



Annual Report 2010-11

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Chairperson's Introduction

This report gives details of the activities of the Queensland Competition Authority over the financial year 2010-11: in regulating Queensland's coal-export infrastructure (ports and rail), its electricity and gas markets, and the water sector.

The key event as far as the coal-export infrastructure is concerned was the public float of QR National as a vertically integrated entity comprising its above-rail coal-haulage business and the QR Network below-rail coal business. Prior to the float, the Authority approved a new access undertaking for the QR Network below-rail infrastructure. The undertaking includes strengthened provisions to ensure that QR National's ownership of the monopoly below-rail network is not used to inhibit competition in the contestable above-rail coal-haulage business. It also includes an investment framework that introduces an element of competition into the funding of network expansions by allowing the coal industry customers an option to fund expansions if they are unhappy with the funding conditions (including any margin over the regulated return on capital) that QR Network requires. The Authority is currently working with QR Network and its customers to put in place operational arrangements to activate the user-funding option in the undertaking's investment framework. The State regulatory regime for QR Network has been certified by the Commonwealth government (on the advice of the National Competition Council), as has been the regime for regulation of the Dalrymple Bay coal terminal.

The Authority's most prominent role in the electricity and gas markets is its annual adjustment of regulated retail electricity tariffs. For prices to apply in 2011-12, the Authority again used the Benchmark Retail Cost Index (BRCI) methodology. This led to moderate increases in the tariffs, due mainly to increases in network costs and in the costs of complying with renewable energy schemes. These drivers are largely outside the control of the Authority or of the local retailers.

In response to the recommendations of its 2009 review of electricity pricing and tariff structures, the Authority has now been directed to investigate and report on an alternative to the BRCI methodology using a N (network) + R (retail) approach, and to report on an alternative set of retail electricity tariffs which could be applied from 1 July 2012. To facilitate this, the Authority released an Issues Paper for public consultation in late June 2011.

The Authority's role in support of the government's water-sector reform initiatives, especially for South East Queensland, has not developed as far as I anticipated in my introduction to last year's Annual Report. But with retail prices currently indexed to the consumer price index, the Authority has retained responsibility for limited monitoring of the costs of the distributor/retailers and for recommending the prices to be paid by the Water Grid Manager for the supply of bulk water. Work also continued during the year on the major review of SunWater's rural water prices.

In my introduction to last year's Annual Report, I noted that the Authority was undertaking a review of its external and internal stakeholder relationships. This review was completed this year. In March 2011, Members approved a number of initiatives designed to improve the Authority's relationships with both external and internal stakeholders. These initiatives will be rolled out over the next 12 months with another stakeholder review to be set for 2012-13.

In closing, I would like to thank the Authority's employees and my fellow Members for their considerable efforts over the last year. I look forward to continuing to work with them in the challenging year ahead.

Brian R Parmenter
Chairperson
22 August 2011

The Authority

In Brief

In a properly functioning competitive market, a business is constrained by its competitors in the prices it may charge for comparable goods or services. If too high a price is charged, consumers are likely to buy from a competitor at a lower price. Alternatively, if the business is the only supplier and charges too high a price, a competitor will likely enter the market offering a lower, but still profitable, price.

It is not always possible or sensible to have competition in the provision of essential services which require significant capital investment. This is because there may be only one possible supplier [for example, there may be only one possible site for a dam] or it may not be economic to have more than one supplier.

In these cases, there are not the forces of competition available to constrain the behaviour of the respective businesses, which include water, transport and energy businesses. The role of the Authority is to put in place arrangements which will ensure that these businesses do not abuse the lack of competition.

The Authority seeks to do this in three main ways:

- using a practical business focus and economic theory, it attempts to ensure that the pricing and other arrangements surrounding monopoly businesses mimic a competitive market to the maximum extent possible and reasonable, so that consumers may access services at a price which is fair to them and at the same time provides the businesses with a fair investment return;
- ensuring that businesses may gain access to the infrastructure they need to enable them to compete in the market with an existing monopoly supplier. For instance, companies other than QR National may run trains on track owned by QR Network Pty Ltd, in the same way that Optus may provide telephone services over Telstra's copper wire network. As a result, coal mines are now able to choose the supplier which offers the best train service; and
- ensuring that government business activities which compete in the market with non-government business activities do so fairly and do not take unfair advantage of their government ownership, which may include that they may not need to obtain a fair return on their investment in order to remain in business.

The Full Picture

The responsibilities of the Authority, as set out in its legislation, are explained in more detail below:

Goals and Functions

Established as an independent Statutory Authority in 1997, the Authority's primary role is to ensure that key monopoly businesses operating in Queensland do not abuse their market power through unfair pricing or restrictive access arrangements.

In doing so, the Authority seeks to provide sensible, forward-looking solutions and recommendations which are capable of practical implementation and which facilitate compliance with the principles of national competition policy.

Responsibilities

In terms of its enabling legislation, the *Queensland Competition Authority Act 1997* (the QCA Act), the Authority's main responsibilities are:

Monopoly Prices Oversight

'Monopolies should not abuse their market power'

Monopoly prices oversight seeks to ensure that certain government and non-government monopolies or near monopolies do not charge excessive prices for their products or services. Such monopolies may have the ability to charge excessively either because no competitors exist or those that do are not effective.

Through the prices oversight process, the Authority either investigates the pricing practices of such monopolies or simply monitors their pricing practices. Which of these particular functions is performed depends on the referral the Authority receives from the Ministers responsible

for administering the QCA Act (currently the Treasurer and Minister for State Development and Trade and the Minister for Finance, Natural Resources and The Arts), as the Authority only performs these functions on request from the Ministers.

Third Party Access

'Essential infrastructure should be accessible to all potential users'

Third party access supports competition by enabling competitors (i.e. 'third parties') to access essential infrastructure which cannot be economically duplicated. Infrastructure which may meet this criterion includes electricity and gas distribution systems, water storage and distribution systems, rail tracks and port channels. Third party access enables competition to occur in related markets such as electricity and gas retailing and rail transport.

Competitive Neutrality

'Significant government business activities which compete with the private sector should do so fairly'

The principle of competitive neutrality requires that government business activities that are in competition with the private sector should not have a competitive advantage by virtue of their government ownership. This principle is limited, in so far as the Authority's responsibilities are concerned, to declared government business activities which have a competitive advantage by not being subject to one or more of the following: Commonwealth or State taxes and tax equivalent systems; debt guarantee fees; or the procedural or regulatory requirements of the Commonwealth, State or local governments.

The principle of competitive neutrality does not extend to competitive advantages arising from factors such as business size, skills, location or customer loyalty.

General Issues

Under section 10(e) of the QCA Act, the Ministers can direct the Authority to examine and report on any matter relevant to the implementation of competition policy.

In addition to its responsibilities under the QCA Act, the Authority has responsibilities under the *Electricity Act 1994*, the Electricity Industry Code, the *Gas Supply Act 2003* and the Gas Industry Code where it has responsibilities in relation to service quality and setting of retail electricity prices.

The Authority also has responsibilities under the *Local Government Act 1993* and the *Local*

Government Act 2009 with respect to the application of competitive neutrality principles by local government business activities.

In addition, the Authority has responsibilities under the SEQ Water Market Rules pursuant to the *Water Act 2000* in relation to the charges payable to bulk water suppliers for the supply of bulk water to SEQ distributor-retailers.

Legislative Changes

The QCA Act was amended in September 2010. The amendments to the third party access regime, contained in part 5 of the QCA Act, included strengthening the existing prohibitions against unfair differentiation by vertically integrated access providers as well as the Authority's ability to enforce compliance with the access regime.

The amendments also amended the process for extending the access regime to the services of new facilities or revoking and/or amending the coverage of that regime to facilities that have already been declared. In this regard, the QCA Act now provides for the Authority to consider applications for third party access to all infrastructure facilities that are of significance to the Queensland economy, not just those which are, or had been, government owned.

Application

In undertaking its roles, the Authority is currently working in the following areas:

- Ports
- Electricity
- Water
- Rail
- Gas
- Competitive Neutrality

Members of the Authority

Under the QCA Act, the Authority is to consist of at least three members, each of whom may be appointed for a term not exceeding 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.

Mr Brian Parmenter BA (Hons), MA

Chairman – Appointed in 2005, Mr Parmenter is a part-time consultant with Frontier Economics. Mr Parmenter previously held a number of executive positions with Tactical Global Management Ltd (TGM), a Brisbane-based funds management firm, and before that was Professor of Applied Economics in the Centre of Political Studies at Monash University, a member of the Monash University Council and Chairman of the TGM Board.

Mr Mark Christensen BBus MFM CPA FSIA

Deputy Chairman – Appointed in 2005, Mr Christensen is a consultant specialising in advice on financial analysis, valuation and capital structures issues. Until August 2009, Mr Christensen was a Senior Lecturer in the School of Economics and Finance at the Queensland University of Technology with over 25 years experience. Mr Christensen is actively involved in executive education within the broader business community and is also an author of finance texts.

Professor Justin Malbon LLB LLM PhD Barrister

Member – Appointed in 2001, Professor Malbon is at the Law School, Monash University. Professor Malbon previously held the position of Associate Professor at the Law School, Griffith University and is a former Dean of the Law School. Professor Malbon is a former Assistant Parliamentary Counsel with the Queensland Office of Parliamentary Counsel and a solicitor at the Melbourne office of Blake Dawson Waldron. Professor Malbon has been actively involved in the consumer movement for many years, holding positions as President of the Queensland Consumers' Association and as a member of the board of the Australian Federation of Consumer Organisations.

Ms Sally Pitkin LL.B, LL.M, FAICD

Member – Appointed in 2008, Ms Pitkin is a professional non-executive director. Ms Pitkin currently holds directorships with Super Retail Group Limited, UQ Holdings Pty Ltd, Export Finance and Insurance Corporation, CEDA and ASC Pty Ltd. Ms Pitkin is a former corporate partner with Clayton Utz lawyers and a Queensland Councillor of the Australian Institute of Company Directors.

Dr David Watson BCom (Hons) AAUQ MA PhD FCA FCPA

Member – Appointed in 2009, Dr Watson is the Chairman of Translational Research Institute Pty Ltd and a Director of Major Brisbane Festivals Pty Ltd. Dr Watson is a member of the Editorial Board of the Australian Accounting Review, the Board of Nominations of the Accounting Hall of Fame (USA) and the University of Queensland Finance Committee. Dr Watson is a former Cabinet Minister (Public Works and Housing) in the Queensland Government, and prior to that, was Professor of Accounting & Business Finance and Dean of the Faculty of Commerce and Economics at the University of Queensland.

