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PERFORMANCE OF NSW GOVERNMENT BUSINESSES 1999-00

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This historical document is presented as originally created.

It includes an acronym for the Financial Assistance Grant program that is offensive and inappropriate, and which we no longer use.

NSW Treasury apologises for the use of this term and the harm caused by it.

Today, the program is referred to as the 'FA Grant' or the 'Financial Assistance Grant'.

PREFACE

This is the eleventh edition of the *Performance of NSW Government Businesses.* It reports on microeconomic reform and the performance of NSW Government businesses.

The NSW Government remains the only Australian Government to provide a comprehensive annual report of this type.

John Pierce
Secretary
NSW Treasury

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General inquiries concerning this document should be initially directed to:
Frank Jordan of NSW Treasury (Tel: 9228 4284, or E-mail: jordanf@mail.ccsu.nsw.gov.au).
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Written by Nita Cowan and Alistair Chiu.

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EXECUTIVE SUMMMARY

The NSW Government has been implementing economic reform for over a decade.

From 1995, much of the reform process has taken place under the auspices of National Competition Policy. In the last 18 months, National Competition Policy reform in New South Wales has focused primarily on the electricity, gas and water industries:

- from 1 July 1999, contestable electricity supply (choice of electricity supplier) has widened, allowing businesses with two or more sites of at least 100MWh per year to aggregate their consumption to achieve the 160MWh threshold for choice of supplier. Customers of 100 to 160MWh per year will have contestable supply from 1 January 2001;

- from 1 July 2000, new retailers in the gas market have enjoyed third party access rights to pipeline networks in order to transport gas to small customers (those with an annual consumption of less than 1 terajoule); and

- on 8 December 2000, the NSW Government enacted the *Water Management Act 2000.* The Act introduces reforms regarding arrangements for environmental water, water management planning and trading of water entitlements.

National Competition Policy has created a more outward-looking, dynamic and competitive NSW economy. The benefits of these changes for New South Wales include:

- lower costs through improved resource allocation and enhanced productivity;
- greater incentives for businesses to innovate;
- increased international business opportunities;
- greater flexibility of the economy, making it more robust in light of external shocks;
- output aligned more closely with consumer demand;
- investment flowing to its highest use value;
- prices reflecting the true costs of production; and
- improvement of the overall level of welfare.

In addition, the performance of NSW Government businesses has improved. The NSW Government Charges Index 1999-00 reflects a real fall in the prices of State Government goods and services of 15.5 per cent since 1994-95.

There has also been activity in other microeconomic reforms. For example:

- under new Commonwealth-State financial arrangements, Goods and Services Tax revenue flows to the States and Territories and Financial Assistance Grants will cease. New South Wales will abolish or reduce a range of taxes;

- the NSW Government is presently reviewing its policy and guidelines on private sector participation in the provision of public infrastructure. It has issued a discussion paper entitled *Working with Government: Private Financing of Infrastructure and Certain Government Services in NSW*;

- the NSW Government has announced its intention to sell its supplier of rail freight services, FreightCorp, in parallel with the Commonwealth Government's sale of National Rail Corp. The sale is likely to occur in 2001; and

- the Department of Information Technology and Management was established on 8 April 1999 to ensure that the NSW Government makes optimum use of information technology.

In conclusion, economic reforms have improved the welfare of NSW residents and strengthened the performance of the NSW economy. Future reforms have the potential to further these outcomes.

1. OVERVIEW OF COMPETITION REFORM

1.1 THE RATIONALE FOR COMPETITION REFORM

The desire to maintain and improve Australian living standards underpins all government policy. The two arms of economic policy, macroeconomic policy and microeconomic policy, operate in tandem to this end.

Macroeconomic policy influences the aggregate performance of the economy by management of fiscal and monetary variables[1]. Microeconomic policy, on the other hand, aims to improve the economy's efficiency and productivity.

Over the past two decades, gradual implementation of a wide program of microeconomic reform has enriched Australia's economic landscape. The major reforms over this time include:

- financial deregulation;
- the dismantling of barriers to foreign trade;
- corporatisation and privatisation of government business enterprises;
- labour market reform; and
- pro-competitive reforms.

Competition reform is based on the view that, in general, competitive markets lead to a more efficient allocation of resources than do markets where participants exercise significant market power.

More competitive markets are expected to reduce the cost for which goods and services are produced (improve technical efficiency). Competition also gives firms incentive to utilise entrepreneurial flair, new technologies and innovative practices in an attempt to gain advantage over competitors (improve dynamic efficiency[2]). Under competitive markets:

- output aligns more closely with consumer demand;
- investment flows to its highest use value;
- prices reflect the true costs of production; and
- society's overall level of welfare is improved.

Competition policy therefore facilitates better living standards by promoting a higher level of output and greater employment growth. In addition, it improves the sustainability of economic growth by improving the economy's responsiveness to external shocks.

New South Wales has been actively implementing microeconomic reforms for the past two decades and competition policy reform for over a decade. In 1995, Australian Governments drew together a package of competition reforms entitled 'National Competition Policy' (NCP), thereby undertaking a more co-ordinated approach to reform.

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[1] The statement of New South Wales' fiscal strategy is contained in NSW Treasury (2000) Budget 2000-01, Volume 2.

[2] i.e. the speed at which firms respond to changing problems and opportunities.

1.2 THE RESULTS OF COMPETITION REFORM

Allocative Efficiency Gains

Microeconomic reforms have been largely directed towards improving the allocative efficiency of markets. In many instances allocative efficiency gains from reform are, however, unobservable. Some examples of observable gains are:

- telecommunications pricing better reflecting costs;
- less cross subsidisation of financial products and services;
- airport and rail investments less subject to political imperatives (hence fewer white elephants constructed or maintained in operation)[3]; and
- more choice in electricity supply.

Productivity Gains

There has been a longstanding expectation that microeconomic reforms would lead to an improvement in productivity growth. The evidence appears to meet this expectation.

Australia's productivity growth surged in the 1990s. In fact, ABS estimates put Australia's productivity growth in the 1990s at the highest recorded level[4]. The recent surge in productivity appears to be a break from past trends[5]. The Productivity Commission reports that the strong productivity growth has been most significant in the utilities, finance and insurance, mining and communication services industries[7]. Productivity gains at the industry level have been predominantly passed on in the form of lower prices[6].

Treasury notes that several factors would have contributed to Australia's recent economic success: for example, technological advances, globalisation and the changing nature of inputs[7]. Despite this, commentators credit much of the improved productivity growth to the microeconomic reform over the past two decades[8]. The Governor of the Reserve Bank of Australia[9] and recent IMF and OECD reports concur[10].

Additionally, capital and labour inputs grew strongly in the four years to 1997-98. The unemployment rate has declined significantly since the early 1990s recession. Strong economic growth has been combined with exceptionally low inflation[11].

[3] Forsyth, Peter (2000) *Microeconomic Policies and Structural Change,* presented at the RBA Conference *The Australian Economy in the 1990s*, July 24-25 2000.
[4] Multifactor productivity growth reached 2.5 per cent a year in 1996-97 and 1997-97 according to ABS data. Trend productivity growth accelerated in the 1990s and has been sustained at high rates for longer than any other measurable period: Productivity Commission (1999) Annual Report 1998-99.
[5] Productivity Commission (1999) Annual Report 1998-99.
[7] Productivity Commission (1999) Annual Report 1998-99.
[6] Productivity Commission (2000) *Distribution of the Economic Gains of the 1990s*.
[7] The quality of labour inputs, in particular, has changed with more extensive education. In addition, longer working hours mean that labour input may be understated.
[8] Including Charles Bean, Peter Forsyth, David Gruen and Glenn Stevens, and Richard Snape: David Gruen (2000) *The Australian Economy in the 1990s* Reserve Bank of Australia Bulletin, October 2000.
[9] Macfarlane, I. J. (1999) *Opening Statement to House of Representatives Standing Committee on Economics Finance and Public Administration,* Melbourne.
[10] NCC (1999) Annual Report 1998-99.
[11] Productivity Commission (1999) Annual Report 1998-99.

