

# 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 *Competition and Consumer Act 2010* (CCA) 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 CCA 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 CCA.

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 it will continue to ensure that its recommendations are provided within commercially meaningful time frames and in accordance with the CCA and the NGL and will continue to ensure its websites and other information resources remain relevant.

## 1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources from all sources. 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 2011-12 as at Budget May 2011**

	Estimate of prior year amounts available in 2011-12 \$'000	+	Proposed at Budget 2011-12 \$'000	=	Total estimate 2011-12 \$'000	Actual available appropriation 2010-11 \$'000
<b>Ordinary annual services</b>						
<b>Departmental</b>						
Prior year departmental appropriation	3,425	<sup>2</sup>	-		3,425	-
Departmental appropriation <sup>3</sup>	-		2,850	<sup>1</sup>	2,850	2,812
<b>Total net resourcing for the NCC</b>	<b>3,425</b>		<b>2,850</b>		<b>6,275</b>	<b>2,812</b>

1. Appropriation Bill (No. 1) 2011-12.

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

3. Includes \$0.04 million in 2011-12 for the departmental capital budget (also refer to Table 3.2.5).

### Third party payments from and on behalf of other agencies

	2011-12 \$'000	2010-11 \$'000
Payments made on behalf of the NCC	2,850	2,812

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

## 1.3 BUDGET MEASURES

Budget measures relating to NCC are detailed in Budget Paper No. 2, *Budget Measures 2011-12* and are summarised below.

**Table 1.2: National Competition Council 2011-12 Budget measures**

Program	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000	
<b>Expense measures</b>						
Efficiency dividend - temporary increase in the rate	1.1	-	(14)	(29)	(36)	(44)
<b>Total expense measures</b>		-	(14)	(29)	(36)	(44)
<b>Related capital</b>						
Efficiency dividend - temporary increase in the rate	1.1	-	-	-	(1)	(1)
<b>Total related capital</b>		-	-	-	(1)	(1)

Prepared on a government finance statistics (fiscal) basis.

## 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. Commonwealth programs are the primary vehicle by which government agencies achieve the intended results of their outcome statements. 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 time limits) and good regulatory practice.

Pursuant to the CCA, 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 agreed under the Competition and Infrastructure Reform Agreement 2006 to submit applications for the certification of their existing access regimes and for the certification of energy access regimes by the end of 2010. They also undertook to achieve certification of any new access regimes as soon as practicable.

Governments submitted applications for the certification of all existing operational access regimes except one by the end of 2010. Applications for the certification of energy access regimes are yet to be submitted. In 2011-12, the NCC will liaise with

Government applicants to assist them in formulating remaining certification applications and ensuring applications are properly considered and certified as appropriate.

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 expense statement

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

**Table 2.1: Budgeted expenses 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	2010-11 Estimated actual expenses \$'000	2011-12 Estimated expenses \$'000
<b>Program 1.1: National Competition Council</b>		
Departmental expenses		
Departmental appropriation	2,772	2,809
Expenses not requiring appropriation in the budget year	64	65
<b>Total expenses for Outcome 1</b>	<b>2,836</b>	<b>2,874</b>
	2010-11	2011-12
<b>Average staffing level (number)</b>	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 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

There are no significant changes to estimates across the forward years.

**Table 2.2: Program expenses**

	2010-11 Revised budget \$'000	2011-12 Budget \$'000	2012-13 Forward year 1 \$'000	2013-14 Forward year 2 \$'000	2014-15 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	2,836	2,874	2,892	2,912	2,937
<b>Total program expenses</b>	<b>2,836</b>	<b>2,874</b>	<b>2,892</b>	<b>2,912</b>	<b>2,937</b>

## Program deliverables

The NCC has the following deliverables:

- makes recommendations to Ministers pursuant to Part IIIA of the CCA 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 CCA.

## Program key performance indicators

The NCC has the following key performance indicators:

- recommendations on declaration applications made within statutory time limits (consideration period of 180 days) and meet advice requirements of Ministers;
- recommendations on certification applications made within statutory time limits (consideration period of 180 days) 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) of the CCA 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 2011-12. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations and 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

Special accounts provide a means to set aside and record amounts used for specified purposes. Special accounts can be created by a Finance Minister's Determination under the *Financial Management and Accountability Act 1997* (FMA Act) or under separate enabling legislation. Table 3.1.2 shows the expected additions (receipts) and reductions (payments) for each account used by the NCC.