Chief Executive

Mr E John Hall BCom BEcon MBA AAUQ FAICD

Mr Hall has been Chief Executive of the Authority since its inception in 1997. Mr Hall has extensive senior executive experience in the public and private sectors, including more than 20 years at chief executive level. Mr Hall is also an experienced company director, having held board positions, including those of Chairman and Deputy Chairman, with a number of public and private enterprises, including listed public companies and major statutory authorities. Mr Hall is currently a director of Sunshine Coast Destination Limited.

Senior Staff

Mr Paul Bilyk *BEcon(Hons)*

Director - Mr Bilyk has broad experience in the oversight of infrastructure industries, first at the Industries Assistance Commission and then at the Bureau of Industry Economics. Between 1996 and 2001, Mr Bilyk was a Director in the Australian Competition and Consumer Commission's Electricity Branch, where he was involved in a range of market design, third party access and regulatory projects. Mr Bilyk has headed the ports and rail team since he joined the Authority in 2001.

Mrs Robyn Farley-Sutton *BCom BEcon*

Director - Mrs Farley-Sutton joined the Authority in 2007 and has considerable experience in finance, human resource management, information technology and administration. Mrs Farley-Sutton held a similar position for four years at the Gold Coast Institute of TAFE and has worked in a variety of administrative and financial roles in the UK in the education, housing and financial sectors.

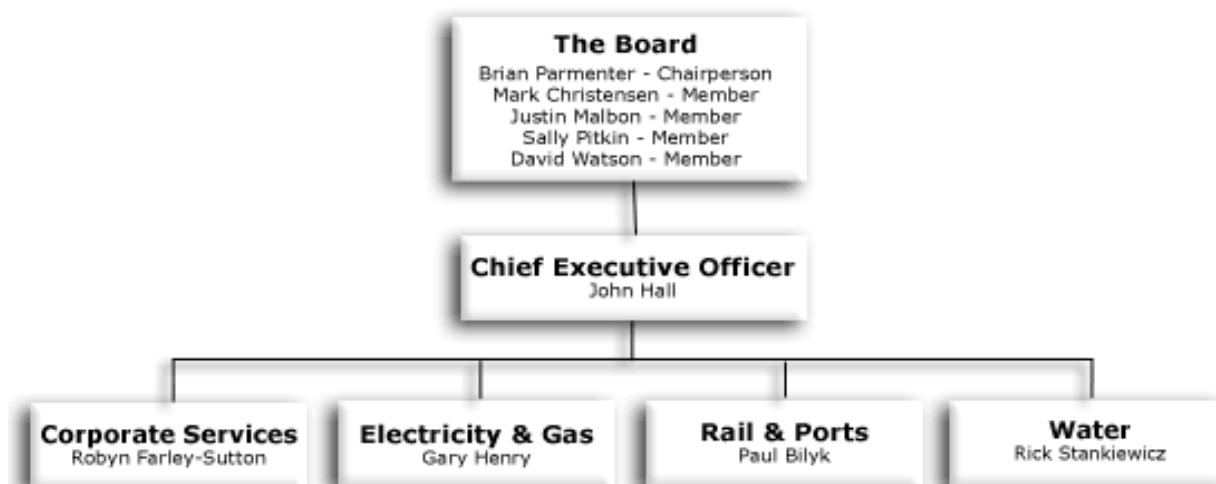
Mr Gary Henry *BCom(Econ)*

Director - Mr Henry joined the Industries Assistance Commission in 1984 and worked on a range of industry inquiries with the Commission. In 1990, Mr Henry moved to the Northern Territory Treasury where he held a number of senior positions before being appointed Deputy Under Treasurer in 1996. Mr Henry commenced as a Director with the Authority in 2000 when he assumed responsibility for the energy regulation issues covered by the Authority.

Mr Rick Stankiewicz *BEcon MEconStuds MProfAcc MBA*

Director - Mr Stankiewicz has been with the Authority since its inception in 1997. Prior to joining the Authority, Mr Stankiewicz was a Director of the Audit Commission Implementation Office, served as an advisor to the Commission of Audit and, prior to that, was a Director with Queensland Treasury. Mr Stankiewicz has considerable experience in micro-economic reform and industry policy.

Organisation Chart as at 30 June 2011



Electricity

In Brief

Retail

Under the *Electricity Act 1994* (the Electricity Act), the Authority is responsible for administration and enforcement of the Electricity Industry Code (the Electricity Code), which sets the framework for how the retail market is to function, and the calculation of the annual adjustment to regulated retail electricity prices. The Authority is also responsible for administering the Electricity (Retail Billing Guaranteed Service Level Scheme) Code (the Billing Code), which requires retailers to make specified payments to customers in circumstances where inaccurate bills have been issued and paid.

Distribution

As of 1 July 2010, the economic regulation of the distribution businesses of Energex and Ergon Energy transferred to the Australian Energy Regulator (AER).

However, the Authority retains a number of distribution related functions under the Electricity Code, including monitoring the distributors' performance against Minimum Service Standards (MSS) and payments made to customers for failing to meet Guaranteed Service Levels (GSL).

The Full Picture

Retail

All consumers are able to choose which retailer supplies their electricity. During 2010-11, the Authority undertook work in the following areas:

Adjusting Notified Prices for Non-Market Customers

Under the Electricity Act and a delegation from the Minister for Mines and Energy, the Authority calculated the Benchmark Retail Cost Index (BRCI) to be used to adjust regulated retail electricity prices (notified prices). Changes in the BRCI indicate changes in the estimated cost of providing electricity to retail customers.

The Authority commenced the process for determining the BRCI for 2011-12 with the release of an Interim Consultation Notice in September 2010.

The Authority released its Draft Decision in December 2010 and Final Decision in May 2011. The Final Decision was that the cost of supplying electricity was expected to increase by 6.6% between 2010-11 and 2011-12. The Authority

applied this increase to existing notified prices and gazetted the new electricity prices, to take effect from 1 July 2011.

Review of Regulated Retail Electricity Tariffs and Prices

In May 2011, the Authority received a Ministerial Direction Notice requiring it to conduct a further Review of Regulated Retail Electricity Tariffs and Prices. This review was requested in response to recommendations by the Authority in reports to Government as part of its 2009 review of electricity pricing and tariff structures.

The Ministerial Direction requires the Authority to investigate, and report on, an alternative retail electricity pricing methodology for the determination of the cost components under an N (network) + R (retail) approach. In addition, the Authority is required to report on an alternative set of retail electricity tariffs which could be applied from 1 July 2012.

The Authority released an Issues Paper for public consultation in late June 2011.

Price Comparator

The Authority continued to maintain a retail price comparator on its website. The price comparator, which averaged approximately 3,000 hits a month, allows retail customers to compare the prices of electricity and gas contracts generally available from energy retailers in Queensland.

Consumer Advisory Committee

A Consumer Advisory Committee (the Committee) advises the Authority on the performance of its functions under the Electricity and Gas Acts, including the making and amending of the respective Electricity and Gas Codes. The Committee, which is comprised of organisations that represent the interests of consumers, met on a quarterly basis throughout the year. Minutes from each meeting are published on the Authority's website.

Introduction of the Australian Consumer Law

The Australian Consumer Law (ACL) came into force in January 2011. The ACL is a national law for fair trading and consumer protection which affects some aspects of an energy entity's obligations in terms of its relationship with customers. The Authority identified areas of overlap or conflict between the ACL and the Electricity and Gas Codes, as well as any other changes needed to reflect the introduction of the new law.

The Authority released a Draft Decision in May 2011 proposing amendments to the Codes and

anticipates releasing its Final Decision in July 2011.

Miscellaneous Amendments to the Electricity Code

In May 2011, the Minister for Energy and Water Utilities advised the Authority of amendments to the Electricity Code which were required in light of a decision to relax the connection requirements for access to (off-peak) Tariff 33. Specifically, the change allows pool filtration equipment to be connected via a standard power point.

The Authority also made a number of other minor amendments, namely, changes requested by the Queensland Energy Regulator to reflect the sale and renaming of Country Energy and a number of administrative changes, such as updating organisation names and definitions.

The Authority released a new version of the Electricity Code, approved by the Minister, which will come into effect on 1 July 2011.

Administration of Retailer of Last Resort Scheme

The Authority is responsible for administering the Retailer of Last Resort (ROLR) scheme and has a number of guidelines and processes in place with the ROLR retailers and the Australian Energy Market Operator (AEMO) for when a ROLR event occurs.

Origin Energy is the designated ROLR for most electricity customers in Queensland. Country Energy was the designated ROLR for a small number of customers in southern Queensland until its retail business was sold to Origin Energy in March 2011.

At the Authority's request, Origin revised its ROLR plan following a review of the ROLR arrangements after the Jackgreen ROLR event in December 2009, and to reflect its purchase of Country Energy and other recent legislative changes.

Performance Monitoring

Under the Electricity Code and the Billing Code, retailers are required to report quarterly to the Authority on a range of matters, including the number of small customer disconnections and complaints and the number of GSL payments made. The Authority publishes this information on its website.

Enforcement Issues

To ensure compliance with the Electricity Code and the Billing Code, the Authority may take a variety of enforcement actions, ranging from informal letters to parties reminding them of their

obligations through to issuing code contravention notices.

The Authority considered a number of code contraventions by retailers during the year. In each instance, the Authority was satisfied that the relevant issue had been resolved satisfactorily and decided against taking further action.

Approval of Small Customer Enquiry Procedures

The Authority approved small customer enquiry procedures for retailers entering the Queensland retail electricity market.

Distribution

The AER assumed the role of overseeing the bulk of the regulatory arrangements for Queensland electricity distributors, Energex and Ergon Energy, from 1 July 2010.

However, under the Electricity Code, the Authority retains responsibility for a number of functions regarding the distributors, including performance monitoring and approval of network management plans, summer preparedness plans and Ergon Energy's Minimalist Transitioning Approach.

Performance Monitoring

Under the Electricity Code, the Authority monitors the performance of the distributors against MSS and the level of payments made to customers for failing to meet GSLs.

The distributors provide quarterly reports on their performance which the Authority publishes on its website. The Authority also publishes an annual assessment of performance.

Enforcement Issues

Ergon Energy failed to meet its MSS in 2008-09 and 2009-10. On the basis of past performance and the Authority's view that there was a reasonable possibility that Ergon Energy would again fail to meet its MSS in 2010-11, the Authority issued Ergon Energy with a warning notice in November 2010.

The warning notice indicated that failure to meet its MSS in 2010-11 may result in the Authority issuing a code contravention notice and, potentially, taking further action as allowed under the Electricity Act. Consequent to the warning notice, Ergon Energy has been providing additional quarterly information on its MSS performance during 2010-11.

