

NATIONAL COMPETITION COUNCIL

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NATIONAL COMPETITION COUNCIL

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION

The National Competition Council (NCC) makes recommendations under the National Access Regime in Part IIIA of the *Trade Practices Act 1974* (TPA) and recommendations and decisions under the National Gas Law (NGL).

The National Access Regime promotes competition, efficiency and productivity in markets that depend on the use of services provided by monopoly infrastructure facilities. Within this regime the NCC may recommend the declaration of a service provided by a monopoly facility but only if all of the 'declaration criteria' specified in the TPA are met. Where a service is declared, the Australian Competition and Consumer Commission (ACCC) is empowered to arbitrate access disputes if the parties seeking access and the facility owner are unable to agree on access arrangements and prices.

As an alternative to the National Access Regime, State and Territory governments may implement access regimes specific to their circumstances or implement (cooperatively) parallel regulation in each jurisdiction (as has occurred for the gas and electricity industries). The NCC is responsible for recommending whether a state or territory access regime should be certified as effective, with the result that services covered by that access regime are exempt from declaration under the TPA. During 2010-11 the NCC expects to receive up to 10 applications for the certification of state and territory access regimes, primarily regimes within the energy sector.

Under the NGL, the NCC recommends on whether particular natural gas pipeline systems should be subject to access regulation (covered). The NCC also recommends in relation to the price regulation and greenfields exemptions available under the NGL. As well as these recommendatory roles, the NCC is responsible for determining whether covered pipelines should be subject to full regulation or light regulation and for classifying pipelines as transmission or distribution pipelines.

Access regulation is a complex and evolving area of law involving significant private and public interests. In almost all cases the NCC must balance competing claims and interests with a view to ensuring an outcome that serves Australia's national interest. The NCC will continue to develop its capabilities to ensure it provides appropriate advice and makes recommendations and decisions that reflect the relevant law and economic and policy developments. In particular the NCC will continue to revise its processes to ensure that its recommendations are provided within commercially

meaningful time frames and in accordance with the TPA and the NGL and will continue to ensure its websites and other information resources remain relevant.

There is currently before the Parliament a Bill to amend various provisions of Part IIIA of the TPA, primarily intended to reduce the scope for delay and gaming of various regulatory processes. The NCC will monitor the progress of this Bill and ensure that changes to regulatory processes are reflected in the NCC's arrangements and guidelines for considering applications under Part IIIA.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all origins. The table summarises how resources will be applied by outcome and by departmental classification.

Table 1.1: National Competition Council resource statement — Budget estimates for 2010-11 as at Budget May 2010

| | Estimate of prior year amounts available in 2010-11 \$'000 | + | Proposed at Budget 2010-11 \$'000 | = | Total estimate 2010-11 \$'000 | Actual available appropriation 2009-10 \$'000 |
|--|---|--------------|--|--------------|--|---|
| Ordinary annual services | | | | | | |
| Departmental | | | | | | |
| Prior year departmental carried forward | 3,144 | ² | - | | 3,144 | - |
| Departmental appropriation ³ | - | | 2,812 | ¹ | 2,812 | 2,806 |
| Total net resourcing for the NCC | 3,144 | | 2,812 | | 5,956 | 2,806 |

1. Appropriation Bill (No. 1) 2010-11.

2. Estimated adjusted balance carried from previous year for annual appropriations.

3. Includes \$0.04 million in 2010-11 for the Departmental Capital Budget (also refer to Table 3.2.5).

Third party payments from and on behalf of other agencies

| | 2010-11 \$'000 | 2009-10 \$'000 |
|------------------------------------|-------------------|-------------------|
| Payments made on behalf of the NCC | 2,772 | 2,806 |

Note: The ACCC provides financial services to the NCC and has drawdown access to manage the NCC's finances.

1.3 BUDGET MEASURES

The NCC does not have any 2010-11 Budget measures.

Section 2: Outcomes and Performance information

2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Agencies deliver programs which are the Government actions taken to deliver the stated outcomes. Agencies are required to identify the programs which contribute to government outcomes over the budget and forward years.

