activities as complying with the principle of competitive neutrality;
- overseeing and arbitrating third party access to infrastructure;
- undertaking such other activities relating to national competition policy as the Ministers may direct

2: Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with the *Financial Administration and Audit Act 1977* and the *Financial Management Standard 1997*.

As a statutory body under the *Financial Administration and Audit Act 1977*, the QCA is required to prepare general purpose financial statements in accordance with professional Statements of Accounting Concepts, Urgent Issues Group Abstracts and Australian Accounting Standards. Unless otherwise stated, the accounting policies have been consistently applied.

(b) Revenue and Expenses

The accrual basis of accounting has been used i.e. revenues are recognised when earned and expenses recognised when incurred.

(c) Leasing

Operating lease payments for the property lease are expensed during the period of expected benefit.

(d) Property, Plant & Equipment

Property, plant & equipment is included in the financial statements at cost less depreciation to date. Where assets are acquired, they are valued at their cost of acquisition, including all expenses incidental to the purchase and necessary to have the asset ready for use.

Items or components which form an integral part of an asset are recognised as a single asset.

In accordance with Queensland State Government's policy titled *The Recording and Valuation of Non-Current Physical Assets June 1997* in the Queensland Public Sector, the deprival value basis of accounting has been employed in preparing these financial statements. The revaluation threshold has been set at \$250,000.

Notes To and Forming Part of the Financial Statements (cont'd)

for the year ended 30 June 1998

(d) Property, Plant & Equipment

Depreciation of property, plant and equipment is calculated on a straight line basis based on estimated useful life. The following depreciation rates have been used:

Office Equipment:	Varying rates from 20% to 33%.
Computer Equipment:	33%.
Furniture & Fixtures:	Varying rates from 10% to 33%.

(e) Employee Entitlements

Liabilities for annual leave are based on current remuneration rates including related oncosts.

Liabilities for long service leave are recognised, and are measured, by the use of the shorthand method determined by the Queensland State Actuary in accordance with Accounting Policy Guideline No. 7 issued by the Queensland Treasury Department.

No liabilities are recorded for non-vesting sick leave, as it is expected that the sick leave taken in future reporting periods will not be greater than entitlements which are expected to accrue in those periods. The Authority has no vesting sick leave.

(f) Taxation

The Authority is exempt from the payment of income tax under section 24AQ of the *Income Tax Assessment Act 1936* and sales tax under Item 126A in Schedule 1 to the *Sales Tax (Exemptions & Classifications) Act 1992*.

(g) Superannuation

Contributions to superannuation meet the minimum requirements of the *Superannuation Guarantee (Administration) Act 1992*.

(h) Comparative Figures

As this is the Authority's first year of operation, no comparative figures are available.

3: Members' Fees

Members' fees are determined by the Governor in Council.

4: Staff and Related Costs

	1998
	\$
Salaries & related costs	800,225
Staff recruitment costs	172,066
Staff training costs	21,221
Other staff costs	43,739
Total	1,037,251

Notes To and Forming Part of the Financial Statements (cont'd)

for the year ended 30 June 1998

5: Other Operating Costs	1998
	\$
Occupancy Costs (Including operating lease rentals)	135,930
Consultancy Fees (Professional/Technical)	103,375
Depreciation	54,461
Information Technology Costs	41,496
Travel & Accommodation Costs	12,746
Auditor's remuneration	3,750
Other Costs	86,467
Total	438,225

6: Cash & Investments

Cash at bank and investments with Queensland Treasury Corporation (QTC) are deposited at call and can be redeemed at short notice at their face value. The effective rates of interest at 30 June 1998 were 3.75% pa and 5.24% pa respectively.

7: Receivables & Prepayments

These amounts are recorded at face value. The receivables and the majority of the prepayments have a short maturity. The Authority is not exposed to any known credit risk.

8: Property, Plant & Equipment	1998
	\$
Office Equipment at cost	92,685
Less: Accumulated depreciation	10,422
	82,263
Computer Equipment at cost	73,164
Less: Accumulated depreciation	14,222
	58,942
Furniture & Fittings at cost	819,020
Less: Accumulated depreciation	29,817
	789,203
Total	930,408

9: Creditors	1998
	\$
Audit Fees Payable	3,750
Trade Creditors	57,303
Accrued Expenses	1,062
Total	62,115

Creditors have short maturity and are recorded at their face value. No security has been given in support of them.