More broadly, microeconomic reforms have been forging a stronger, more adaptive economy. Success on this front is evident in the Australian economy's recent resilience to the Asian financial crisis. The Reserve Bank of Australia has observed that the maintained strong growth and exceptionally low inflation almost two years after the Asian crisis emerged indicates the extent to which the Australian economy's underlying strength and resilience have improved[12].

Outcomes for Consumers

Business electricity bills fell by up to 60 per cent in New South Wales, following the introduction of NCP reforms and are now coming to reflect long term costs of production. Gas prices to industry have declined by up to 50 per cent, with further falls of 10 per cent forecast. Coal freight charges in the Hunter Valley fell by 25 per cent between 1995-96 and 1997-98, with a further 10 per cent reduction in rail access charges scheduled[13].

Lower fees for professional services have also been attained. For example, conveyancing fees in New South Wales fell by 17 per cent between 1994 and 1996 following reforms to the legal profession[14].

In addition, charges for NSW Government goods and services have declined by 15.5 per cent in real terms from 1994-95 to 1999-00. In the five years to 30 June 2000, NSW businesses have benefited from real reductions in the charges for:

- ports of 32 per cent;
- water of 16 per cent; and
- electricity of 16 per cent[15].

A package of water reforms has promoted more efficient use of water through changes to water pricing and tradeable allocations. Consumption in some areas fell by as much as 20 per cent following the introduction of consumption-based water charges. Water wastage has thereby been reduced. In the five years to 1997-98, operating costs fell by more than 18 per cent[16].

Taxpayers have also gained in their role as owners of government business enterprises. As the efficiency and profitability of these enterprises has increased, they have ceased to be the drain on the State's budgets that they were in the 1980s[17].

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[12] Reserve Bank of Australia (1999) *Semi-Annual Statement on Monetary Policy*, May 1999
[15] NCC (1999) Annual Report 1998-99.
[14] NCC (1999) Annual Report 1998-99.
[15] These real price reductions are based on NSW Treasury's Government Charges Index 1999-00, which provides an aggregate measure of movements in total charges and prices levied by NSW Government businesses.
[16] NCC (1999) Annual Report 1998-99.
[17] Forsyth, Peter (2000) *Microeconomic Policies and Structural Change,* presented at the RBA Conference *The Australian Economy in the 1990s*, July 24-25 2000.

1.3 PERCEPTIONS AND MISCONCEPTIONS OF COMPETITION POLICY

There are general misunderstandings within the community of the scope and objectives of NCP. The Productivity Commission reports that NCP has been perceived by certain elements of the media and the rural community as responsible for the withdrawal or contracting out of government services; asset sales and privatisation; the demise of local businesses; the closure of bank branches; and population decline in parts of rural Australia [18].

Contrary to these perceptions, NCP does not require any of these. The Productivity Commission's September 1999 public inquiry report into the *Impact of Competition Policy Reforms on Rural and Regional Australia* found that:

- the forces driving change have had varied effects on Australia's regions;
- the main drivers of change have been long term forces, largely beyond the control of governments; and
- competition policy reforms have been a lesser influence, but have brought net benefits to regional as well as urban Australia [19].

There are occasions when the costs of the reform process may fall primarily on a particular region or industry. The reform framework is designed, however, to take account of these costs. The NCP public interest test requires the costs and benefits of reform - including the impacts on particular regions, industries or individuals - to be balanced rigorously. This aims to ensure that reform is in the interests of the community as a whole [20].

The misconceptions about NCP reforms may be explained by the difficulty in distinguishing the impact of these reforms from that of other factors. Further, media portrayal of NCP reforms frequently focuses on its adverse affects. Such effects are more visible, concentrated and immediate, while the gains from NCP are often intangible, dispersed and delayed.

In addition, beneficiaries of anti-competitive markets tend to:

- be concentrated in particular areas or industries; and
- derive much benefit from sheltered markets.

These groups are often well funded, highly organised and able to use the media to communicate their interests. In contrast, losers from restrictions on competition – taxpayers, consumers and industries using inputs that are protected from competition – are diffuse. The individual loss is small, although the total loss is far greater.

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[18] Productivity Commission (1999) *Impact of Competition Policy Reforms on Rural and Regional Australia.*
[19] Productivity Commission (1999) *Impact of Competition Policy Reforms on Rural and Regional Australia.*
[20] NCC (1999) *NCP: Some Impacts on Society and the Economy*.

2. NATIONAL COMPETITION POLICY

2.1 OVERVIEW

Since the 1980s, microeconomic reform has been at the forefront of many government agendas. In recognition of the benefits of adopting a nationally co-ordinated approach to regulation and reform, in 1995 the Council of Australian Governments (COAG) committed all Australian Governments to a package of reforms entitled "National Competition Policy" (NCP).

The adoption of a national, co-ordinated approach to reform seeks to overcome inconsistencies that can arise from a more piecemeal approach. It allows each jurisdiction to take advantage of the experiences of other jurisdictions and avoid duplication of processes. A national approach also acknowledges that Australia is becoming a single market, rather than a collection of separate State markets.

NCP consists of three inter-governmental agreements, discussed further below: the *Conduct Code Agreement*; the *Competition Principles Agreement*; and the *Agreement to the Implement National Competition Policy and Related Reforms* ('the Related Reforms Agreement').

In short, the NCP reforms are focused on the following:

- extending the application of competitive conduct rules;
- reforming regulation that unjustifiably restricts competition;
- reforming the structure of public monopolies to facilitate competition;
- providing third party access to significant infrastructure facilities;
- prices oversight of government monopolies; and
- pursuing competitive neutrality between competing government and private businesses.

NCP is based on the understanding that competitive markets, properly harnessed, can deliver benefits to consumers and businesses by increasing consumer choice; promoting a more efficient allocation of resources; encouraging innovation; and improving productivity. In the longer term, such reform can strengthen the resilience of the Australian economy and boost economic growth.

New South Wales also benefits financially from undertaking NCP reforms: competition payments from the Commonwealth Government hinge on their effective implementation. New South Wales' performance in meeting its obligations are assessed by the National Competition Council (NCC). The NCC undertakes three progress assessments during the life of the NCP program. Two assessments have been completed: the first in June 1997 and the second in June 1999. The third is due before July 2001.

The *Conduct Code Agreement* and the *Competition Principles Agreement* require a review of the operation and terms of the NCP arrangements after their operation for five years. An intergovernmental working group recently conducted the review. At a meeting of COAG, held on 3 November 2000, Heads of Government agreed to minor variation in the terms of the NCP agreements and to a further review before September 2005.

2.2 CONDUCT CODE AGREEMENT

The *Conduct Code Agreement* requires that the Competition Code, a schedule of the *Trade Practices Act 1974* (TPA), is applied by all Australian Governments through enacting legislation. In particular, the Competition Code requires the application of Part IV of the TPA, which relates to restrictive trade practices and unconscionable conduct.

The NSW Government complied with this agreement by enacting the *Competition Policy Reform (NSW) Act 1995*, which has applied to all persons, unincorporated associations, corporations and professional and government agencies since 21 July 1996. Since 1 July 1997, government businesses have also come under this Act.