**Table 3.1.2: Estimate of special account cash flows and balances**

	Opening balance	Receipts	Payments	Adjustments	Closing balance
	2011-12	2011-12	2011-12	2011-12	2011-12
	2010-11	2010-11	2010-11	2010-11	2010-11
Outcome	\$'000	\$'000	\$'000	\$'000	\$'000
Other Trust Moneys	1	-	-	-	-
Account	-	-	-	-	-
<b>Total special accounts</b>					
<b>2011-12 Budget estimate</b>	-	-	-	-	-
Total special accounts					
2010-11 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 are no differences between agency resourcing and financial statements.

### **3.2.2 Analysis of budgeted financial statements**

#### **Budgeted departmental income statement**

The NCC is budgeting for a break even result for 2011-12 and 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 which were initiated in the 2010-11 Budget.

#### **Operating revenues**

Total NCC revenue in 2011-12 is estimated to be \$2.8 million.

#### **Operating expenses**

Total expenses in 2011-12 are estimated to be \$2.8 million.

#### **Budgeted departmental balance sheet**

In 2011-12 the NCC's equity position will be positive \$4.0 million.

#### **Assets**

The NCC's assets are predominantly financial assets consisting of other receivables and cash. The non-financial assets include leasehold improvements and plant and equipment assets.

#### **Liabilities**

The NCC's liabilities are mainly employee entitlements. There is no significant movement in total liabilities from 2010-11.

### 3.2.3 Budgeted financial statements tables

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

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>EXPENSES</b>					
Employee benefits	1,658	1,400	1,455	1,514	1,576
Supplier	1,138	1,433	1,396	1,358	1,321
Depreciation and amortisation	40	41	41	40	40
<b>Total expenses</b>	<b>2,836</b>	<b>2,874</b>	<b>2,892</b>	<b>2,912</b>	<b>2,937</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Gains</b>					
Other	24	24	24	24	24
<b>Total gains</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>Total own-source income</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>Net cost of (contribution by)</b>					
<b>services</b>	<b>2,812</b>	<b>2,850</b>	<b>2,868</b>	<b>2,888</b>	<b>2,913</b>
Appropriation revenue	2,772	2,809	2,827	2,848	2,873
<b>Surplus (deficit) attributable to the Australian Government</b>	<b>(40)</b>	<b>(41)</b>	<b>(41)</b>	<b>(40)</b>	<b>(40)</b>
<b>Note: Reconciliation of operating result attributable to the agency</b>					
	2010-11 \$'000	2011-12 \$'000	2012-13 \$'000	2013-14 \$'000	2014-15 \$'000
<b>Operating result attributable to the Australian Government</b>	<b>(40)</b>	<b>(41)</b>	<b>(41)</b>	<b>(40)</b>	<b>(40)</b>
Plus non-appropriated expenses depreciation and amortisation expenses	40	41	41	40	40
<b>Operating result attributable to the NCC</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>ASSETS</b>					
<b>Financial assets</b>					
Cash and equivalents	34	34	34	34	34
Trade and other receivables	4,200	4,200	4,200	4,200	4,200
<b>Total financial assets</b>	<b>4,234</b>	<b>4,234</b>	<b>4,234</b>	<b>4,234</b>	<b>4,234</b>
<b>Non-financial assets</b>					
Land and buildings	66	65	64	64	65
Infrastructure, plant and equipment	37	38	39	39	38
Intangibles	4	4	4	4	4
Other	8	8	8	8	8
<b>Total non-financial assets</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>115</b>
<b>Total assets</b>	<b>4,349</b>	<b>4,349</b>	<b>4,349</b>	<b>4,349</b>	<b>4,349</b>
<b>LIABILITIES</b>					
<b>Provisions</b>					
Employees	295	295	295	295	295
Other	43	43	43	43	43
<b>Total provisions</b>	<b>338</b>	<b>338</b>	<b>338</b>	<b>338</b>	<b>338</b>
<b>Payables</b>					
Suppliers	47	47	47	47	47
<b>Total payables</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>
<b>Total liabilities</b>	<b>385</b>	<b>385</b>	<b>385</b>	<b>385</b>	<b>385</b>
<b>Net assets</b>	<b>3,964</b>	<b>3,964</b>	<b>3,964</b>	<b>3,964</b>	<b>3,964</b>
<b>EQUITY</b>					
Contributed equity	40	81	122	162	202
Reserves	223	223	223	223	223
Retained surpluses or accumulated deficits	3,701	3,660	3,619	3,579	3,539
<b>Total equity</b>	<b>3,964</b>	<b>3,964</b>	<b>3,964</b>	<b>3,964</b>	<b>3,964</b>
<b>Current assets</b>	<b>4,242</b>	<b>4,242</b>	<b>4,242</b>	<b>4,242</b>	<b>4,242</b>
<b>Non-current assets</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>107</b>
<b>Current liabilities</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>
<b>Non-current liabilities</b>	<b>338</b>	<b>338</b>	<b>338</b>	<b>338</b>	<b>338</b>