Following concerns raised in 2008, the Authority also monitors performance of both distributors in completing standard service orders on time.

Network Management Plans (NMPs)

As required under the Electricity Code, the distributors submitted final NMPs in August 2010. The Authority was satisfied that these met the requirements of the Electricity Code.

Summer Preparedness Plans (SPPs)

As requested by the Authority under the Electricity Code, the distributors submitted final SPPs for the upcoming summer in August 2010, followed by reports detailing their compliance with those SPPs in March 2011. The Authority was satisfied that the SPPs and compliance reports met the requirements of the Electricity Code.

Minimalist Transitioning Approach (MTA) for Ergon Energy

The Electricity Code provides for Ergon Energy to operate under a MTA arrangement. This allows Ergon Energy extra time to process customer transfer information requests from retailers. As a result, Ergon Energy is able to operate a manual system rather than having to invest in a more expensive automated system when it is unlikely that there will be high demand for these services in its network area. The Electricity Code requires the Authority to annually review whether this arrangement should continue.

This year, the Authority conducted its fourth annual review and again concluded that there appeared to be no benefit in removing Ergon Energy's MTA provisions. Therefore, the MTA provisions will remain in place until the next annual review in 2011-12.

Development of Retail Credit Support Guidelines

Amendments to the Electricity Act and the QCA Act required the Authority to develop Guidelines for the credit support arrangements to apply between Queensland electricity retailers and distributors. The new arrangements were to replace those contained in the Coordination Agreement under the Electricity Code.

The Authority released a Draft Decision in September 2010. Stakeholder feedback provided general support for aligning the Guidelines with the National Energy Customer Framework (NECF). As the Government had committed to implement the NECF in Queensland by 1 July 2012, the Authority aligned the final Credit Support Guidelines, as closely as possible, to those present in the NECF.

The Authority released its Final Decision, including final Credit Support Guidelines in December 2010. A new version of the Electricity

Code incorporating the revised credit support arrangements was approved on 8 February 2011.

The Year Ahead

Retail

The Authority will continue to undertake a range of activities related to the retail electricity industry during 2011-12. As discussed earlier, a major task will be the Review of Regulated Retail Electricity Tariffs and Prices.

As in previous years, the Authority will continue to oversee the retailer reporting requirements under the Electricity and Billing Codes, monitor (and if necessary enforce) retailer compliance with those Codes and maintain the retail electricity price comparator on its website. The Authority will also amend the Electricity Code to reflect the commencement of the ACL and make other amendments as necessary.

Distribution

Under the Electricity Code, the Authority will continue to monitor performance against the MSS and the level of GSL payments, the preparation of the NMPs and SPPs, as well as administer the new Credit Support Guidelines to apply between electricity retailers and distributors.

Gas

In Brief

The retail gas market is fully deregulated. However, during 2010-11, competitive customer activity was limited to three retailers active in the market.

The Authority has a number of prescribed functions under the *Gas Supply Act 2003* and the Gas Industry Code (the Gas Code) and retains a number of compliance monitoring, enforcement and reporting functions under the Gas Code.

The Full Picture

During the year, the Authority continued to monitor Queensland gas retailers' compliance with the Gas Code. In discharging its responsibilities in 2010-11, the Authority was active in the following areas:

Customer Transfer Statistics

The Authority continued to monitor developments in the competitive market. AEMO recorded 22,081 customer transfers in the 12 months to 30 June 2011.

Price Comparator

The Authority continued to maintain an online retail price comparator to allow retail customers to compare the prices of electricity and gas contracts generally available from energy retailers in Queensland.

Consumer Advisory Committee

As outlined earlier, a Consumer Advisory Committee (the Committee) advises the Authority on the performance of its functions under the Electricity and Gas Codes. Minutes from each quarterly meeting of the Committee are published on the Authority's website.

Introduction of the Australian Consumer Law

The introduction of the ACL required amendments to the Electricity and Gas Codes to eliminate potential areas of overlap or conflict.

The Authority released its Draft Decision in May 2011 outlining its proposed amendments and anticipates releasing its Final Decision and the revised Gas Industry Code in July 2011.

Performance Monitoring

Under the Gas Code, retailers are required to report quarterly on a range of matters, including the number of small customer disconnections and complaints. The Authority publishes this information on its website.

Enforcement Issues

The Authority considered one Gas Code contravention issue during the year. Based on the information available, the Authority decided against taking further action.

The Year Ahead

Retail

While AEMO and the AER are primarily responsible for regulation of the Queensland gas market, the Authority will continue to monitor and enforce retailers' compliance with the Gas Industry Code, maintain the retail price comparator and make amendments to the Gas Code as necessary.

During 2011-12 the Authority will continue to report on the development of the retail gas market in Queensland.

Rail

In Brief

On 1 July 2010, the Queensland Government split QR Ltd into two separate companies. QR National operates a rail freight business and, through its wholly owned subsidiary QR Network, the coal network in central Queensland. QR National was privatised on 22 November 2010. Queensland Rail, which remains a State Government Owned Corporation, operates the state's passenger trains and the rail network outside central Queensland.

Both network operators must allow third party train operators to use their networks in accordance with Part 5 of the QCA Act.

On 1 October 2010, the Authority approved QR Network's 2010 access undertaking. The undertaking sets out the general terms and conditions for the negotiation of access agreements for coal train services in central Queensland. It contains reference tariffs, and outlines the mechanism for variations to reference tariffs, for these services. The current access undertaking is scheduled to expire on 30 June 2013.

Queensland Rail's below-rail network is still subject to the 2008 QR Network access undertaking which is scheduled to expire on 30 June 2012.

The Full Picture

The two rail access undertakings set out the terms and conditions under which each of QR Network and Queensland Rail will provide access to the relevant parts of its rail (track) infrastructure. The undertakings identify the railway managers' obligations including access negotiation frameworks, ring-fencing and reporting requirements. They also set out reference tariffs, and the mechanism for varying reference tariffs, for coal train services in central Queensland and on the western system.

QR Network's 2010 Access Undertaking

During the first quarter of 2010-11, the Authority continued its assessment of the draft access undertaking (DAU) that QR Network submitted on 15 April 2010 (the 2010 DAU), which was intended to replace the 2008 undertaking. The Authority had received submissions from 11 stakeholders in response to the 2010 DAU.

Following the Authority's release of its draft decision on the pricing elements of the 2010 DAU

in June 2010, the Authority focussed on non-pricing issues and, in particular, those issues that the Authority must face in regulating a privatised vertically integrated entity that operates above-rail coal train services on the below-rail infrastructure that it also owns and operates.

The Authority recognised that, under private ownership, the primary, and quite legitimate, responsibility of QR National's management would be to run the company in the interests of its shareholders. This elevated the importance of the Authority's role in promoting competition in markets that depend on access to QR Network's monopoly below-rail infrastructure. Principal amongst these are the above-rail coal haulage market and the coal market itself.

On 21 September 2010, the Authority released its final decision on the 2010 DAU. The final decision was to not approve the 2010 DAU. A prime motivation for the final decision was the Authority's view that it should seek to constrain the incentive that the vertically integrated QR National would have to use its ownership of the monopoly below-rail infrastructure to enhance the prospects of its above-rail business relative to actual or potential third-party competitors. The Authority considered that transferring of monopoly power in this way would not be compatible with competition policy and the requirements of the QCA Act.

The final decision proposed a number of amendments to the 2010 DAU to address the Authority's and stakeholders' concerns with QR Network's 2010 DAU. In particular, of primary importance for:

- *rival train companies* - amendments imposing stronger ring-fencing arrangements, more transparent decision making, better public and regulatory reporting, more equitable access arrangements for all access seekers, more rigorous regulatory auditing requirements and less potential for anti-competitive cost shifting; and
- *the coal industry* - amendments relating to the provision of capacity, whether that be through efficient maintenance practices or a framework to facilitate the expansion of the coal network in the face of increasing overseas demand for Queensland coal.

While this decision adopted a finalised position on many of these elements, it also provided for processes embodied in the 2010 undertaking to finalise the detail of a range of matters including

the investment framework, revised standard access agreement and performance incentives.

On 22 September 2010, QR Network submitted a further DAU (the September 2010 DAU) that complied in all material respects with the final decision. On 1 October 2010, the Authority approved the amended September 2010 DAU, which now constitutes QR Network's 2010 access undertaking.

The Authority conducted a short public consultation process in relation to the September 2010 DAU and received three submissions in response. These submissions did not object to the Authority approving the September DAU, but identified a number of outstanding matters that were not fully settled and which stakeholders believed the Authority and QR Network needed to continue working to resolve. These included the investment framework and arrangements for user funding of infrastructure investments, conduct of capacity assessments and development of supply chain operating assumptions.

QR Network's Standard User Funding Agreement (SUFA) and Investment Framework Amendments

QR Network's 2010 access undertaking required QR Network to submit, by 1 January 2011, a proposed SUFA and amendments to the 2010 undertaking that it considered reasonably necessary to fully implement the undertaking's investment principles.

QR Network submitted a proposed SUFA and accompanying draft amending access undertaking (2010 DAAU) to the Authority on 24 December 2010. However, the DAAU did not fully comply with the requirements of the 2010 undertaking. As a consequence, the Authority elected to exercise a power in the undertaking enabling it to draft its own SUFA and investment framework amendments. The Authority has commenced working on these items.

QR Network's DAAU

The Authority also continues to assess the 2010 DAAU, including amendments that are not related to the SUFA or investment principles.

QR Network's Reference Tariffs

QR Network's 2010 undertaking provides for an annual review of reference tariffs for the central Queensland coal region. This process allows reference tariffs to be varied to account for revised volume forecasts, under- or over-recovery of revenue in the previous year and differences between actual and forecast maintenance and

operating costs. In June 2011, the Authority approved a QR Network proposal that provides for an average 10% increase in tariffs – primarily driven by reduced volume forecasts due to the on-going impact of flooding in central Queensland.

QR Network's Master Planning

QR Network's 2010 access undertaking provides for the Authority to pre-approve the scope of QR Network's future capital expenditure if the nature of the work is detailed in a master plan and at least 60% of affected customers do not oppose the scope of the works.

In February 2011, QR Network completed a customer vote process for projects valued at over \$1.4 billion. Projects valued at around \$350 million in the Goonyella and Blackwater systems received the required level of customer support and the Authority approved QR Network's application for pre-approval of scope of these projects in May 2011. Projects valued at around \$1.1 billion in the Newlands system failed to receive the required 60% customer support and the scope of these projects will now require review by the Authority.