The NCC's outcome is described below, specifying the strategy, program, objective, deliverables and key performance indicators used to assess and monitor the performance of the NCC.

Outcome 1: Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of and investment in infrastructure

Outcome 1 Strategy

To achieve Outcome 1 the NCC will provide comprehensive, objective, timely and transparent recommendations and decisions that accord with the relevant law (including target timeframes) and good regulatory practice.

Pursuant to the TPA, the NCC provides recommendations to Ministers on applications for the declaration of services provided by monopoly infrastructure facilities and on the certification of state and territory access regimes.

Pursuant to the NGL, the NCC provides recommendations to Ministers on the coverage of natural gas pipeline systems and on price regulation and greenfields incentives, and makes determinations on the form of regulation and on the classification of natural gas pipeline systems.

Governments through the Council of Australian Governments have set a timetable for the States and Territories to submit applications for the certification of their existing access regimes by the end of 2010. They have also undertaken to achieve certification of new access regimes as soon as practicable.

In 2010-11, the NCC will liaise with Government applicants to assist them in formulating certification applications and ensuring applications are properly considered and certified as appropriate.

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The NCC will continue to improve its processes and the structure of its recommendation reports and decisions. It will also continue to develop its published guidelines and other information in relation to access regulation to ensure these remain up-to-date.

Outcome 1 Budgeted expenses and resources

Table 2.1 provides an overview of the total expenses for Outcome 1, by program.

Table 2.1: Budgeted expenses and resources for Outcome 1

| Outcome 1: Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of and investment in infrastructure | 2009-10 Estimated actual expenses \$'000 | 2010-11 Estimated expenses \$'000 |
|--|--|--|
| Program 1.1: National Competition Council | | |
| Departmental expenses | | |
| Ordinary annual services (Appropriation Bill No. 1) | 2,806 | 2,772 |
| Expenses not requiring appropriation in the Budget year | 24 | 64 |
| Expenses funded by prior year departmental carried forward | 950 | - |
| Total expenses for Outcome 1 | 3,780 | 2,836 |
| | 2009-10 | 2010-11 |
| Average staffing level (number) | 12 | 12 |

Contributions to Outcome 1

Program 1.1: National Competition Council

Program objective

The NCC's objective is to provide advice to governments and make decisions on infrastructure access issues that accord with statutory requirements (including target time limits) and good regulatory practice, and ensuring that advice meets requirements of decision making Ministers, such that Australia achieves a consistent approach to access regulation that promotes the efficient operation of, use of and investment in infrastructure thereby promoting effective competition.

Program expenses

Program expenses are not expected to significantly vary from those in the 2010-11 Budget and the forward years.

Table 2.2: Program expenses

| | 2009-10 Revised budget \$'000 | 2010-11 Budget \$'000 | 2011-12 Forward year 1 \$'000 | 2012-13 Forward year 2 \$'000 | 2013-14 Forward year 3 \$'000 |
|-------------------------------|--|-----------------------------|--|--|--|
| Annual departmental expenses | | | | | |
| Departmental items | 3,780 | 2,836 | 2,882 | 2,903 | 2,925 |
| Total program expenses | 3,780 | 2,836 | 2,882 | 2,903 | 2,925 |

Program deliverables

The NCC has the following deliverables:

- makes recommendations to Ministers pursuant to Part IIIA of the TPA in relation to applications for the declaration of services provided by monopoly infrastructure and the certification of state and territory access regimes;
- makes recommendations to Ministers pursuant to the NGL relating to the coverage of natural gas pipelines and on price regulation and greenfields incentives;
- makes decisions pursuant to the NGL relating to the form of regulation and classification of natural gas pipelines; and
- advises the Parliament on the operation of the National Access Regime in accordance with section 29O(2) of the TPA.