There are two important aspects of the Competition Code and the application of the TPA:

- New South Wales must notify the Australian Consumer and Competition Council (ACCC) within 30 days of any legislation or provision in legislation which is reliant on s51 of the Act; and

- New South Wales may, under s51 of the TPA, exempt conduct that would usually be subject to Part IV of the Act. However, the Commonwealth Minister may table regulations under s51(1C)(f) of the Act, which in effect remove the exemption. In general, the NCC will advise the Minister to approve an exemption if there are net benefits to the community and the objectives of the legislation or regulation can only be achieved by restricting legislation.

2.3 COMPETITION PRINCIPLES AGREEMENT

The *Competition Principles Agreement* lists six principles to apply to government businesses. These are designed to enhance competition in markets for goods and services. The principles stipulate:

- independent prices surveillance of monopoly and near monopoly activities;
- introduction of competitively neutral pricing by government businesses competing with each other or the private sector;
- structural reform of government businesses by separating regulatory activities from core operating activities, and for the latter, separating competitive, or potentially competitive activities, from monopoly activities;
- review and, where appropriate, reform or removal of existing legislation which restricts competition;
- third party access to significant infrastructure facilities; and
- application of the above principles to local government businesses.

New South Wales' achievements in the application of these principles are summarised below (pages 10-19).

Independent Prices Oversight

Clause 2 of the *Competition Principles Agreement* commits all jurisdictions to have an independent source of prices oversight advice in relation to all significant monopoly or near monopoly government business enterprises.

Since 1996, New South Wales has fulfilled its prices oversight obligations through the Independent Pricing and Regulatory Tribunal (IPART). IPART is the successor to the Government Pricing Tribunal which was established in 1992.

The functions of IPART are to:

- set maximum prices and review pricing of scheduled NSW Government monopoly services, including electricity, gas, water and public transport;
- undertake general reviews of industry, pricing or competition issues as required by the Premier; and
- register agreements for access to public infrastructure assets and arbitrate disputes about such agreements.

In 1999-2000, IPART undertook the following activities[21]:

1. Price Regulation for:
- CityRail and State Transit Authority for bus and ferry fares from 1 August 1999 and 1 July 2000;
- Sydney Water Corporation water supply, sewerage and drainage services prices from 1 July 2000;
- Wyong Shire Council of medium-term price path of water supply, sewerage and drainage services from 1 July 2000;
- Gosford City Council of medium-term price path of water supply, sewerage and drainage services from 1 July 2000;
- Hunter Water Corporation water supply, sewerage and drainage services prices from 1 July 2000; and
- pricing for pass through of energy costs for retail supply of electricity to franchise customers.

2. Advice to the Government on industry issues:
- review of the Taxi Cab and Hire Car Industries;
- review of NSW Health;
- review of the Delivered Price of Natural Gas in Wagga Wagga and Albury;
- review of Fees for Development Control Services - Development Application Fees;
- report on Pricing for Electricity Networks and Retail Supply;
- review of the Delivered Price of Natural Gas to Tariff Customers Served from the AGL Gas Network in NSW; and
- draft review of the Delivered Price of Natural Gas in Wagga Wagga and Albury.

3. Access to public utility infrastructure services:
- Albury Gas Company Limited Access Arrangement Review; and
- AGL Gas Networks Access Arrangement Review

4. Discussion Papers:
- Pricing of Recoverable Works;
- Pricing of Capital Contributions to Electricity Networks;
- Water Industry Overview;
- Regulation of New South Wales Electricity Distribution Networks - Determination and Rules under the National Electricity Code; and
- Benchmarking the Efficiency of Australian Gas Distributors.

[21] www.ipart.nsw.gov.au

Competitive Neutrality

The principles of competitive neutrality seek to encourage competition and better use of resources by ensuring that government businesses with actual or potential competitors do not gain any net competitive advantage arising out of their public ownership. Only the demonstration that a net cost would be imposed on the community will exempt a government business from meeting competitive neutrality requirements.

Under the *Competition Principles Agreement*, Governments are required to ensure their businesses adopt:

- a corporatisation model;
- full Commonwealth, State and Territory taxes or tax equivalents;
- debt guarantee fees (which in effect restore the true cost of debt); and
- regulations to which private sector businesses are normally subject.

In June 1996, the NSW Government published its *Policy Statement on the Application of Competitive Neutrality*. The Statement places the onus on government business entities to implement competitive neutrality principles, commencing from 1 July 1998, except in cases where a net cost would be imposed on the community.

The *NSW Government Policy Statement on Competitive Neutrality 2000* updates the 1996 Statement in two key areas:

- formalisation of competitive neutrality complaints mechanisms; and
- finalisation of guidelines for the costing and pricing of government business outputs, incorporating an 'avoidable cost' approach to pricing.

In addition, the *Guidelines for Pricing of User Charges 2000* extend to significant business units of General Government Agencies[22].

Competitive neutrality does not require privatisation of government business enterprises, only corporatisation as appropriate. The NSW Government has chosen to keep most of its businesses under public ownership, preferring to deliver its competitive neutrality obligations through corporatisation. Corporatisation involves the application of the State Owned Corporation model and New South Wales' Financial Policy Framework.

The State Owned Corporation model requires adherence to commercial disciplines with the Government, and more broadly the community, effectively becoming shareholders. Twenty government businesses have been corporatised to date, operating in the electricity generation and distribution sectors, gaming, ports, transport, water and waste services. In recent times, Eraring Energy was corporatised on 1 July 2000. The Snowy Mountains Hydro-Electric Authority is due to be corporatised on 1 January 2001. It will then be owned jointly by the NSW, Victorian and Commonwealth Governments under the new name of Snowy Hydro Ltd[23]. The corporatisation model is also applied to Local Government entities with annual turnover above $2 million.

[22] NSW Government (1999) Annual Report on the Application of National Competition Policy.
[23] NSW Government (1999) Annual Report on the Application of National Competition Policy.

The Financial Policy Framework is used for all significant government business entities that are monitored quarterly or annually (i.e. some 45 government businesses)[24]. It applies:

- commercially based target rates of return;
- dividends and capital structures;
- regular performance monitoring;
- payment of State taxes and Commonwealth tax equivalents;
- payment of a risk related borrowing fee; and
- explicitly funded 'Social Programs' (Community Service Obligations).

For other significant businesses with private sector rivals (or potential rivals), Treasury has developed costing and pricing principles. These principles apply to some 142 commercial activities of or within:

- general government sector agencies;
- government business yet to adopt the Framework; and
- government businesses not subject to independent prices oversight.

Competitive Neutrality Complaints Mechanism

All States and the Commonwealth were required to develop arrangements for receiving and responding to complaints, as part of the competitive neutrality obligations. NSW arrangements consist of two stages, outlined in the *Policy Statement on the Application of Competitive Neutrality*:

- Stage 1: the party lodging the complaint approaches the relevant government agency to clarify and attempt to resolve the matter (this first step also acts as a mechanism to eliminate trivial complaints or misunderstandings); and

- Stage 2: (only if necessary) the matter is raised with the Premier and referred, via the Cabinet Office, for independent assessment by a third party complaints mechanism wherever the complainant is not satisfied with the agency's response. New South Wales has two independent mechanisms: IPART for generic competitive neutrality matters and the State Contracts Control Board for complaints relating to tendering.

In June 2000, the NSW Parliament enacted the *Independent Pricing and Regulatory Tribunal and Other Legislation Amendment Act 2000*, thereby formalising Stage 2 of the complaints mechanism.