Assessing QR Network's Capital Expenditure

In October 2010, QR Network submitted a proposal to include \$309.2 million of 2009-10 capital expenditure in its regulated asset base. Of this, \$193.5 million was claimed for the Jilalan rail yard project, which is a joint above-rail/below-rail project constructed at a total cost of \$488.7 million. QR Network has not yet been able to justify its proposed allocation of costs between the above-rail and below-rail aspects of the project. The Authority's assessment of it is continuing.

Queensland Rail

Queensland Rail was formed on 30 June 2010 as a government-owned business to own and manage the assets outside central Queensland, which the government did not sell in its privatisation of QR National. Queensland Rail provides passenger train services in the state and also operates the track network in South East Queensland, the western system and the Mount Isa and north coastal lines. Queensland Rail is, therefore, vertically integrated only with respect to its provision of passenger services.

Queensland Rail is currently regulated under the 2008 undertaking the Authority approved for QR Network, as amended in June 2010 to include new tariffs for western system coal train services. The undertaking applies to Queensland Rail through a

transfer notice published by the Queensland Government in June 2010 as part of the restructuring of QR Ltd prior to the privatisation of QR National. The transfer notice also exempts Queensland Rail from aspects of the 2008 undertaking that are not relevant as it is no longer vertically integrated in providing above-rail freight services.

On 19 May 2011, the Authority approved a DAAU to extend the term of the 2008 undertaking until 30 June 2012.

The Year Ahead

QR Network

The Authority will finalise the SUFA and accompanying investment framework amendments to QR Network's 2010 undertaking in 2011-12. The SUFA will provide a mechanism for coal miners to invest directly in extensions of the central Queensland network as a genuine alternative to investment by QR Network. The Authority believes that the SUFA will facilitate efficient investment in coal rail infrastructure, both by enabling users to invest themselves, constraining QR Network's ability to demand excessive returns for its own investments.

The Authority will also address a number of other matters that remain outstanding from the 2010 undertaking approval process. These include the Authority's assessments of QR Network's obligations in relation to: conducting detailed capacity assessments of the coal rail infrastructure in central Queensland; developing underlying system rules and operating assumptions; developing alternative standard access agreements that would make it easier for a mining company to directly enter into access agreements; developing an effective incentive mechanism; and preparing a network condition report.

The Authority also expects to undertake substantial work in 2011-12 in relation to the rail infrastructure investment that is proposed to support the Wiggins Island Coal Export Terminal (WICET) development. This work is likely to focus on assessing any agreement entered into between QR Network and users and a potential application for pre-approval of scope of the investment.

Queensland Rail

The Authority anticipates that, during 2011-12, Queensland Rail will submit a DAU to replace its 2008 undertaking with a new undertaking designed to meet its own particular circumstances.

Ports

In Brief

The coal handling services at the Dalrymple Bay Coal Terminal (DBCT) are declared for third party access under the QCA Act.

During 2010-11, the Authority approved the 2010 DBCT Access Undertaking which sets out terms and conditions for access to DBCT. The Authority also finalised its review of the costs of expanding DBCT to 85 million tonnes per annum (mtpa).

The Authority separately determined that it did not have jurisdiction to consider an application for declaration of the vehicle import service at the Fisherman Islands Cargo Terminal, located at the Port of Brisbane.

The Full Picture

2010 DBCT Access Undertaking

The coal handling services at DBCT are declared under the QCA Act for the purpose of third party access.

In September 2010, the Authority approved the 2010 DBCT access undertaking, which replaced the 2006 undertaking that expired on 31 December 2010.

The 2010 undertaking sets out the terms and conditions under which DBCT Management will provide access to the terminal for 5.5 years from 1 January 2011.

A key factor in the Authority's consideration of the 2010 undertaking was that it was submitted as a negotiated package of arrangements between DBCT Management and the terminal's users. That is, while not agreeing on every aspect of the submitted undertaking, all parties did accept that it reflected a reasonable balance of the interests of all parties.

It is noted that the undertaking:

- largely rolled forward the previous regulatory arrangements, including key components of the reference tariff – but with adjustments for time-sensitive parameters such as the risk-free rate and debt margin; and
- included for the first time provisions to improve the operation of the DBCT coal supply chain with a view to better matching rail and terminal expansions. This included obliging DBCT Management to: contribute to the development of a system master plan; avoid entering into access agreements that

would result in contracted tonnages exceeding system capacity; and compress contract entitlements where a capacity expansion actually delivered less system capacity than estimated. These features are also reflected in the QR Network's 2010 undertaking.

The Authority was able to complete its consideration of the DBCT 2010 undertaking well within the statutory target of six months, as many of the contentious matters had been settled between DBCT Management and the terminal's existing users prior to its formal submission to the Authority. The Authority's review, therefore, focussed on both the public interest and the likely interests of future access seekers that were not involved in the pre-submission negotiations.

Finalisation of DBCT Expansion Capital Expenditure

In August 2010, the Authority finalised its approval of the engineering costs for the phase 2/3 expansion of DBCT capacity from 68 to 85 mtpa.

This was followed by the Authority's approval, in September 2010, of the formal inclusion of \$836 million into the regulated asset base for these finalised expansion costs. This decision also included the Authority's approval of a consequential increase in the terminal's regulated revenues and tariff.

Non-expansion Capital Expenditure

In February 2011, DBCT Management sought to amend its 2010 undertaking to include streamlined provisions for the Authority's approval of non-expansion capital expenditure (NECAP). These involved removing the need for the Authority to assess the prudence of the works if they are limited in scope (i.e. less than \$20 million per annum) and have been agreed to by both the terminal's operator and terminal's users. The amendment was approved by the Authority in March 2011.

Subsequently, the Authority used this process in June 2011 to approve DBCT Management's application to adjust its revenues and tariff for \$18 million in previously completed NECAP works.

Roll-forward

The undertaking provides for the Authority to annually approve the roll-forward of the terminal's regulated revenues and tariff to account for the impact of inflation. In May 2011, DBCT Management submitted, and the Authority approved, an increase in the terminal's tariff.

As a result, on 1 July 2011, the reference tariff for DBCT was \$2.9016/tonne.

Port of Brisbane - FCAI Application

With the agreement of all parties, the Authority suspended its consideration of an application by the Federal Chamber of Automotive Industries (FCAI) for declaration of the vehicle import services provided at the Fisherman Islands Cargo Terminal within the Port of Brisbane in July 2010, given pending amendments to the QCA Act. Following amendments to the QCA Act effective September 2010, the Authority recommenced its consideration of the application.

In April 2011, the Authority released its decision that the vehicle import service was not a candidate service and, therefore, the Authority did not have jurisdiction to consider the matter any further.

The Year Ahead

Given the continued demand for Queensland coal exports, DBCT Management is actively considering options to expand throughput at DBCT. The Authority may therefore receive an application to review the scope of potential terminal expansion during 2011-12.

The Authority also expects to be involved in ongoing matters regarding improvements of the Goonyella coal chain.

Water

In Brief

The Ministers accepted the recommendations contained in the Authority's Final Report regarding the pricing practices of the Gladstone Area Water Board (GAWB) to apply for 2010-15.

The Authority conducted interim price monitoring of South East Queensland (SEQ) water and wastewater distribution and retail businesses for 2010-11.

The Authority released its Draft Report in May 2011 recommending Grid Service Charges (GSCs) to apply to bulk water suppliers in SEQ for 2011-12. The Final Report will be provided to the Minister in July 2011.

The Authority also continued an investigation into the irrigation prices to apply to 22 SunWater water supply schemes from 2013 to 2017.

The Full Picture

GAWB

The declared monopoly business activities of GAWB were referred to the Authority for an investigation into the pricing practices to apply for 2010-15.

The Authority's Final Report was provided to the Ministers on 30 June 2010.

In December 2010, the Ministers accepted all of the recommendations contained in the Authority's Final Report.

Monitoring of SEQ Water Retailers

The monopoly distribution and retail water and wastewater business activities of Queensland Urban Utilities, Allconnex Water and Unitywater were referred to the Authority for price monitoring from 1 July 2010 to 30 June 2013. Under the referral, the Authority must:

- provide timely and transparent information to customers about the costs and other factors underlying the annual increase in water and wastewater prices, including distinguishing the bulk and distribution/retail components;
- monitor the revenues of each activity over the period, based on the total costs of carrying on the activity; and

- advise the entities by 1 March 2011 and 1 March 2012 of the Weighted Average Cost of Capital (WACC) benchmark it will consider in 2011-12 and 2012-13 respectively.

The Authority released a Draft Report for 2010/11 in January 2011 and provided advice on the WACC benchmark by mid-March 2011. The 2010-11 Report was finalised by 31 March 2011.

The Authority also revised the information requirements for price monitoring and published these in March 2011.

On 7 April 2011, the Queensland Government announced that annual increases in water distribution and retail and sewerage prices would be capped at CPI for two years commencing 1 July 2011.

Following this announcement, an amended price monitoring Direction was received on 29 June 2011. This amended Direction requires the Authority to undertake annual price monitoring investigations from 1 July 2011 to 30 June 2013 and to:

- monitor the change in prices of distribution and retail water and wastewater services for households and small business customers having regard to the CPI price limit as described in the *South East Queensland Water (Distribution and Reform) Act 2009*; and
- monitor the change in prices for water and wastewater services not included in the CPI price limit as described in the *South East Queensland Water (Distribution and Reform) Act 2009* having regard to the change in revenue from these services compared to the change in the total prudent and efficient cost of carrying on the relevant activity.

Bulk Water Grid Service Charges – SEQ

Grid Service Charges (GSCs) are paid by the Water Grid Manager to the Grid Service Providers (GSPs), which include Seqwater, WaterSecure and LinkWater, for the provision of declared water services (essentially the supply of bulk water to SEQ water retailers).

Pursuant to the SEQ Water Market Rules (the Market Rules), in February 2011, the Authority was directed by the Minister to investigate and recommend GSCs for 2011-12, as well as a process for adjustments to the GSCs, including Review Thresholds. The Authority was required to accept a framework for the review which included directions regarding the regulatory asset base and the rate of return.

Essentially, the Authority was required to assess the prudence and efficiency of new non-drought capital expenditure and post-commissioning drought capital expenditure, as well as the efficiency of fixed and variable operating costs. Drought related capital expenditure was to be accepted as prudent and efficient and rolled into the asset base at project cost.

The Authority released its Draft Report on 30 May 2011.

Irrigation Prices for SunWater Schemes

In March 2010, the Ministers directed the Authority to recommend irrigation prices to apply to 22 SunWater water supply schemes (WSS) from 1 July 2011 to 30 June 2016, later amended to 1 July 2012 to 30 June 2017.

The recommended prices are to take account of SunWater's level of service, the prudence and efficiency of SunWater's proposed asset renewal and operating costs for each WSS and SunWater's administration costs.