Program key performance indicators

The NCC has the following key performance indicators:

- recommendations on declaration applications made within statutory time guidelines (target of four months) and meet advice requirements of Ministers;
- recommendations on certification applications made within statutory time guidelines (target of six months) and meet advice requirements of Ministers;
- recommendations and decisions under the NGL made within specified time limits and recommendations under the NGL meet advice requirements of Ministers;
- accessible information on all access regulation matters for which the NCC is responsible is provided on the NCC website;
- up-to-date and informative guidelines on all the NCC's areas of responsibility are maintained on the NCC website;

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- case law developments, legislative amendments and developments in the NCC's processes or policies are reflected in the NCC's information resources within 30 days; and
- the NCC's Annual Report to the Parliament includes a comprehensive report that meets the requirements of Section 29O(2) and is provided within 60 days of the end of the financial year.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the budget year 2010-11. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations, program expenses, movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Movement of administered funds between years

The NCC does not have any administered funds.

3.1.2 Special accounts

Table 3.1.2: Estimates of special account cash flows and balances

| | Outcome | Opening balance 2010-11 2009-10 \$'000 | Receipts 2010-11 2009-10 \$'000 | Payments 2010-11 2009-10 \$'000 | Adjustments 2010-11 2009-10 \$'000 | Closing balance 2010-11 2009-10 \$'000 |
|--|---------|--|--|--|---|--|
| Other Trust Moneys Account | 1 | - | - | - | - | - |
| Services for other Governments and Non-agency Bodies Account | 1 | - | - | - | - | - |
| Total special accounts 2010-11 Budget estimate | | - | - | - | - | - |
| Total special accounts 2009-10 estimate actual | | - | - | - | - | - |

3.1.3 Australian Government Indigenous Expenditure

The NCC does not have any Australian Government Indigenous Expenditure.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

There is no difference between agency resourcing and financial statements.

3.2.2 Analysis of budgeted financial statements

An analysis of NCC's budgeted financial statements is provided below.

Budgeted departmental income statement

The NCC is budgeting for a break even result for 2010-11 and for the remainder of the forward estimates. This break even result will occur after adding back non-appropriated depreciation and amortisation expenses under the new net cash appropriation arrangements beginning in the 2010-11 Budget.

Operating revenues

Total NCC revenue in 2010-11 is estimated to be \$2.8 million.

Operating expenses

Total expenses in 2010-11 are estimated to be \$2.8 million. This is a decrease from the 2009-10 estimated actual. In 2009-10 operating expenses increased as the NCC was required to engage legal and expert witness for its third party access work, principally in relation to reviews by the Australian Competition Tribunal of four matters relating to previous NCC declaration recommendations. The hearing of these matters was completed in 2009-10 and the NCC does not expect to incur operating expenses for them in 2010-11.

Budgeted departmental balance sheet

In 2010-11 the NCC's equity position will be positive \$4.1 million.

Assets

The NCC's assets are predominantly financial assets.

Liabilities

The NCC's liabilities are mainly employee entitlements. There is no significant movement in total liabilities from 2009-10.

3.2.3 Budgeted financial statements tables

**Table 3.2.1: Budgeted departmental comprehensive income statement
(for the period ended 30 June)**

| | Estimated actual 2009-10 \$'000 | Budget estimate 2010-11 \$'000 | Forward estimate 2011-12 \$'000 | Forward estimate 2012-13 \$'000 | Forward estimate 2013-14 \$'000 |
|---|--|---|--|--|--|
| EXPENSES | | | | | |
| Employee benefits | 1,599 | 1,658 | 1,716 | 1,748 | 1,760 |
| Supplier expenses | 2,141 | 1,138 | 1,126 | 1,115 | 1,125 |
| Depreciation and amortisation | 40 | 40 | 40 | 40 | 40 |
| Total expenses | 3,780 | 2,836 | 2,882 | 2,903 | 2,925 |
| LESS: | | | | | |
| OWN-SOURCE INCOME | | | | | |
| Gains | | | | | |
| Other | 24 | 24 | 24 | 24 | 24 |
| Total gains | 24 | 24 | 24 | 24 | 24 |
| Total own-source income | 24 | 24 | 24 | 24 | 24 |
| Net cost of (contribution by) services | 3,756 | 2,812 | 2,858 | 2,879 | 2,901 |
| Appropriation revenue | 2,806 | 2,772 | 2,818 | 2,839 | 2,861 |
| Surplus (deficit) attributable to the Australian Government | (950) | (40) | (40) | (40) | (40) |
| Note: Reconciliation of operating result attributable to the agency | | | | | |
| | 2009-10 \$'000 | 2010-11 \$'000 | 2011-12 \$'000 | 2012-13 \$'000 | 2013-14 \$'000 |
| Operating result attributable to the Australian Government | (950) | (40) | (40) | (40) | (40) |
| Plus non-appropriated expenses depreciation and amortisation expenses | - | 40 | 40 | 40 | 40 |
| Operating result attributable to the NCC | (950) | - | - | - | - |

Prepared on Australian Accounting Standards basis.