Reciprocal Charging Arrangements For State And Local Government Businesses

At present, the State benefits from council rate exemptions for a small number of its government businesses. Concurrently, a few Local Government businesses benefit from service provision by State Government businesses and State owned corporations at less than full cost. Under the principles of competitive neutrality, State and Local Government businesses should be subjected to the same competitive environment as their private sector counterparts.

A Reciprocal Charging Sub-Committee has been formed to undertake a Review of Reciprocal Charging Arrangements between State and Local Government Businesses. The Review aims to inventory existing concessional arrangements between State and Local Government businesses; determine the potential impact on the net revenues of the relevant businesses; and set a timetable for phasing in a reciprocal charging regime consistent with competitive neutrality requirements[25].

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[24] NCC (1999) NCP Second Tranche Assessment.
[25] NSW Treasury (1998) *Review into the Reciprocal Charging Arrangements Between State and Local Government Businesses: Draft Report to the Reciprocal Charging Sub-Committee*.

The Committee has developed the broad principles upon which a reciprocal charging regime would be based and has compiled indicative data regarding the likely financial impact of such a regime. Cabinet has endorsed the undertaking of a more detailed assessment of the financial impact, to be reported back with recommendations by the end of calendar year 2001[26].

Structural Reform of Public Monopolies

Structural reform is intended to remove regulatory responsibilities from government monopoly businesses to ensure that they have no regulatory advantage over rivals or potential rivals. It also requires splitting any monopoly elements of businesses from potentially competitive elements, to remove cross-subsidisation from monopoly activities and the risk of unfair competition. Following such restructure, the monopoly elements would be subject to prices oversight and the competitive elements to market forces.

Electricity

The *Electricity Supply (NSW) Act 1995* established a single legislative framework for the industry. It split the transmission and distribution (natural monopoly) sectors from the generation and retail (potentially competitive) sectors of the industry, as a precursor to competitive retail electricity supply. The Act also set out the regulatory framework for the wholesale electricity market.

More discussion of electricity follows in the discussion of access arrangements (page 17) and related reforms (page 20).

Rail

Prior to 1996, all passenger and freight services were provided by the vertically integrated State Rail Authority (SRA). The *Transport Administration Amendment (Rail Corporatisation and Restructuring) Act 1996* separated the SRA into four agencies:

- Rail Access Corporation, manager of the rail network and administrator of access by public and private operators;
- FreightCorp, supplier of freight services;
- Rail Services Authority, responsible for track maintenance; and
- a new SRA, provider of customer services.

In its first tranche assessment, the NCC judged that New South Wales had generally met its obligations in relation to structural reform of monopolies.

The 2000 Glenbrook Rail Inquiry found, however, that the issue of safety had not been given sufficient weight following the 1996 reforms. In response to findings of the Inquiry, the NSW Government will introduce legislation to:

- merge the Rail Access Corporation and Rail Services Authority into a new Rail Infrastructure Corporation that owns and operates track infrastructure;
- establish the Office of Rail Regulator to control and monitor service standards;
- transfer network control in the CityRail and country networks to SRA and the new infrastructure body respectively;
- formalise the Office of Co-ordinator General, with sufficient powers to implement structural changes as necessary.

The Government will make decisions on responsibility for safety regulatory functions following the Inquiry's final report.

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[26] NSW Government (1999) Annual Report on the Application of National Competition Policy.

Legislation Review and Reform

Under clause 5 of the *Competition Principles Agreement*, all Governments agreed to review and, where appropriate, reform by the end of year 2000 all legislation which restricts competition. Heads of Government agreed at the COAG meeting of 3 November 2000, to extend the deadline for legislation reviews to 30 June 2002[27].

The principle underlying these reviews is that legislation should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

Governments are also obliged to ensure that all new legislation meets the guiding principle.

New South Wales has a comprehensive program of legislative reviews underway. As at 14 November 2000, reviews of 87 Acts had been completed and, where appropriate, reformed (including 20 Acts where review was deemed unnecessary). Reforms are yet to be fully implemented for 34 hitherto reviewed Acts. Reviews are yet to commence on 6 pieces of legislation.

Legislative reviews have benefited New South Wales by reducing anti-competitive practices; streamlining administrative arrangements; reducing compliance costs; and repealing unnecessary legislation.

The NCC's Second Tranche Assessment, in June 1999 noted that:

- the NSW Licence Reduction Program reviewed 250 licences between August 1995 and February 1997. Eighty-five licences had been identified for repeal;
- changes to the *Environmental Planning and Assessment (Amendment) Act 1997* were intended to simplify procedures for obtaining approvals to projects such as construction of new buildings or commencement of new businesses, through a 'one-stop shop' process; and
- repeal of the *Bread Act 1969* removed licensing requirements for bread manufacturers and also restrictions on standard bread sizes, baking times and delivery times.

The NCC found that New South Wales had not fully met its second tranche obligations for legislative review of the NSW dairy marketing arrangements. Following this, the NSW Government, in March 2000, committed to:

- reform market milk regulation prior to 30 June 2000; and
- participate in a Commonwealth industry restructuring package, funded by an 11 cent per litre levy on milk production for 8 years.

New South Wales passed legislation repealing milk marketing regulations on 29 June 2000. The NCC concluded, in the June 2000 supplementary assessment, that New South Wales had met its second tranche obligations in this area[28].

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[27] COAG Communiqué, 3 November 2000; Prime Minister's letter to Premiers and Chief Ministers, 27 October 2000.

[28] NCC (2000) Supplementary Second Tranche Assessment, 30 June 2000.

The NCC was less satisfied with progress on reform of domestic rice marketing arrangements. In 1995, a NSW Rice Review Group concluded that the community would benefit from deregulating the domestic rice marketing monopoly held by the NSW Rice Marketing Board by allowing the Board's vesting power over the NSW rice crop to expire after 31 January 1999. Despite in-principle agreement by the Government to deregulate the Board's monopoly, the NSW Government elected to shift its view and retain the vesting legislation until 31 January 2004. In its June 2000 supplementary assessment, the NCC concluded that New South Wales had failed to meet its NCP obligations. It recommended that NCP payments be reduced by $10 million per year from 31 July 2001, until agreement was reached on a Commonwealth reform model or repeal of domestic rice vesting was achieved[29].

In 1999-00, legislation reviewed included the *Government Guarantee Act 1934*, the *Passenger Transport Act 1990*, the *Superannuation Administration Act 1996*, the *Grains Marketing Act 1991*, the *Residential Tenancies Act 1987* and related legislation[30].

In August 2000, the Productivity Commission completed its *Review of the Legislation Regulating the Architectural Profession.* The Commission recommended the repeal within two years of laws regulating architects[31] and removal of the restriction on the use of the title 'architect'. It concluded that, on the balance, the costs of current regulation outweighed the benefits because a self-regulating profession and other existing legislation could achieve claimed benefits of Architects Acts more effectively.

Third Party Rights to Negotiate Access

Granting third party access to significant infrastructure facilities avoids duplication of capital investment when existing infrastructure has capacity to cater for more customers or service providers.

Under clause 6 of the *Competition Principles Agreement*, the Commonwealth Government is required to establish a third party access regime for significant infrastructure facilities, where:

- it would not be economically feasible to duplicate the facility;
- access is necessary to permit effective competition in an upstream or downstream market;
- the facility is of national significance; and
- safe use by a third party can be assured at an economically feasible cost.

An exception to the above requirement exists if the State or Territory in which the facility is situated has in place an effective access regime.