In recommending prices or price paths, the Authority is to consider the impact of price rises on customers, SunWater's revenue adequacy and the Government's policy that prices are not to decrease in real terms.

The Authority has undertaken two rounds of consultation with irrigators and other stakeholders in each of the WSSs to identify the issues relevant to each scheme.

The Authority prepared a range of Issues Papers to provide a basis for stakeholder comment.

In 2011, the Authority engaged consultants to review SunWater's proposed costs and allocation methodologies.

The consultants' draft reports were published by the Authority in March 2011 to provide a basis for the further submissions from stakeholders. These were completed in June and have been circulated to stakeholders.

The Year Ahead

Monitoring of SEQ Water Retailers

The Authority has been directed to monitor the prices to apply in 2011-12 to the SEQ monopoly distribution and retail water and wastewater activities.

Bulk Water Grid Service Charges – SEQ

The Authority has been advised that it will be directed to investigate and recommend Grid Service Charges to apply for 2012-13.

Irrigation Prices for SunWater Schemes

A Draft Report and Draft Prices are due by 31 October 2011.

Once the Draft Report and Draft Prices are published, the Authority will hold further consultations with stakeholders as part of its consideration of this matter.

A Final Report is due by 30 April 2012.

The Authority's recommendations are intended to inform the Government's decisions regarding SunWater price paths from 1 July 2012 to 30 June 2017.

Local Government

In Brief

During the year, the Authority provided independent advice on the appropriateness of the costs incorporated in local government infrastructure charges schedules (ICSs).

However, following a decision by the Government to introduce maximum standard charges for residential development, the Authority has now ceased this role

The Full Picture

Infrastructure Charges

The *Sustainable Planning Act 2009* (the Act) provides for the Minister for Planning to seek advice from the Authority about a local government's ICS. In accordance with the Act, the Authority was asked to advise on the 'appropriateness' of the establishment costs of trunk infrastructure identified by a local government in its priority infrastructure plan (PIP).

Trunk infrastructure that the Authority was required to review included networks for urban and residential water cycle management (water supply, sewerage and stormwater), transport (roads, public transport corridors and public parking facilities), and public parks and land for community facilities.

During the year, work was undertaken on ICSs for Caloundra; Maroochy; Redcliffe; Emerald; Townsville; Thuringowa; Esk; Bundaberg; Burnett; Brisbane; Redland; Douglas; Ipswich and Noosa.

Following a review by the Infrastructure Charges Taskforce established by the State Government, maximum standard charges were introduced for residential development, determined by the State Government, set for three years and escalated annually.

As a result, the Authority has ceased its role of assisting the Department of Infrastructure and Planning to assess ICSs.

Competitive Neutrality

In Brief

There should be a level playing field when government departments and agencies seek to compete with the private sector.

They should not get an unfair advantage or suffer an unfair disadvantage solely as a result of their government ownership or control.

The Full Picture

Although the Authority continued to receive enquiries about competitive neutrality matters during 2010-11, breaches of the principle of competitive neutrality are difficult to sustain under the definition of the principle of competitive neutrality in the QCA Act.

No formal complaints were received and no formal investigations were undertaken.

Under the *Local Government Act 2009*, the Authority may be asked to mediate in respect of Competitive Neutrality complaints.

The Authority was notified in June 2011 of two possible cases in which it may be asked to mediate under the Local Government Act (rather than the QCA Act).

The Year Ahead

In 2011-12, the Authority will continue its consideration of these two cases and investigate if necessary.

The Authority has no influence on the number or timing of the complaints it receives.

Corporate Matters

Corporate Governance

The Authority places great emphasis on corporate governance. Management, under the guidance of Authority members, has implemented an administrative framework which ensures that the Authority is managed in an effective and efficient manner.

A range of policies and procedures have been developed to ensure that assets are safeguarded and that proper financial and accounting records are maintained. These policies are regularly reviewed as part of a rolling system of appraisals.

After its staff, information and knowledge are the Authority's most valuable assets. Accordingly, emphasis has been placed on the management and protection of this information, as well as the maintenance of confidentiality where appropriate.

Particular attention is paid to possible conflicts of interest with, amongst other things, members and staff absenting themselves from all deliberations where conflicts of interest, real or perceived, may arise.

The Authority's Code of Conduct, approved by the Minister for Finance, and its associated processes and procedures are based on the core public sector values of integrity and impartiality, promoting the public good, commitment to the system of government, and accountability and transparency. Staff and Members have received training on the Code of Conduct and are aware of their requirement to behave in accordance with the highest ethical standards.

The Authority annually reviews its major risks including physical, employee practices liability, financial, information protection and reputation risks.

Stakeholder Relationship Survey

In June 2010, the Authority engaged a consultant to undertake a study of external and internal stakeholder perceptions of its performance.

External stakeholders were selected from key industries and included the Authority's specialist services providers. In general, stakeholders who took part in the survey indicated their satisfaction with the Authority's decision processes and generally trusted that the Authority would treat them fairly and justly. Most described the Authority as well respected and reported that their relationship with it had improved over time.

Internal stakeholder reviews were conducted in December 2010 with staff confirming that they

perceive the Authority as an organisation that is professional, provides good access to training and resources and performs its functions well. Staff also provided a number of suggestions on how to improve communications within the Authority, opportunities to extend the Authority's services and improve internal processes.

In March 2011, Members approved a number of initiatives designed to improve the Authority's relationships with both external and internal stakeholders. These initiatives will be rolled out over the next 12 months with another stakeholder review to be set for 2012-13.

Public Interest Disclosure Act 2010

With the repeal of the *Whistleblowers Protection Act 1994* and the introduction of the *Public Interest Disclosure Act 2010* (PID Act) on 1 January 2011, the way in which public interest disclosures are to be publically reported has changed.

From 1 January 2011, agencies are no longer required to report public disclosures in annual reports. Rather, agencies are required to report information about public interest disclosures to the Public Service Commission (PSC), with the PSC preparing an annual report on the operations of the PID Act and the information provided by agencies.

The Authority received no disclosures under the *Whistleblowers Protection Act* for the period 1 July to 31 December 2010.

Financial Position

Detailed financial statements are included in a later section of this report. The Authority's total expenditure amounted to \$13.9 million with the major items of expenditure being salaries (\$7.5 million) and payments for specialist advice (\$4.0 million).

The expenditure incurred by the Authority in undertaking its duties and responsibilities was within budget.

Expenditure, including performance against budget, is reported monthly to Authority Members. The Authority is a cost effective regulator.

Fees

In June 2010, the Government approved changes to the QCA Regulations which extended the Authority's ability to charge fees.

In September 2010, the Authority introduced a new fee charging framework. Fees are charged for general regulatory services provided to a regulated entity based on the Authority's estimate

of the annualised actual cost of performing the functions in respect of that entity over a five-year period.

Fees are smoothed over a five-year period in order to minimise annual variability in the fees regulated entities are charged by the Authority for performing the functions.

Fees are reviewed annually, on a financial year basis, while ever the Authority has an ongoing regulatory role, and are payable quarterly. If at any time it becomes evident that the annual fee is significantly greater or less than the actual cost of providing general regulatory services, the Authority will review the annual fee charged and will take this under- or over-recovery into account.

Fees charged for regulatory services can be passed directly through to end-users as the beneficiaries of regulation.

Fees are also chargeable for the provision of arbitration or mediation services in respect to access disputes, including access determinations, and water supply disputes, including water supply determinations. These fees can be shared between the parties as determined by the Authority and will not necessarily be passed through to end-users. No such fees were levied during 2010-11.

The Authority received an additional grant of \$3 million to support the review of irrigation prices for SunWater schemes.

Funding from the Department of Infrastructure and Planning to the Authority to provide services in respect of the review of Council ICSs ceased following the change in the Government's approach to infrastructure charges outlined earlier.

Environmental Statement

The Authority maintains an environmentally friendly workplace. Office waste is recycled wherever possible and recycled toners are used where compatible with office equipment. Energy consumption has been minimised by the use of a number of lighting zones within the office, the use of out-of-hours safety lighting and reversible switching. Water saving devices have been retro-fitted to all Authority kitchens and shower areas.

Air-conditioning for the Authority's offices is operated and maintained by building management and therefore falls outside the Authority's control. However, the Authority's offices are zoned in an attempt to minimise out-of-hours consumption. Building management

has also confirmed that the level of risk due to Asbestos is low.

Right to Information/Information Privacy

The Authority is subject to the provisions of Right to Information (RTI) and Information Privacy (PI) legislation. In October 2010, the Authority, along with the Department of Environment and Resource Management was requested to provide specific documents in respect of SEQ Water prices. The requested documents were not in the possession of the Authority and the applicant was advised accordingly. No other formal requests were made to the Authority under either the *Right to Information Act 2009* or *Information Privacy Act 2009*.

Record Keeping

In maintaining its records, the Authority complies with the provisions of *Public Records Act 2002*, Information Standard 40 (Recordkeeping) and Information Standard 31 (Retention and Disposal of Public Records).

Other Legislative Requirements

All decisions of the Authority during the 2010-11 year were consistent with the requirements of the *Carers (Recognition) Act 2008*.

Equal Employment Opportunities

The Authority supports the principles underlying equal employment opportunities and actively ensures that these principles, the principles of anti-discrimination and the avoidance of sexual harassment and bullying, are adhered to in the Authority's work environment.

To the extent practicable, the Authority supports part-time work, flexible working hours and the ability to work from home.

Staffing Levels

The number of staff employed by the Authority as at 30 June 2011 was 51 (50.4 FTE). For the financial year ended 30 June 2011, the Authority had a permanent retention rate of 77% and a permanent separation rate of 24%.

The staffing levels of the Authority are based on the Authority's annual operational plan. In addition, the Authority engages consultants or contract staff for specialist advice and, if necessary, to meet peak activity demands.

All staff are required to attend a corporate induction program when they first join the Authority. Each year, staff are formally reviewed and their individual training plans updated and adjusted as necessary. All staff are encouraged to keep their skills current and must attend at least two days of professional training each year.

The Authority supports a healthy life/work balance and to that end encourages staff to take recreation leave on a regular basis.

Meetings of the Authority

Fourteen meetings of the Authority were held during 2010-11.