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>OPERATING ACTIVITIES</b>					
<b>Cash received</b>					
Appropriations	2,812	2,850	2,868	2,888	2,913
<b>Total cash received</b>	2,812	2,850	2,868	2,888	2,913
<b>Cash used</b>					
Employees	1,658	1,400	1,455	1,514	1,576
Suppliers	1,114	1,409	1,372	1,334	1,297
<b>Total cash used</b>	2,772	2,809	2,827	2,848	2,873
<b>Net cash from or (used by) operating activities</b>	40	41	41	40	40
<b>INVESTING ACTIVITIES</b>					
<b>Cash used</b>					
Purchase of property, plant and equipment	40	41	41	40	40
<b>Total cash used</b>	40	41	41	40	40
<b>Net cash from or (used by) investing activities</b>	(40)	(41)	(41)	(40)	(40)
<b>Net increase or (decrease) in cash held</b>	-	-	-	-	-
Cash at the beginning of the reporting period	34	34	34	34	34
<b>Cash at the end of the reporting period</b>	34	34	34	34	34

Prepared on Australian Accounting Standards basis.

**Table 3.2.4: Departmental statement of changes in equity — summary of  
movement (budget year 2011-12)**

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
<b>Opening balance as at 1 July 2011</b>					
Balance carried forward from previous period	3,701	223	-	40	3,964
<b>Adjusted opening balance</b>	3,701	223	-	40	3,964
<b>Comprehensive income</b>					
Surplus (deficit) for the period	(41)	-	-	-	(41)
<b>Total comprehensive income recognised directly in equity</b>	(41)	-	-	-	(41)
<b>Transactions with owners</b>					
Contributions by owners					
Appropriation (departmental capital budget)	-	-	-	41	41
<b>Total transactions with owners</b>	-	-	-	41	41
<b>Estimated closing balance as at 30 June 2012</b>	3,660	223	-	81	3,964

Prepared on Australian Accounting Standards basis.

**Table 3.2.5: Departmental capital budget (DCB) statement**

	Estimated actual 2010-11 \$'000	Budget estimate 2011-12 \$'000	Forward estimate 2012-13 \$'000	Forward estimate 2013-14 \$'000	Forward estimate 2014-15 \$'000
<b>CAPITAL APPROPRIATIONS</b>					
Capital budget - Bill 1 - DCB	40	41	41	40	40
<b>Total capital appropriations</b>	40	41	41	40	40
<b>Represented by:</b>					
Purchase of non-financial assets	40	41	41	40	40
<b>Total represented by</b>	40	41	41	40	40
<b>PURCHASE OF NON-FINANCIAL ASSETS</b>					
Funded by capital appropriation - DCB	40	41	41	40	40
<b>TOTAL</b>	40	41	41	40	40
<b>RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE</b>					
Total purchases	40	41	41	40	40
<b>Total cash used to acquire assets</b>	40	41	41	40	40

Prepared on Australian accounting standards basis.

**Table 3.2.6: Statement of asset movements — departmental**

	Buildings \$'000	Other infrastructure, plant and equipment \$'000	Intangibles \$'000	Total \$'000
<b>As at 1 July 2011</b>				
Gross book value	91	52	7	150
Accumulated depreciation/amortisation and impairment	25	15	3	43
<b>Opening net book balance</b>	66	37	4	107
<b>Capital asset additions</b>				
By purchase - appropriation ordinary annual services	25	16	-	41
<b>Total asset additions</b>	25	16	-	41
<b>Other movements</b>				
Depreciation/amortisation expense	26	15	-	41
<b>Total other movements</b>	26	15	-	41
<b>As at 30 June 2012</b>				
Gross book value	116	68	7	191
Accumulated depreciation/amortisation and impairment	51	30	3	84
<b>Closing net book balance</b>	65	38	4	107

Prepared on Australian accounting standards basis.

### 3.2.4 Notes to the financial statements

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