**Table 3.2.2: Budgeted departmental balance sheet
(as at 30 June)**

| | Estimated actual 2009-10 \$'000 | Budget estimate 2010-11 \$'000 | Forward estimate 2011-12 \$'000 | Forward estimate 2012-13 \$'000 | Forward estimate 2013-14 \$'000 |
|---|--|---|--|--|--|
| ASSETS | | | | | |
| Financial assets | | | | | |
| Cash and equivalents | 92 | 92 | 92 | 92 | 92 |
| Trade and other receivables | 4,330 | 4,330 | 4,330 | 4,330 | 4,330 |
| Total financial assets | 4,422 | 4,422 | 4,422 | 4,422 | 4,422 |
| Non-financial assets | | | | | |
| Land and buildings | 70 | 70 | 70 | 70 | 70 |
| Infrastructure, plant and equipment | 70 | 70 | 70 | 70 | 70 |
| Intangibles | 6 | 6 | 6 | 6 | 6 |
| Other | 5 | 5 | 5 | 5 | 5 |
| Total non-financial assets | 151 | 151 | 151 | 151 | 151 |
| Total assets | 4,573 | 4,573 | 4,573 | 4,573 | 4,573 |
| LIABILITIES | | | | | |
| Provisions | | | | | |
| Employees | 244 | 244 | 244 | 244 | 244 |
| Other | 20 | 20 | 20 | 20 | 20 |
| Total provisions | 264 | 264 | 264 | 264 | 264 |
| Payables | | | | | |
| Suppliers | 179 | 179 | 179 | 179 | 179 |
| Total payables | 179 | 179 | 179 | 179 | 179 |
| Total liabilities | 443 | 443 | 443 | 443 | 443 |
| Net assets | 4,130 | 4,130 | 4,130 | 4,130 | 4,130 |
| EQUITY | | | | | |
| Contributed equity | (134) | (94) | (54) | (14) | 26 |
| Reserves | 179 | 179 | 179 | 179 | 179 |
| Retained surpluses or accumulated deficits | 4,085 | 4,045 | 4,005 | 3,965 | 3,925 |
| Total equity | 4,130 | 4,130 | 4,130 | 4,130 | 4,130 |
| Current assets | 4,427 | 4,427 | 4,427 | 4,427 | 4,427 |
| Non-current assets | 146 | 146 | 146 | 146 | 146 |
| Current liabilities | 290 | 290 | 290 | 290 | 290 |
| Non-current liabilities | 153 | 153 | 153 | 153 | 153 |

Prepared on Australian Accounting Standards basis.

**Table 3.2.3: Budgeted departmental statement of cash flows
(for the period ended 30 June)**

| | Estimated actual 2009-10 \$'000 | Budget estimate 2010-11 \$'000 | Forward estimate 2011-12 \$'000 | Forward estimate 2012-13 \$'000 | Forward estimate 2013-14 \$'000 |
|--|--|---|--|--|--|
| OPERATING ACTIVITIES | | | | | |
| Cash received | | | | | |
| Appropriations | 3,869 | 2,772 | 2,818 | 2,839 | 2,861 |
| Total cash received | 3,869 | 2,772 | 2,818 | 2,839 | 2,861 |
| Cash used | | | | | |
| Employees | 1,569 | 1,658 | 1,716 | 1,748 | 1,760 |
| Suppliers | 2,166 | 1,114 | 1,102 | 1,091 | 1,101 |
| Total cash used | 3,735 | 2,772 | 2,818 | 2,839 | 2,861 |
| Net cash from or (used by) operating activities | 134 | - | - | - | - |
| INVESTING ACTIVITIES | | | | | |
| Cash used | | | | | |
| Purchase of property, plant and equipment | 40 | 40 | 40 | 40 | 40 |
| Total cash used | 40 | 40 | 40 | 40 | 40 |
| Net cash from or (used by) investing activities | (40) | (40) | (40) | (40) | (40) |
| FINANCING ACTIVITIES | | | | | |
| Cash Received | | | | | |
| Capital injections | (94) | 40 | 40 | 40 | 40 |
| Total cash received | (94) | 40 | 40 | 40 | 40 |
| Net cash from or (used by) financing activities | (94) | 40 | 40 | 40 | 40 |
| Net increase or (decrease) in cash held | - | - | - | - | - |
| Cash at the beginning of the reporting period | 92 | 92 | 92 | 92 | 92 |
| Cash at the end of the reporting period | 92 | 92 | 92 | 92 | 92 |