	<i>Scheduled Meetings</i>		<i>Special Meetings</i>	
	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>
Brian Parmenter	12	11	2	2
Mark Christensen	12	11	2	2
Justin Malbon	12	12	2	2
Sally Pitkin	12	11	2	2
David Watson	12	12	2	2

Staff Statistics as at 30 June 2011

	<i>Total Staff</i>	<i>Male</i>	<i>Female</i>	<i>NESB ^(a)</i>	<i>A&TSI ^(b)</i>
Chief Executive	1	1	0	0	0
Directors	4	3	1	2	0
Technical Staff	40	25	15	5	0
Support Staff	7	3	4	1	0
Total	52	32	20	9	0
Full-time Staff	49	31	18	9	0
Part-time Staff	3	1	2	0	0
Casual	0	0	0	0	0
Age 15-24	0	0	0	0	0
25-34	21	10	11	5	0
35-44	15	10	5	1	0
45 +	16	12	4	3	0

(a) *Non English Speaking Background (voluntary disclosure)*

(b) *Aboriginal and Torres Strait Islander (voluntary disclosure)*

Overseas Visits

<i>Overseas Travel</i>			
<i>Name of Officer and Position</i>	<i>Destination</i>	<i>Reason for Travel</i>	<i>Authority Cost</i>
Paul Bilyk (Director)	Wellington, New Zealand	Utility Regulators' Forum	\$3,072.42
Michael Blake (Principal Analyst)	Hong Kong	Course	\$2,672.51
Ruchi Gupta (Principal Analyst)	Hong Kong	Course	\$2,423.47

Specialist Services

Total expenditure on specialist services during 2010-11 was \$3,995,611.

<i>Specialist Services by Category in 2010-11</i>	<i>\$</i>
Management	88,656
Finance/Accounting	
Professional/Technical	3,906,955
Total	3,995,611
<i>Specialist Services Awarded in 2010-11 by Value</i>	<i>No. of Consultants</i>
Less than \$20,000	14
\$20,001 - \$100,000	33
More than \$100,000	11
Total	58

Staff List as at 30 June 2011

Team Leaders

Cath Barker BA BEcon GradCert(AppFin&Inv)
Angus MacDonald BAgEc(Hons) GradDipSE(Econ&Bus)
Charles Millstead BA BEcon(Hons) (*part-time*)
George Passmore BAgEcon(Hons) MAgEcon
Ravi Prasad BEcon(Hons) LLB

Program Managers

Mark Scanlan BCom(Econ) MCom(Econ)
Leigh Spencer BEcon(Hons) VCE

Technical

Geetu Anthonisz BEcon(Hons)
Pag Arao-Arao BEcon
Michael Blake BSc(Math.Econ) BA(History) MPublPol PhD(Econ.Theory)
Christopher Boulis BBus(IntTrade) MEcon
Matthew Bradbury BEcon MBus(AppFin)
Courtney Chester BA BNatResEcon(Hons) MAppAnthro&PartDev (*part-time*)
Jennie Cooper BCA BCom(Hons)
William Copeman BEcon/Arts(ComSci)
Rodney Coulton BSci(Hons)
Richard Creagh BNatResEcon
Ralph Donnet BAgEcon GradDipFinMgt
Mary Ann Franco-Dixon DVM PGDipAgEconStud MAgEcon PhD
Les Godfrey BE BEcon MBA(Adv) MFM Cert IV in AWT FIEAust CPEng
Fifi Gosali BA MSc(Econ) MSc(SocProFin)
Emma Green BCom(Econ)
Carrie Haines BA BA(Econ) MIntEcon&Fin
Peter Halligan BA(Econ.Pol) MRes
Lisa Haselwood BEcon BEcon(Emet)(Hons) PhD(Emet)
Keith Hutchinson BBus(Econ) GradCertPubGov
Dan Kelley BEcon MEcon PhD(Econ)
Michelle Kelly BEcon BBusMan GradDipAppFin
Adam Liddy BEcon(Hons) GradCertMan
Cameron Murray BAppSc(PropEc) MBus(Econ)
Rimu Nelson BEcon
Einar Oddson BEcon(Hons) MBA
Karandeep Randhawa BEcon(Hons)
Matthew Rintoul BBus MAppEcon
Bradley Rogers BEcon GradDipAppFin
Mark Scanlan BCom(Econ) MCom(Econ)
Alicia Toohey BBusMan MBusEcon
Tessie Tumaneng-Diete BSci(For) MSci PhD
Stephen Wisenthal BA(Hons)Econ
Roslyn Wood BResEc(Hons)
Natalya Zelenyuk BFin MEcon

Support

Alanna Ball BBus(HRM) C.dec
Carola Hofmann
Donna Kilbride (*part-time*)
Sabina O'Donoghue JP (Qualified)
John Palm BBus CPA
Jason Smith
David Walsh BTech

Publications 2010-11

Summary of Publications Released and Submissions Received during the Year

	<i>Submissions</i>	<i>Publications</i>
Competitive Neutrality	2	0
Electricity	477	26
Gas	0	6
Ports	6	5
Rail	44	10
Local Government	10	1
Water	183	9
Other	0	1
Total	722	58

Publicly Available Publications

Printed copies of the publicly available publications can be obtained from the Authority's office or in PDF format from the Authority's website at www.qca.org.au.

<i>Release Date</i>	<i>Title</i>
July 2010	Final Report: Gladstone Area Water Board – Investigation of Pricing Practices
July 2010	South East Queensland Interim Price Monitoring Information Requirements for 2010-11
September 2010	Draft Decision: Review of Electricity Retailer and Distributor Credit Support Arrangements
September 2010	Interim Consultation Notice: Benchmark Retail Cost Index for Electricity 2011-12
September 2010	Report: Electricity: Market and Non-market Customer Statistics as at 30 June 2010
September 2010	Report: Electricity: Billing Code Retailer Performance June Quarter 2010 and Financial Year 2009-10
September 2010	Final Decision: Dalrymple Bay Coal Terminal 2010 Draft Access Undertaking
September 2010	Final Decision: Dalrymple Bay Coal Terminal Capacity Expansion Phase 2/3 Actual Costs Draft Amending Access Undertaking
September 2010	Final Decision: QR Network 2010 Draft Access Undertaking
September 2010	Annual Report 2009-10
October 2010	Electricity: Annual Report on Minimum Service Levels and Guaranteed Service Levels Performance – 2009-10
October 2010	Report: Small Electricity Customer Disconnection and Complaints Statistics for the Financial Year ended 30 June 2010
October 2010	Report: Small Gas Customer Disconnection and Complaints Statistics for the Financial Year ended 30 June 2010
October 2010	Report: Small Gas Customer Disconnection and Complaints Statistics for the Financial Year ended 30 June 2009 – Errata
October 2010	Final Decision: Dalrymple Bay Coal Terminal 2010 Access Undertaking: Revised WACC
October 2010	Final Decision: QR Network's Resubmitted Draft Access Undertaking
October 2010	Investigation Plan: SEQ Bulk Water Grid Service Charges 2011/12
November 2010	Final Decision: QR Network's Adjustment Charge for 2009-10
November 2010	Warning Notice to Ergon Energy regarding Minimum Service Standards
December 2010	Draft Decision: Benchmark Retail Cost Index for Electricity 2011-12
December 2010	Final Decision: Review of Electricity Retailer and Distributor Credit Support Arrangements
December 2010	Electricity: Credit Support Guidelines version 2
December 2010	Report: Electricity Market Customer Statistics – September Quarter 2010

<i>Release Date</i>	<i>Title</i>
February 2011	Report: Small Electricity Customer Disconnection and Complaints Statistics - September Quarter 2010
February 2011	Report: Small Gas Customer Disconnection and Complaints Statistics - September Quarter 2010
February 2011	Report: Electricity: Billing Code: Retailer Performance – September Quarter 2010
February 2011	Draft Report: South East Queensland Interim Price Monitoring for 2010-11: Part A - Overview
February 2011	Draft Report: South East Queensland Interim Price Monitoring for 2010-11: Part B – Detailed Assessment
March 2011	Report: Electricity: Market Customer Statistics – December Quarter 2010
March 2011	Report: Electricity: Market Customer Statistics – Time Series - December Quarter 2010
March 2011	Letter to QR Network: Standard User Funding Agreements and Investment Framework Amendments
March 2011	South East Queensland Information Reporting Requirements for 2011-12
March 2011	Final Report: South East Queensland Interim Price Monitoring for 2010-11: Part A – Overview
March 2011	Final Report: South East Queensland Interim Price Monitoring for 2010-11: Part B – Detailed Assessment
March 2011	Decision: Dalrymple Bay Coal Terminal Non-Expansion Capital Expenditure Draft Amending Access Undertaking
March 2011	Decision: Proposed Access Conditions: Wiggins Island Coal Export Terminal Stage 1 Rail Infrastructure
March 2011	Report: Small Electricity Customer Disconnection and Complaints Statistics - December Quarter 2010
March 2011	Report: Small Gas Customer Disconnection and Complaints Statistics - December Quarter 2010
April 2011	Statement of Reasons: Vehicle Import Services: Declaration Application at Fisherman's Islands – Candidate Service Matter
April 2011	Final Decision: QR Network's 2009-10 Revenue Cap Adjustment Proposal
April 2011	Final Decision: QRail's 2009-10 Costing Manual
April 2011	Issues Paper: Review of Ergon Energy's Minimalist Transitioning Approach - 2011
May 2011	Draft Report: Investigation of Grid Service Charges 2011-12
May 2011	Decision: QR Network's Customer Vote
May 2011	Decision: QR Network's Electric Charge Variation
May 2011	Draft Decision: Proposed Amendments to the Electricity and Gas Industry Codes in light of the Australian Consumer Law
May 2011	Final Decision: Benchmark Retail Cost Index for Electricity 2011-12
June 2011	Final Decision: Review of Ergon Energy Minimalist Transitioning Approach
June 2011	Issues Paper: Review of Regulated Retail Electricity Tariffs and Prices 2012-13
June 2011	Report: Small Gas Customer Disconnections, Hardship and Complaints Statistics - March Quarter 2011
June 2011	Report: Small Electricity Customer Disconnections, Hardship and Complaints Statistics - March Quarter 2011
June 2011	Report: Electricity: Market Customer Statistics – March Quarter 2011
June 2011	Report: Electricity: Market Customer Statistics – Time Series – March Quarter 2011
June 2011	Decision: QR Network's Annual Review of Reference Tariffs

Reports to Government (not publicly available)

<i>Release Date</i>	<i>Title</i>
August 2010	Draft Report: Assessment of Moreton Bay Regional Council's Caboolture Infrastructure Charges Schedules
December 2010	Report to the Minister for Natural Resources, Mines and Energy and Minister for Trade: Performance of the Authority's Functions under the Electricity Act 1994 and the Gas Supply Act 2003
June 2011	Report to the Minister for Natural Resource, Mines and Energy and Minister for Trade: Performance of the Authority's Functions under the Electricity Act 1994 and the Gas Supply Act 2003