Notes To and Forming Part of the Financial Statements (cont'd)

for the year ended 30 June 1998

10: Provisions	1998
	\$
<i>Current</i>	
Employee entitlements accrued at the Authority	25,494
Employee entitlements related to prior public service employment	27,778
Total	53,272
<i>Non-Current</i>	
Employee entitlements accrued at the Authority	2,208
Employee entitlements related to prior public service employment	71,471
Total	73,679
11: Capital	1998
	\$
Establishment Grant	1,559,000
Contributed Assets	20,027
Total	1,579,027
12: Accumulated Result carried forward	1998
	\$
Operating surplus	732,687
Employee entitlements assumed	(99,248)
Total	633,439
13: Notes to the Statement of Cash Flow	1998
	\$
(a) Reconciliation of Operating Surplus to Net Cash Provided by Operating Activities	
Operating Surplus	732,687
Add Depreciation	54,461
<i>Changes in assets & liabilities</i>	
(Increase) in receivables	(21,640)
(Increase) in prepaid expenses	(38,609)
Increase in employee entitlements	27,703
Increase in creditors and accruals	56,156
Net Cash provided by Operating Activities	810,758
(b) Reconciliation of increase in Property, Plant & Equipment to Net Cash used in Investing Activities	
Property, plant & equipment (net) as at 30/6/98	930,408
Add Depreciation	54,461
<i>Changes in assets & liabilities</i>	
Equipment creditor at 30/6/98	(5,959)
Contributed assets	(20,027)
Net Cash used in Investing Activities	958,883
(c) For the purposes of this statement, cash includes cash at bank and investments. Cash at the end of the year as shown in the cashflows equals the cash and investments as disclosed in the balance sheet.	

Notes To and Forming Part of the Financial Statements (cont'd)

for the year ended 30 June 1998

13: Notes to the Statement of Cash Flow (cont'd)

(d) QCA has no unused credit, standby credit or loan facilities.

14: Operating Lease Commitments

1998
\$

The offices occupied by the Authority are subject to an operating lease which commenced on 16 February 1998 and expires on 15 February 2003.

Future operating lease rentals not provided for in the financial statements are payable as follows:

Not later than one year	202,770
Later than one year but not later than two years	202,770
Later than two years but not later than five years	573,459
Total	978,999

Rental expense included in the determination of the operating result	100,145
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15: Year 2000 Compliance

It has been the Authority's policy since its establishment that any part of its system that is critical to its on-going operations (including application systems, operating systems, hardware and other devices that rely on computer technology) be year 2000 compliant. The Authority's systems are year 2000 compliant and the Authority expects no issues to arise from the year 2000 problem. No contingent liability is considered necessary as systems are year 2000 compliant.

Claims relating to year 2000 problems are excluded from the Authority's insurance policies.

16: Contingent Liability

The Authority has no known contingent liabilities not disclosed elsewhere in the Notes.

Certificate of the Queensland Competition Authority

The foregoing financial statements have been prepared pursuant to section 40 of the *Financial Administration and Audit Act 1977* and other prescribed requirements. We certify that:

- (a) the statements together with the other information and notes to and forming part thereof are in the form required by the Treasurer and are in agreement with the accounts of the Queensland Competition Authority; and
- (b) in our opinion:
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) statements have been drawn up so as to present a true and fair view of the transactions and cash flows of the Queensland Competition Authority for the period 1 July 1997 to 30 June 1998, and of the financial position as at 30 June 1998.

.....
RM Wylie
Chairperson

.....
EJ Hall
Chief Executive Officer

Audit Certificate

Scope

I have audited the financial statement of the Queensland Competition Authority (QCA) for the year ended 30 June 1998 comprising the Operating Statement, Statement of Financial Position, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Chairperson and person responsible for financial administration as required by the *Financial Administration and Audit Act 1977*.

The QCA is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with *QAO Auditing Standards* to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures adopted have included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed accounting standards and other prescribed requirements so as to present a view which is consistent with my understanding of the entity's financial position, the results of its operations and cash flows.

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

Audit Opinion

In accordance with the provisions of the *Financial Administration and Audit Act 1977*, I certify that I have received all the information and explanations I have required in respect of the financial statements of the Queensland Competition Authority and, in my opinion -

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with the prescribed accounting standards and other prescribed requirements of the transactions of the Queensland Competition Authority for the financial year ended 30 June 1998 and of the financial position as at the end of that year.

EA Muir
Assistant Auditor-General – Audit
(as delegate of the Auditor-General)

Queensland Audit Office
Brisbane

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Executive

John Hall, Chief Executive Officer, Tel 3222 0555
Andria McKay, Executive Secretary, Tel 3222 0501

Corporate Services

Helen Harris, Director, Tel 3222 0505

Competitive Neutrality Complaints and Accreditations

Rick Stankiewicz, Director, Tel 3222 0510
Richard Copp, Project Manager, Tel 3222 0509

Third Party Access to Infrastructure

Ron McNamara, Director, Tel 3222 0504
Euan Morton, Director, Tel 3222 0506
Rick Stankiewicz, Director, Tel 3222 0510

Prices Oversight of Government Monopolies

Euan Morton, Director, Tel 3222 0506

Rail

Euan Morton, Director, Tel 3222 0506

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