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2010-11)

| | Retained surpluses \$'000 | Asset revaluation reserve \$'000 | Other reserves \$'000 | Contributed equity/ capital \$'000 | Total equity \$'000 |
|---|---------------------------------|---|-----------------------------|---|---------------------------|
| Opening balance as at 1 July 2010 | | | | | |
| Balance carried forward from previous period | 4,085 | 179 | - | (134) | 4,130 |
| Adjusted opening balance | 4,085 | 179 | - | (134) | 4,130 |
| Comprehensive income | | | | | |
| Surplus (deficit) for the period | (40) | - | - | - | (40) |
| Total comprehensive income recognised directly in equity | (40) | - | - | - | (40) |
| Transactions with owners | | | | | |
| Contributions by owners | | | | | |
| Appropriation (departmental capital budget) | - | - | - | 40 | 40 |
| Total transactions with owners | - | - | - | 40 | 40 |
| Estimated closing balance as at 30 June 2011 | 4,045 | 179 | - | (94) | 4,130 |

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget statement

| | Estimated actual 2009-10 \$'000 | Budget estimate 2010-11 \$'000 | Forward estimate 2011-12 \$'000 | Forward estimate 2012-13 \$'000 | Forward estimate 2013-14 \$'000 |
|--|--|---|--|--|--|
| CAPITAL APPROPRIATIONS | | | | | |
| Capital budget - Bill 1 - DCB | - | 40 | 40 | 40 | 40 |
| Total capital appropriations | - | 40 | 40 | 40 | 40 |
| Represented by: | | | | | |
| Purchase of non-financial assets | - | 40 | 40 | 40 | 40 |
| Total represented by | - | 40 | 40 | 40 | 40 |
| ACQUISITION OF NON-FINANCIAL ASSETS | | | | | |
| Funded by capital appropriation - DCB | - | 40 | 40 | 40 | 40 |
| Funded internally from departmental resources | 40 | - | - | - | - |
| TOTAL | - | 40 | 40 | 40 | 40 |

Note: Under the net cash appropriation arrangements implemented as part of Operation Sunlight, agencies are no longer funded for depreciation, amortisation or make good expenses. Funding for these expenses have been replaced with a Departmental Capital Budget (DCB).

Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements — departmental

| | Buildings | Other infrastructure, plant and equipment | Intangibles | Total |
|---|-----------|--|-------------|------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 1 July 2010 | | | | |
| Gross book value | 120 | 92 | 7 | 219 |
| <i>less</i> Accumulated depreciation/amortisation | 50 | 22 | 1 | 73 |
| Opening net book balance | 70 | 70 | 6 | 146 |
| Asset movements | | | | |
| Additions | 25 | 15 | - | 40 |
| <i>less</i> Depreciation/amortisation expense | 25 | 15 | - | 40 |
| Total asset movements | - | - | - | - |
| As at 30 June 2011 | | | | |
| Gross book value | 145 | 107 | 7 | 259 |
| <i>less</i> Accumulated depreciation/amortisation | 75 | 37 | 1 | 113 |
| Closing net book balance | 70 | 70 | 6 | 146 |

3.2.4 Notes to the financial statements

The financial statements have been prepared on an Australian Accounting Standards basis.