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME OF THE QUEENSLAND COMPETITION AUTHORITY

for the year ended 30 June 2011

	Notes	2011 \$	2010 \$
Income from Continuing Operations			
Government Grant		7,000,000	4,000,000
Fees		9,992,110	5,348,000
Other Revenue	3	428,220	272,847
Total Revenue		17,420,331	9,620,847
Gains			
Gain on sale of plant and equipment		2,126	81
Total Income from Continuing Operations		17,422,457	9,620,928
Expenses from Continuing Operations			
Members Expenses	4	262,578	255,730
Employee Expenses	4, 5	7,485,341	6,494,638
Supplies and Services	6	5,876,390	4,826,392
Depreciation and Amortisation		213,654	183,963
Other Expenses	7	32,015	28,318
Total Expenses from Continuing Operations		13,869,979	11,789,041
Operating Result from Continuing Operations		3,552,478	(2,168,113)
Other Comprehensive Income		-	-
Total Comprehensive Income		3,552,478	(2,168,113)

The accompanying notes form part of these financial statements



STATEMENT OF FINANCIAL POSITION OF THE QUEENSLAND COMPETITION AUTHORITY

as at 30 June 2011

	Notes	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents	8	11,340,848	5,042,468
Receivables	9	50,739	96,769
Other	10	197,931	187,093
Total Current Assets		11,589,518	5,326,331
Non Current Assets			
Plant and Equipment	11	369,948	498,051
Total Non Current Assets		369,948	498,051
Total Assets		11,959,466	5,824,382
Current Liabilities			
Payables	12	649,036	864,790
Accrued Employee Benefits	13	538,606	523,489
Unearned Revenue		2,713,723	-
Total Current Liabilities		3,901,365	1,388,279
Non Current Liabilities			
Accrued Employee Benefits	13	627,278	557,758
Total Non Current Liabilities		627,278	557,758
Total Liabilities		4,528,643	1,946,037
Net Assets		7,430,823	3,878,345
Equity			
Contributed Equity		1,559,000	1,559,000
Accumulated Surpluses		5,871,823	2,319,345
Total Equity		7,430,823	3,878,345

The accompanying notes form part of these financial statements



STATEMENT OF CHANGES IN EQUITY OF THE QUEENSLAND COMPETITION AUTHORITY

for the year ended 30 June 2011

	Retained Surpluses		Contributed Equity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Balance 1 July	2,319,345	4,487,458	1,559,000	1,559,000
Operating Result from Continuing Operations	3,552,478	(2,168,113)	-	-
Balance 30 June	5,871,823	2,319,345	1,559,000	1,559,000

The accompanying notes form part of these financial statements



STATEMENT OF CASH FLOWS OF THE QUEENSLAND COMPETITION AUTHORITY

for the year ended 30 June 2011

	Notes	2011 \$	2010 \$
Cash flows from operating activities			
<i>Inflows:</i>			
Government Grant		7,000,000	4,000,000
Fees		12,705,833	5,348,000
Interest		428,334	272,289
GST collected on services provided		1,272,392	534,800
GST input tax credits from ATO		647,443	519,274
		22,054,002	10,674,363
<i>Outflows:</i>			
Members Expenses		(262,578)	(255,730)
Employee Expenses		(7,399,832)	(6,069,428)
Operating Expenses		(6,040,144)	(4,965,189)
GST paid to Suppliers		(697,251)	(613,033)
GST remitted to ATO		(1,272,392)	(534,800)
		(15,672,197)	(12,438,180)
Net cash provided by / (used in) operating activities	14	6,381,804	(1,763,817)
Cash flows from investing activities			
<i>Inflows:</i>			
Revenue from Right to Information requests		-	38
Proceeds from disposal of plant and equipment		2,126	81
<i>Outflows:</i>			
Payments for Plant and Equipment		(85,551)	(180,068)
Net cash provided by / (used in) investing activities		(83,425)	(179,950)
Cash flows from financing activities			
<i>Outflows:</i>			
Net cash provided by / (used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		6,298,380	(1,943,766)
Cash and cash equivalents at beginning of financial year		5,042,468	6,986,234
Cash and cash equivalents at end of financial year	8	11,340,848	5,042,468

The accompanying notes form part of these financial statements



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS OF THE QUEENSLAND COMPETITION AUTHORITY

for the year ended 30 June 2011

Note 1:

Objectives and principal activities of the Authority

The Queensland Competition Authority (the "Authority") is a statutory body established under the *Queensland Competition Authority Act 1997 (OCA Act)*. 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 Treasurer and Minister for Finance), undertaking prices oversight of monopoly or near monopoly Government and some Non-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; and
- undertaking such other activities relating to national competition policy as the Ministers may direct.

Note 2:

Summary of Significant Accounting Policies

a) Statement of Compliance

The financial statements have been prepared in compliance with Section 43 of the Financial and Performance Management Standard 2009.

These financial statements are general purpose financial statements and have been prepared on an accruals basis in accordance with Australian Accounting Standards and Interpretations.

With respect to compliance with Australian Accounting Standards and Interpretations, the Authority has applied those requirements applicable to not-for-profit entities, as the Authority is a not-for-profit entity.

In addition, the financial statements materially comply with the Treasurer's Minimum Reporting Requirements for the year ending 30 June 2011, and other authoritative pronouncements.

Except where stated, the historical cost convention is used.

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next 12 months, being the Authority's operational cycle.

b) Revenue and Expenses

The Government grant is recognised when received or when an entitlement is established, while other revenue is recognised when earned. Expenses are recognised when incurred.

The amount recognised as fee revenue in the current period is in compliance with the requirements set out in the Queensland Competition Authority Regulations 2007.

Salary and related staff costs include salaries, benefits, recruitment costs, staff training and other staff costs, and are inclusive of oncosts.



c) Leasing

Operating leases are those where the risk and benefits of ownership are retained by the lessor.

The Authority also leases motor vehicles which are part of employees' remuneration packages and therefore lease expenses for those vehicles are included with Employee Expenses. Employees' bear the responsibilities and private use costs in relation to those leased motor vehicles.

The Authority does not have any finance leases.

d) Plant and Equipment

The Queensland State Government's policy, titled *Non-Current Asset Policies for the Queensland Public Sector*, establishes prescribed asset measurement methods and recognition thresholds. In accordance with these policies, the assets of the Authority are measured at depreciated cost. On acquisition, assets are valued at cost including all expenses necessary to have the asset ready for use.

Items of plant and equipment with a cost or other value equal to or in excess of \$5,000 are recognised for financial reporting purposes in the year of acquisition. Items with a lesser value are expensed in the year of acquisition.

Depreciation of plant and equipment is calculated on a straight line basis so as to allocate the net cost of each asset, less its estimated residual value, progressively over its estimated useful life to the Authority. Fixtures and fittings are depreciated over the lesser of the unexpired period of the Authority's building lease and the estimated useful life, while other plant and equipment is depreciated over the estimated useful life.

In general, the following depreciation rates have been used:

Office Equipment:	20% to 33%
Computer Equipment:	20% to 33%
Fixtures and Fittings:	10% to 33%
Leasehold Improvements:	10% to 38%

e) Employee Benefits:

For unpaid benefits expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. Benefits not expected to be paid within 12 months, are classified as non-current liabilities and recognised at their present value, calculated using yields on fixed rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of likely settlement.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

The Authority joined the State Government's Long Service Leave Central Scheme (the Scheme) from 1 July 2002. Under the Scheme, a levy is made on the Authority to cover this expense. Amounts paid to employees for long service leave are claimed from the Scheme quarterly in arrears.

No provision for long service leave is recognised in the Financial Statements from 1 July 2002, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Key executive management personnel and remuneration disclosures are made in accordance with the section 5 Addendum (issued in May 2011) to the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury. Refer to note 4 for disclosures on key executive management personnel and remuneration.



f) Key Executive Management

The key executive management personnel that had authority and responsibility for planning, directing and controlling the activities of the Authority during 2010-11 are detailed below.

Position	Responsibilities	Current Incumbents	
		Contract Classification and Appointment Authority	Date Appointed to position
Chairman	Members are collectively responsible for the Authority's duties and responsibilities, in accordance with the QCA Act. The Chairman is also responsible for the collegiate functioning of the Members and Ministerial liaison.	Governor in Council/ <i>QCA Act 1997</i>	13 October 2005
Deputy Chairman	Members are collectively responsible for the Authority's duties and responsibilities, in accordance with the QCA Act. In the absence of the Chairman, the Deputy chairman assumes the Chairman's responsibilities.	Governor in Council/ <i>QCA Act 1997</i>	4 September 2005
Member	Members are collectively responsible for the Authority's duties and responsibilities, in accordance with the QCA Act.	Governor in Council/ <i>QCA Act 1997</i>	12 September 2001
Member	Members are collectively responsible for the Authority's duties and responsibilities, in accordance with the QCA Act.	Governor in Council/ <i>QCA Act 1997</i>	11 December 2008
Member	Members are collectively responsible for the Authority's duties and responsibilities, in accordance with the QCA Act.	Governor in Council/ <i>QCA Act 1997</i>	5 November 2009
Chief Executive	The Chief Executive is responsible for management of the Authority in accordance with directions of the Members and the QCA Act.	Individual Contract issued by the Authority	1 October 1997

g) Taxation:

The activities of the Authority are exempt from Commonwealth taxation except for Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). Input tax credits receivable and GST payable from/to the Australian Taxation Office have been recognised.

h) Superannuation:

Employees of the Authority may elect to be members of QSuper or any other complying superannuation fund.

Contributions to superannuation meet the minimum requirements of the *Superannuation Guarantee (Administration) Act 1992*. Contributions to employees' superannuation plans are charged as an expense as the contributions are paid or become payable.

i) Receivables:

Trade Debtors are recognised at the nominal amounts due, with settlement generally being required within 30 days from invoice.

The collectability of receivables is assessed periodically with provision being made for impairment. No provision for impairment has been necessary.

j) Payables:

Trade Creditors are recognised upon receipt of the goods or services ordered and are measured at the nominal amount; i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Trade creditors are generally unsecured, not subject to interest charges and are normally settled within agreed business terms.



k) Unearned Revenue

The Authority levies fees on regulated entities for services it provides. As the expenditure can vary considerably from year to year depending on the stage of the regulatory cycle, the Authority estimates fees on the basis of expected expenditure over a five year period and then annualises the fee to provide certainty to regulated entities and their customers.

As the Queensland Competition Authority Regulation 2007 only permits the Authority to levy fees for providing a service or performing a function that is no more than the reasonable cost of providing that service or performing that function, regulatory fee income is recognised as the associated costs of providing the related services are incurred.