The NSW Government has established a framework for State access regimes, released in August 1995, the key features of which are:

- the application to infrastructure of less than national significance, but of State significance;
- the resolution of third party requests for access, in the first instance, by voluntary negotiations between the access seeker and the entity owning or managing the infrastructure, according to Government protocols which ensure compliance with the principles set out in clause 6 of the *Competition Principles Agreement*;
- the handling of dispute resolution matters by IPART and IPART's advice, where necessary, on pricing and related access issues in all areas where such regimes are established; and
- a right of appeal on an IPART decision to a court, on matters of law but not on the grounds of deficient economic analysis.

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[29] NCC (2000) Supplementary Second Tranche Assessment, 30 June 2000.
[30] NSW Treasury (2000) Annual Report 1999-00.
[31] namely, the *Architects Act 1921*, the *Architects (Elections and Appointments) Regulation 1995* and the *Architects (General) Regulation 1995*.

The Productivity Commission is presently undertaking a review of the National Access Regime. Its purpose is to report on current access arrangements for significant infrastructure facilities and ways to improve them.

Electricity

The State Electricity Market Code incorporated third party access provisions, effective from May 1996. The provisions applied to the high voltage transmission network operated by TransGrid and the various distribution networks in New South Wales.

The State Code governed the operation of the interim State wholesale market and provided for IPART to arbitrate on any disputes arising from third party access negotiations.

The State Electricity Market Code was replaced by a National Electricity Code in December 1998. The National Access Code is administered by the National Electricity Code Administrator (NECA). Its provisions apply to the high voltage transmission network and various distribution networks in New South Wales.

The National Electricity Code contains the market rules. It also sets out the objectives of the market and the rights and responsibilities of market participants, the market manager (the National Electricity Market Management Company, NEMMCO) and NECA.

Rail

The NSW Rail Access Regime began operating in August 1996. It was established under the *Transport Administration Act 1988 (NSW).* In June 1997, the NSW Government submitted the Regime to the NCC for certification as an effective access regime. In November 1999, the NCC certified the access regime until 31 December 2000, following amendments as requested.

The NSW rail access regime covers Rail Access Corporation's rail network. The arrangements exceed any requirements at a national level. Third party access provisions permit new rail operators to enter the market and compete with public operators.

The 31 December 2000 expiry date was based on the belief that national access arrangements for rail would be finalised by the end of 2000. Indications are, however, that the National Access Regime is unlikely to be ready by the end of 2000. This is suggested in part by the NCC's recommendation, in February 2000, that the AustralAsia Railway Access Regime be certified until the end of 2030.

In response to a request from the Premier, IPART reviewed specific aspects of the NSW Rail Access Regime, including an appropriate maximum rate of return, asset valuation and depreciation methodology. IPART released its final report in April 1999[32]. The report recommended the engagement of an independent consultant to determine the value of Rail Access Corporation's assets using Depreciated Optimised Replacement Cost (DORC).

IPART commissioned consultants to undertake the independent valuation in December 1999. The consultants released a draft report to stakeholders for discussion and feedback in November 2000. The key financial outcomes of this report, including the DORC valuation and assumptions underpinning its calculation, differed substantially to the interim DORC valuation calculated by Rail Access Corporation.

[32] IPART (1999) *Aspects of the NSW Rail Access Regime – Final Report, Review Report No 99-4.*

The theoretical basis and use of DORC for asset valuation purposes are regarded as sound. Concerns exist, however, with the practical application of DORC. DORC valuations are inherently subjective in their treatment of asset costs. This tends to produce a large range of asset values for the same infrastructure. Negotiations are currently underway to resolve some of the concerns raised by stakeholders during the formal review of the draft report.

Gas

The *Gas Pipelines Access (New South Wales) Act 1998* commenced operation on 14 August 1998. The Act established the NSW Access Regime to replace the NSW Interim Access Regime, introduced in August 1996.

The NSW Access Regime comprises:

1. the *Gas Pipelines Access (Commonwealth) Act 1998*; and
2. the *Gas Pipelines Access (NSW) Act 1998* which consists of:
   - provisions to apply, in New South Wales, the Gas Pipelines Access Law as enacted by the *Gas Pipelines Access (South Australia) Act 1997* and provide for savings and transitional arrangements and other miscellaneous amendments;
   - the Gas Pipelines Access Law; and
   - the National Third Party Access Code for Natural Gas Pipeline Systems.

The NCC recommended to the Commonwealth Minister for Financial Services and Regulation the certification of the NSW Regime in March 1999. The Minister's decision has been delayed pending the resolution of cross-vesting issues arising from the High Court decision in *Re Watkim: ex parte McNally*[33].

Application of the Competition Policy Agreement to Local Government

Local Governments were not signatories to the *Competition Principles Agreement*. Despite this, all jurisdictions agreed that the principles set out in the Agreement should apply to Local Governments.

New South Wales has made significant progress in applying the competition principles to Local Government, especially in developing guidelines for implementation. The *NSW Government's Policy Statement on the Application of National Competition Policy to Local Government* (published in June 1996) sets the basic framework for competitive neutrality for councils. The following guidelines have also been issued to assist councils:

- *Competitive Tendering Guidelines* (January 1997);
- *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality* (June 1997); and
- *Guidelines on the Management of Competitive Neutrality Complaints* (November 1997).

Councils are required to categorise their business activities, based on turnover. Depending on whether a business is a 'Category 1' (turnover of $2 million and over per year) or 'Category 2' business (turnover of less than $2 million per year), councils must structure those activities and price their services in prescribed ways.

For 'Category 1' Local Government business activities, councils have been required to:

- implement separate internal reporting for the business activity from July 1997;
- apply full cost attribution from July 1998; and
- make subsidies an explicit transaction from July 1998.

[33] NCC (2000) Annual Report 1999-00.

For ‘Category 2’ businesses, councils have more discretion to adopt appropriate structures and pricing models. In these cases, councils have been required to:

- perform an accounting separation for internal reporting for the activity since July 1997;
- adopt full cost attribution, where practicable, since July 1998; and
- make subsidies an explicit transaction since July 1998.

In addition, a statutory review of the *Local Government Act 1993* has been carried out in accordance with its own provisions. A report of the review, which addressed a number of competitive neutrality issues, was tabled in Parliament in 1999[34].

Further, amendments were made to eight regulations under the *Local Government Act* in 1999. The different roles of councils as suppliers and regulators were clarified in relation to water supply and sewerage activities, resulting in the *Local Government (Water Services) Regulation 1999*[35].

Finally, the NCP review of the *Local Government Act* has commenced. An issues paper is currently being prepared for publication. The paper outlines areas where the Act may have competitive impacts on council and/or non-council businesses. The review will examine possible restrictions on competition imposed by the Act, including approvals to operate businesses (e.g. mortuary or undertaker businesses) and the ability of councils to provide goods, services and other facilities[36].

2.4 AGREEMENT TO IMPLEMENT THE NATIONAL COMPETITION POLICY AND RELATED REFORMS

The *Agreement to Implement the National Competition Policy and Related Reforms* (the Related Reforms Agreement) requires jurisdictions to implement specified reforms in the electricity, gas, water and road transport sectors in order to qualify for competition dividend payments (detailed below).

The Related Reforms Agreement also sets out the conditions under which the Commonwealth Government will make payments for satisfactory performance in implementing NCP and related reforms. In the past, NCP payments have comprised two components:

- maintenance of the real per capita guarantee of the Financial Assistance Grants (FAGs) pool allocated according to a Grants Commission formula; and
- competition payments, general purpose payments allocated on a population share basis.

With the introduction of the Goods and Services Tax (GST) on 1 July 2000, NCP payments have been reduced to competition payments alone. The FAG arrangements have been replaced with payment of GST revenue to States and Territories.

The competition payments of $4.2 billion (1994-95 dollars) are being spread over nine years, allocated on a quarterly per capita basis. The payments are to be made in three tranches: in 1997-98, 1999-2000 and 2001-02. The annual competition payment under each tranche will be $200 million, $400 million and $600 million (in 1994-95 prices) respectively. Continuation beyond 2005-06 is implied but has not been explicitly committed to by the Commonwealth Government.

[34] NSW Government (1999) Annual Report on the Application of National Competition Policy.
[35] NSW Government (1999) Annual Report on the Application of National Competition Policy.
[36] NSW Government (1999) Annual Report on the Application of National Competition Policy.

The NCC, in its second tranche assessment of NSW compliance with NCP, was of the view that New South Wales had fully met its obligations under the Related Reforms Agreement. New South Wales therefore received the maximum NCP payments in 1999-2000 - some $210.9 million, of which around $148 million comprised competition payments. Total payments available to New South Wales in 2000-01 for satisfactorily progressing NCP reform obligations are around $155.9 million[37].

RELATED REFORMS

Electricity

New South Wales' NCP commitments regarding electricity arise from the *Competition Principles Agreement*, the Related Reforms Agreement and other Agreements on Related Reforms for the Electricity Sector ('the Electricity Agreements').

Firstly, clause 4 of the *Competition Principles Agreement* stipulates that, before introducing competition into a market traditionally supplied by a public monopoly or privatising a public monopoly, Governments will:

- remove from the public monopoly any responsibilities for industry regulation; and
- conduct a review of structural and competitive arrangements in the industry.

Secondly, the Related Reforms Agreement requires that each participating jurisdiction implement electricity reforms specified in the relevant COAG agreements, with the aim of establishing a competitive National Electricity Market by 1 July 1999.

Thirdly, the Electricity Agreements on the structure of the electricity industry commit jurisdictions, prior to their participation in the National Electricity Market, to have:

- structurally separated generation from transmission; and
- ring-fenced the retail and distribution businesses.

New South Wales has made the following reform progress:

- In February 1995, the NSW Government separated the transmission activities of Pacific Power, the government owned vertically integrated electricity utility, into the Electricity Transmission Authority (trading as TransGrid). In October 1995, 25 distributors were consolidated into 6 State owned corporations and monopoly network functions were ring-fenced from retail services. In early 1996, Pacific Power was restructured into three competing government owned generation businesses known as Pacific Power, Delta Electricity and Macquarie Generation. The generation functions of Pacific Power were established as a State owned corporation called Eraring Energy in July 2000.

- New South Wales has been a prominent player in the move to establish a National Electricity Market. It has operated in an interim national market with Victoria and the Australian Capital Territory since 4 May 1997. The National Electricity Market commenced on 13 December 1998. Through the *Electricity Supply (NSW) Act 1995*, New South Wales has adopted the National Electricity Law.

  A fully competitive National Electricity Market aims to give customers the ability to choose their electricity supplier; provide non-discriminatory access to the transmission and distribution network; remove barriers to entry (both legislative and regulatory); and remove barriers to interstate and/or intrastate trade of electricity.

[37] NCC (2000) Supplementary Second Tranche Assessment, 30 June 2000.

Consistent with the goals of a competitive national market, New South Wales is giving customers the ability to choose their electricity supplier. NSW customers that use more than 160 MWh of electricity per year are already contestable (that is, they are able to choose their electricity retailer)[38]:

- from October 1996, consumers of greater than 40GWh per year have had contestable supply; and
- from 1 July 1998, customers in the range of 160MWh to 750 MWh per annum have had contestable supply[39].

In addition, from 1 July 1999, businesses with two or more small sites of 100MWh per annum and greater, have been able to aggregate their consumption to become contestable[40].

In May 2000, the Minister for Energy announced a revised timetable for the implementation of full retail competition for small electricity customers, namely customers using less than 160 MWh per year. The transition timetable to full retail competition is as follows:

- consumers of 100-160 MWh p.a. will have contestable supply from 1 January 2001;
- consumers of 40-100 MWh p.a. will have contestable supply from 1 July 2001; and
- consumers of 0-40 MWh p.a. will have contestable supply from 1 January 2002[41].

In the second tranche assessment, the NCC was satisfied that New South Wales had met all its reform commitments. As part of the third tranche assessment, the Council plans to consider NSW progress in achieving a fully competitive electricity market. It will focus on retail competition, particularly contestability timetables; mechanisms to deal with issues such as metering; the ongoing effect of vesting contracts; and continued appropriateness of any remaining derogations.

Gas

The Related Reforms Agreement obliges relevant jurisdictions, as a first tranche obligation, to implement arrangements to introduce free and fair trading in gas, between and within the States, by 1 July 1996 or such other date as agreed between the parties.

The second tranche NCP obligation in gas was that relevant jurisdictions fully implement free and fair trading in gas, between and within the States, including the phasing out of transitional arrangements in accord with a schedule to be agreed between the jurisdictions.

New South Wales has taken a leading role in introducing competition reform to the gas sector. New South Wales implemented an effective framework for providing third party access for natural gas distribution within its boundaries in 1996 and had been a prime mover in establishing the National Gas Access Code. The Code came into effect in August 1998, replacing the 1996 regime.

Structural reforms have also been undertaken. Until August 1997, AGL operated its gas business as a bundled distribution and retail business, with both tariff and contract customers. An access arrangement was put in place for AGL in 1997, establishing AGL Gas Networks as a ring-fenced gas distribution business. At the same time, AGL Wholesale Marketing was established to retail natural

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[38] There are approximately 15,000 contestable customers and they account for around 50 per cent of total electricity consumption: NSW Treasury (2000) Full Retail Competition Group, *Metering and Settlement Strategies for Full Retail Competition Discussion Paper*.
[39] IPART (2000) *Round table on electricity retail franchise and default tariffs – Discussion Paper*.
[40] IPART (2000) *Round table on electricity retail franchise and default tariffs – Discussion Paper*.
[41] IPART (2000) *Round table on electricity retail franchise and default tariffs – Discussion Paper*.

gas to contract customers and AGL Retail Energy commenced trading as a retailer of natural gas to tariff customers[42].

The above reforms have enabled the NSW gas market to be gradually opened to competition. Large volume tariff customers became eligible for third party access in October 1999. The timetable for introducing full gas contestability has been delayed until 1 July 2001, by which time effective arrangements will be in place to support the operation of multiple retailers and the transfer of customers. The NSW gas contestability timetable is well in advance of other jurisdictions and also ahead of the corresponding timetable for electricity[43].

The NSW reforms have significantly reduced the price of gas. Since 1990, IPART's price control formula has applied to average gas prices in the tariff market. On 8 March 2000, IPART issued a draft report on the arrangements for prices charged by AGL Retail Energy to tariff market gas customers in NSW. The Tribunal proposes to replace the current price control formula with a new set of voluntary pricing principles. All NSW tariff market customers (e.g. households and small businesses) will be given the option of remaining on default tariffs until the end of 2001. The Tribunal will undertake a further review of the tariff market in the second half of 2001.

A remaining barrier to new retailers entering the market has been their inability to access the pipeline networks in order to transport gas to small customers. This barrier was removed on 1 July 2000, when third party access rights were extended to retailers to supply customers with an annual consumption of less than 1 terajoule (TJ) of gas[44].

There remain concerns in relation to upstream competition, namely that prospective retailers in New South Wales have been unable to access gas supplies from the upstream sector. This hinders effective competition with incumbent retailers. The principal source of gas is the Cooper Basin, with current capacity of 110 PJ per year. Other sources of gas are small at present. However, from September 2000, the Eastern Gas Pipeline is expected to supply up to 60 PJ of gas annually from Bass Strait[45]. Further progress in this area is nevertheless required before the full benefits of gas reform can be attained.