Any regulatory fee income received in excess of the costs of providing the related services in a year is disclosed in the Statement of Financial Position and will be recognised as revenue in the Statement of Comprehensive Income in subsequent periods as related costs are incurred.

l) Issuance of Financial Statements:

The financial statements are authorised for issue by the Chairperson and Chief Executive at the date of signing the Management Certificate.

m) Judgements

The preparation of financial statements necessarily requires the determination and use of accounting estimates, assumptions, and management judgements that have the potential to cause a material impact on the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are included in the calculation of the following financial statement notes:

Accrued Expenses - note 12

Accrued employee benefits - note 13

n) Rounding and Comparatives

Comparative information is restated where necessary to be consistent with disclosures in the current reporting period.

Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

Amounts included in financial statements are in Australian dollars and are rounded to the nearest dollar.

o) New and Revised Accounting Standards

The Authority applies Australian Accounting Standards and interpretations as from their effective commencement dates. Accordingly, the Authority has not applied standards or interpretations that have been issued but not yet effective.

Note 3:

Other Income

	2011 \$	2010 \$
Interest	428,220	272,809
Revenue from Right to Information request	-	38
Total	428,220	272,847

Note 4:

Key Executive Management

The remuneration of Members is set by the Governor in Council. The remuneration of the Chief Executive is set by Members of the Authority.

Total Remuneration comprises:

Short term benefits which include:

Base - consisting of base salary, allowances (nil) and leave entitlements paid and provided for the entire year

Non-monetary benefits - consisting of provision of a motor vehicle together with fringe benefits tax applicable to the benefit

Long term employee benefits consisting of payments towards long service leave entitlements

Post employment benefits consisting of superannuation contributions

Performance bonuses are not paid and no termination payments were made during the year.



1 July 2010 - 30 June 2011

Position	Short Term Benefits		Long Term Benefits	Post Employment	Total Remuneration
	Base	Non-Monetary Benefits			
	\$	\$	\$	\$	\$
Chairman	76,125	-	-	6,781	82,906
Deputy Chairman	-	-	-	41,064	41,064
Member	32,291	-	-	2,906	35,197
Member	32,291	-	-	2,906	35,197
Member	-	-	-	35,197	35,197
Chief Executive	359,583	24,285	8,267	49,207	441,342
Total Remuneration	500,290	24,285	8,267	138,061	670,903

As there was no change to the total remuneration received by Key Executive Management from that received in 2009-10, no comparative information has been included.

Note 5:

Employee Expenses

Employee Benefits

Salaries

Employer Superannuation Contributions

Long Service Leave Central Scheme Levy

Employee Related Expenses

Payroll tax

Staff Training Costs

Staff Recruitment Costs

Other Staff Expenses

Workers Compensation Premium

Total

2011

\$

2010

\$

5,825,525

846,778

128,221

312,634

169,666

160,819

20,823

20,876

7,485,341

5,043,407

688,623

84,680

252,368

221,773

174,723

20,017

9,049

6,494,638

The number of employees including both full time employees and part time employees measured on a full time equivalent basis is

51.2

51.6

Note 6:

Supplies and Services

Specialist Services

Occupancy Costs (including operating lease rentals)

Information Technology Costs

Travel and Accommodation Costs

Bank Fees and Charges

General Administration Costs

Other

Total

2011

\$

2010

\$

3,995,602

1,239,812

315,623

42,224

9,011

106,564

167,554

5,876,390

3,174,582

1,105,426

220,291

46,836

8,166

150,622

120,469

4,826,392



Note 7:	2011	2010
Other Expenses	\$	\$
External Audit Fees	22,500	20,738
Insurance Premiums	9,515	7,580
Other	-	-
Total	32,015	28,318

There are no non-audit services included in External Audit Fees.

Note 8:	2011	2010
Cash and Cash Equivalents	\$	\$

Cash assets include cash at bank, cash on hand and cash with Queensland Treasury Corporation (QTC). All cash amounts are at call and can be redeemed at short notice at their face value. The organisation does not have any borrowing or overdraft facilities. Of this cash balance, \$2,713,723 relates to unearned revenue (see note 2(k))

Balance

Cash at Bank	90,402	45,581
Cash on Hand	500	500
Cash with QTC	11,249,945	4,996,387
Total	11,340,848	5,042,468

Note 9:	2011	2010
Receivables	\$	\$
<i>Current</i>		
Trade Debtors	-	-
Other	931	3,010
Total	931	3,010
GST receivable	49,808	93,759
GST Payable	-	-
	49,808	93,759
Total Receivables	50,739	96,769

Note 10:	2011	2010
Other	\$	\$
<i>Current</i>		
Prepayments	197,931	187,093
Total	197,931	187,093

Note 11:	2011	2010
Plant and Equipment	\$	\$
At Cost	1,823,718	1,774,022
Less: Accumulated Depreciation	(1,453,770)	(1,275,971)
Total Plant and Equipment	369,948	498,051



Note 11: continued**Plant and Equipment Reconciliation**

	2011 \$	2010 \$
Opening Carrying Amount (as at 1 July)	498,051	501,945
Additions	85,550	180,068
Disposals at Carrying Amount	-	-
Depreciation	(213,654)	(183,963)
Closing Carrying Amount (as at 30 June)	369,948	498,051

The Authority has plant and equipment with an original cost of \$136,795 and a written down value of zero still being used in the provision of services. 35% of these assets with a gross cost of \$47,432 are expected to be replaced in 2011-12 with the remaining 65% to be replaced in subsequent years.

Note 12:**Payables**

	2011 \$	2010 \$
Accrued Expenses	572,768	545,903
Creditors	59,928	307,052
Audit Fees Payable	15,100	9,500
Other Payables	1,241	2,334
Total	649,036	864,790

Note 13:**Accrued Employee Benefits****Current**

	2011 \$	2010 \$
Employee Benefits	555,770	555,295
Salaries Payable/(Paid)	(17,164)	(31,806)
Total	538,606	523,489

Non-Current

Employee Benefits	627,278	557,758
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Note 14:**Notes to the Cash Flow Statement****Reconciliation of Operating Surplus to Net Cash from Operating Activities**

	2011 \$	2010 \$
Operating surplus/(deficit)	3,552,478	(2,168,113)
Depreciation expense	213,654	183,963
Revenue from Right to Information requests	-	(38)
Loss on disposal of plant and equipment	-	-
Gain on sale of plant and equipment	(2,126)	(81)
<i>Changes in Assets and Liabilities</i>		
Decrease/(increase) in receivables	2,079	(2,479)
Decrease/(increase) in prepayments/other	(10,838)	(10,251)
Increase/(decrease) in accrued employee benefits	84,637	437,005
Increase/(decrease) in payables and accruals	(171,803)	(203,823)
Increase/(decrease) in unearned revenue	2,713,723	-
Net Cash from Operating Activities	6,381,804	(1,763,817)



Note 15:**Financial Instruments****a) Financial Risk Management**

The Authority's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Authority. The types of risk and the methods used to evaluate them are outlined below. No changes in risk management have been made and therefore assumptions and calculations are consistent with previous years.

b) Market and Interest Rate Risk

The Authority's market risk and interest rate risk is limited to on call deposits held at Queensland Treasury Corporation (QTC) and Commonwealth Bank Australia (CBA). Based on average balance of funds held with QTC and CBA over 2010-11 the Authority's surplus and equity increase/(decrease) would have been impacted by \$84,063 for a 1% change in interest rates (\$65,367 in 2009-10).

	2011	2010
<i>Financial Assets</i>		
<u>Cash Assets:- Effective Interest Rates</u>		
Cash at Bank	4.71%	3.49%
Cash with QTC	5.11%	4.19%

All cash amounts are deposited at call on a floating rate basis.

Receivables:

Receivables comprised of debtors invoices in the ordinary course of business and refunds due. These are non-interest bearing.

*Financial Liabilities*Payables:

Comprised of invoices in the ordinary course of business and accrued expenses. These are non-interest bearing.

c) Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the statement of financial position.

Exposure to credit risk is monitored on an on-going basis.

d) Fair Value

For other assets and liabilities, the fair value approximates the carrying value.

e) Liquidity Risk

The Authority holds its cash in on call accounts thereby minimising its liquidity risk. The Authority has sufficient cash to cover all liabilities when they become due.

Note 16:**Contingencies**

The Authority has no known material Contingent Assets or Contingent Liabilities not disclosed elsewhere in the Notes.

Note 17:**Operating Lease Commitments**

	2011	2010
	\$	\$
The offices occupied by the Authority are subject to an operating lease which expires on 15 February 2013.		
Future operating lease rentals not provided for in the financial statements are payable as follows:		
Not later than one year (inclusive of GST)	1,319,275	1,264,982
Later than one year but not later than five years (inclusive of GST)	849,587	2,168,862
Total commitments	2,168,862	3,433,844



CERTIFICATE OF QUEENSLAND COMPETITION AUTHORITY

This general purpose financial report has been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act) relevant sections of the Financial and Performance Management Standard 2009, and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Competition Authority for the financial year ended 30 June 2011 and of the financial position of the Authority at the end of that year.

Chairperson
B Parmenter

4 August 2011

Chief Executive
EJ Hall

4 August 2011



INDEPENDENT AUDITOR'S REPORT

To the Members of the Queensland Competition Authority

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of the Queensland Competition Authority for the year ended 30 June 2011. Where the financial report is included on the Queensland Competition Authority's website, the Members are responsible for the integrity of the Queensland Competition Authority's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of the Queensland Competition Authority which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairperson and the Chief Executive.

The Members' Responsibility for the Financial Report

The Members are responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the Financial Accountability Act 2009 and the Financial and Performance Management Standard 2009, including compliance with Australian Accounting Standards. The Member's responsibility also includes establishing such internal control as the Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Members, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

Independence

The Auditor-General Act 2009 promotes the independence of the Auditor General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Auditor's Opinion

In accordance with s.40 of the Auditor-General Act 2009 –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - i. the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - ii. the financial report presents a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Queensland Competition Authority for the financial year 1 July 2010 to 30 June 2011 and of the financial position as at the end of that year.

P G Shipperley FCPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Annual Report Access

A copy of the Annual Report can be obtained by contacting the Authority as follows:

Email: annualreport@qca.org.au

Mail: Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Phone: (07) 3222 0555

Fax: (07) 3222 0599

This report is available in PDF format on the Authority's website at:
<http://www.qca.org.au/about/annualreport1011.php>.

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Translating and Interpreting Assistance

The Authority is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on (07) 3222 0555 and we will arrange an interpreter to effectively communicate the report to you.



Feedback on Annual Report

Readers are encouraged to provide feedback on the contents or structure of this report by contacting the Authority's office.