Water

In February 1994, COAG adopted a Strategic Framework for the reform of the Australian water industry. The key elements of the package are:

- pricing reforms to achieve:
  - the adoption of consumption-based pricing and full cost recovery;
  - the removal of cross-subsidies where not consistent with efficient and effective service, and transparency where they continue to exist; and
  - positive real rates of return on written-down replacement costs of assets;
- a system of water allocations backed by separation of property rights from land title;
- allocations of water to the environment;
- trading and institutional arrangements to facilitate trading of water allocations;
- institutional separation of resource management, regulatory enforcement, standard setting and service provision; and
- commitment to public education and consultation.

[42] IPART (2000) *Draft Report of the Delivered Price of Natural Gas to Tariff Customers Served from the AGL Network in NSW.*
[43] IPART (2000) *Draft Report of the Delivered Price of Natural Gas to Tariff Customers Served from the AGL Network in NSW.*
[44] Treasury Full Retail Competition Group (2000) *Customer Transfer Rules and Systems Discussion Paper.*
[45] IPART (2000) *Draft Report of the Delivered Price of Natural Gas to Tariff Customers Served from the AGL Network in NSW.*

There were no obligations for water reform attached to the first tranche payments. The second tranche payments depend, among other conditions, upon New South Wales effectively implementing the above Strategic Framework. Payments under the third tranche (to commence in 2001-02) will depend on the States giving full effect to, and continuing to fully observe, all COAG agreements on water.

In line with the requirement for consumption-based pricing, the Sydney Water Corporation, Hunter Water Corporation, Gosford City Council and Wyong Shire Council have adopted two-part tariffs. Gosford City Council's and Wyong Shire Council's pre-paid water allowance systems were replaced by fixed service fees and charges per kilolitre from 1 July 2000. Full cost recovery has been achieved by most water service providers under IPART's jurisdiction.

In addition, rural water pricing reform is being progressively implemented through IPART. The Tribunal's determination for bulk water charges for 1998-99 and 1999-00 projected charges for 2000-01 to demonstrate progress towards the target of full cost recovery by 2000-01. Consistent with these projections, IPART announced, on 13 September 2000, that bulk water charges would increase by an average of 8 per cent for 2000-01. It stated that it will not further increase bulk water prices before 1 July 2001 to provide certainty to water users[46].

With respect to water trading reform, New South Wales is participating in the Murray-Darling Basin Commission's Pilot Interstate Water Trading Project. The Project is introducing permanent interstate trade in water property rights in the Mallee region of the Basin. It applies to the permanent transfer of high security water entitlements held by irrigators who pump water directly from the river. If the pilot succeeds, interstate water trading will be progressively widened to include other types of water entitlements and larger areas of the Basin. The Australian Bureau of Agricultural and Resource Economics has estimated that the more widespread use of water trading in the Murray-Darling Basin would increase output by around $48 million annually.

In terms of institutional reform,

- in the metropolitan sector, the Sydney Water Corporation and the Hunter Water Corporation have been corporatised and regulatory regimes established. Responsibility for regulation lies with a range of relevant Ministers. Consequently, the regulatory function is largely separated from the Minister with portfolio responsibility;

- in the non-metropolitan sector, where water services are provided by Local Governments, these services have been internally separated from the councils' planning and regulatory functions. The NCC will review new arrangements prior to third tranche assessment to satisfy itself as to the necessary separation of service provision from other functions; and

- in the rural bulk water sector, all irrigation schemes have been privatised following Colleambally Irrigation's privatisation on 9 June 2000.

In its second tranche assessment, the NCC found that New South Wales had met its second tranche reform commitments. The NCC noted, however, the failure of New South Wales to pass legislation to effect water allocation and trading reform commitments.

[46] IPART (2000) *Bulk Water Prices from 1 July 2000.*

The NCC undertook a supplementary assessment on 30 June 2000 on this issue. It recommended that there be no reduction in NCP payments on account of the failure to pass legislation. It flagged, however, a further supplementary assessment in December 2000 and indicated that unless legislation consistent with the water framework was substantially in force by December 2000, it would recommend:

- a reduction of 5 per cent in NCP payments for 2000-01 for failure to pass legislation between July and December 2000; and
- suspension of a further 5 per cent for the period January to June 2001[47].

In response, the NSW Government enacted the *Water Management Act 2000* on 8 December 2000. The Act introduces reforms such as arrangements for environmental water, water management planning and trading of water entitlements.

Road Transport

Heads of Government signed the *Heavy Vehicles Agreement* and the *Light Vehicles Agreement* in 1991 and 1992 respectively, with the intention of developing consistent road transport laws. The National Road Transport Commission was established to manage the reform process. The Commission's reform program was subsequently incorporated into NCP in 1995 through the Related Reforms Agreement.

The Standing Committee on Transport developed a 19 point road transport reform package, endorsed by COAG in May 1999. The 19 point package includes a nationally consistent regulatory framework for heavy vehicle registration; driver licensing; heavy vehicle mass and loading restrictions; commercial driver fatigue management; and the national exchange of vehicle and driver information.

In its second tranche assessment, the NCC concluded that New South Wales had fully implemented all of the 19 reform projects for road transport, an achievement matched only by Victoria.

The National Road Transport Commission is continuing to develop the national reform package in conjunction with jurisdictions. Once endorsed by COAG, newly available reforms will be added to the 19 point framework, with target dates and implementation criteria updated prior to the third tranche assessment.

[47] NCC (2000) Supplementary Second Tranche Assessment, 30 June 2000.

3. OTHER MICROECONOMIC REFORMS

3.1 TAX REFORM

Commonwealth-State Financial Relations

A new system of Commonwealth-State financial arrangements began on 1 July 2000 in line with the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations.* It represents one of the most significant reforms to Commonwealth-State financial relations.

Under the Agreement, all Goods and Services Tax (GST) revenue goes to the States and Territories. The Commonwealth has ceased Financial Assistance Grants and some other payments. In return, States and Territories have agreed to abolish or reduce a range of taxes; to take on new spending responsibilities such as the First Home Owners' Scheme; and to pay the administration costs of the GST.

Current projections suggest that New South Wales will not obtain a net revenue benefit from the new funding arrangements until 2007-08. In the meantime, the Commonwealth is making up any shortfall resulting from the new arrangements.

Goods And Services Tax Revenue

Currently, the automatic trend growth of State Budget revenues is less than the trend growth of Gross State Product (GSP) due to the State's relatively narrow tax base. Tax reform has replaced some State own-source revenues as well as Financial Assistance Grants with GST revenue grants.

With the introduction of the GST and the abolition of certain State taxes, it is estimated that the automatic trend growth of future State Budget revenues will be broadly in line with trend growth of GSP.

The Commonwealth Government redistributes GST revenue using horizontal fiscal equalisation principles. Horizontal fiscal equalisation is intended to ensure that each State has the capacity to provide the average standard of State public services. In effect, this means that larger States cross-subsidise smaller States.

The new arrangements also replace some State taxes with increased Commonwealth grants (GST revenue grants), thereby increasing vertical fiscal imbalance (i.e. the mismatch between tax powers and expenditure responsibilities of the Commonwealth and State Governments).

Embedded Tax Savings

The Commonwealth assumes that, under the new funding arrangements, State Government agencies will achieve certain cost savings as a result of removing indirect taxes (such as Wholesale Sales Tax). NSW Treasury estimates that the savings assumed by the Commonwealth are unlikely to be fully realised for a number of years.

3.2 INFRASTRUCTURE

Adequate infrastructure is required to facilitate the growth and development of the State. In New South Wales, both the Government and the private sector contribute to infrastructure provision.

The State Government dominates public infrastructure ownership, owning about two-thirds. In June 1999, the depreciated current value of State infrastructure-related assets was around $115 billion. Government businesses provide and manage most of the State's infrastructure assets. The State also supplies the majority of infrastructure services such as transport, communications, housing, community services, health, education and energy services.

The Government is keen to extend private sector participation in infrastructure provision, wherever practicable. Private sector involvement may improve the efficiency of infrastructure investment and operation through:

- equitable sharing of risks between the private sector and Government;
- a market-based approach to investment decisions;
- cost reflective pricing;
- greater response to consumer preferences; and
- a commercial culture with strong pressures for efficiency gain.

Private sector investment in infrastructure is gradually increasing. As evidence, the private sector share of new gross infrastructure investment now exceeds its share of the infrastructure stock.

In 1995, the NSW Government issued *Guidelines for Private Sector Participation in the Provision of Public Infrastructure.* The broad policy in this regard is that:

- the involvement of the private sector in the provision of infrastructure must show a net benefit to the community;
- privately financed infrastructure will be subject to competitive bidding;
- risks and returns must be appropriately shared between the Government and the private sector;
- preference will be given to projects which are financially free-standing without any Government capital contributions; and
- the extent of any Government financial support for the project must be clearly defined.

Under the *Public Authorities (Financial Arrangements) Act 1987* (PAFA) the Treasurer is responsible for approving government agencies' joint financing arrangements. The Treasurer's decision is based on advice from NSW Treasury. Terms and conditions of contracts are negotiated between sponsoring agencies and Treasury.

In 1999-00, one privately financed public infrastructure contract was signed. It was for an extension of the Light Railway line from a terminus near Wentworth Park to a new terminus at Lilyfield. The project cost $21 million, of which $5 million was supplied by the private sector and $16 million by the NSW Government. The contract has a term of 28 years.

Infrastructure Policy Review

The NSW Government is presently reviewing its policy and guidelines on private sector participation in the provision of public infrastructure. On 29 November 2000, it issued a discussion paper entitled *Working with Government: Private Financing of Infrastructure and Certain Government Services in NSW* ('the Green Paper').

While not revisiting policies on privatisation of existing assets, the Green Paper articulates Government's wish to investigate greater involvement for the private sector in areas such as energy and water utilities; health; education; waste management and green industries; courts and their supporting administration. The Government is also looking to expand private sector involvement in information and communications technology; and rural and regional New South Wales.

To facilitate private participation in infrastructure provision, the Government proposes to:
- publish its agencies' rolling asset acquisitions plans ten years ahead, whenever practicable; and
- establish a Standing Infrastructure Services Advisory Council to advise the Government on opportunities for private participation.

The Green Paper also proposes to improve processes for private infrastructure provision by:
- limiting the number of bidders submitting detailed proposals;
- considering compensation for reasonable bidding costs in certain circumstances;
- nominating the Director General of the Premier's Department as the initial point of contact for complex and multi-agency unsolicited proposals; and
- considering buying intellectual property rights for project designs.

3.3 SALE OF FREIGHTCORP

In September 2000, the NSW Government announced its intention to sell its supplier of rail freight services, FreightCorp, in parallel with the Commonwealth Government's sale of National Rail Corp. The proposal includes guarantees to:

- keep NSW rail lines and passenger services in public ownership;
- maintain about $170 million in annual subsidies to keep unprofitable country rail lines open;
- maintain around $70 million in community service payments to subsidise haulage of grain, sugar, petrol and other goods; and
- maintain jobs for FreightCorp staff for a number of years.

A NSW Parliamentary Committee conducted an inquiry into and reported on the privatisation of FreightCorp. The report was released in late December 2000. It endorsed a simultaneous sale of FreightCorp with National Rail Corp. The sale is likely to occur in 2001.

3.4 DEPARTMENT OF INFORMATION TECHNOLOGY & MANAGEMENT

Efficiency in government service delivery is being improved by harnessing gains from technology. The Department of Information Technology and Management was established on 8 April 1999 to ensure optimum use of information technology by the NSW Government.

The Department amalgamates:

- the Office of Information Technology, formerly part of the Premier's Department;
- the Land Titles Office, formerly part of the Department of Land and Water Conservation;
- the Land Information Centre, formerly the Surveyor General's Department;
- the Valuer General's Office, formerly the Valuer General's Department;
- the Office of Western Sydney; formerly part of the Ministry for Forests and Marine Administration; and
- the Forestry Policy Unit and Forestry Structural Adjustment Unit; formerly part of the Ministry for Forests and Marine Administration.

The Department has initiated Government Network Service (GNS) contracts. Approved GNS contracts will supply three main services: internet, transport and managed LAN/WAN interface. The contracts aim to:

- ensure government agencies utilise advances in internet and electronic service delivery; and
- promote competition and lower prices for telecommunications (particularly in regional New South Wales).

The Department is responsible for the NSW Government website, www.nsw.gov.au. The website was launched in January 1998. It currently provides information on government services. The NSW Government has committed $5 million to having all appropriate government services online by December 2001.

In addition, the Department has developed an *Information Access Pricing Policy for NSW Government Information* and a whole-of-Government Information Sharing Strategy.

A trial electronic transfer system for administrative documents is also being developed. If the trial succeeds, the system will be implemented in all NSW Government Departments.

3.5 THE FINANCIAL MANAGEMENT IMPROVEMENT FRAMEWORK

NSW Treasury is developing a Financial Management Improvement Framework. The Framework is intended to improve Government program and service delivery by facilitating:

- a more effective Budget process; and
- improved management of the Government's asset and resource base.

The Framework applies to General Government agencies. It will encompass a suite of interrelated policies, guidelines and agency toolkits. NSW Treasury will develop and roll out the components of the Framework over the next few years.

Improvements in external government accountability are anticipated from improvements in efficiency, effectiveness and appropriateness information provided in the Budget Papers, agency annual reports and ad hoc agency performance reports.

The development of the Framework will foster best practice resource management by providing appropriate guidance and incentive structures to agencies.

Additionally, development of the Framework will include a General Government Accountability Statement. The Statement will clarify the roles, responsibilities and accountabilities of key parties to Government program and service delivery. It will also encompass the current review and reform of NSW financial and annual reporting legislation.

Within Government, accountability reporting will be enhanced through the development of service delivery contracts for government agencies, known as Service and Resource Allocation Agreements.

3.6 GRAIN MARKETING ARRANGEMENTS

The NCP review of the *NSW Grain Marketing Act 1991* was completed in July 1999. The Final Report in essence recommended that:

- vesting powers and single desk selling for barley exports be retained for a further five years and then reviewed; and
- market intervention powers for other commodities be retained for one or two more years.

There was some delay in bringing acceptable proposals to Government for consideration. The NSW Grains Board then experienced financial difficulties in 2000. The difficulties overtook the NCP review, with the result that in late October 2000 the NSW Government considered a number of options for the future of the Board.

Under the option that was ultimately endorsed by the NSW Government:

- vesting powers for export barley, domestic malting barley, canola and sorghum were to be retained for five more years, and then terminated by legislation;
- other vesting powers over oats, linseed, soybeans, sunflower and safflower were to be allowed to lapse;
- Grainco, a grower body based in Queensland, was appointed as sole Board agent for receiving and trading export barley, domestic malt barley, canola and sorghum in return for a $25.2 million payment. This payment was to be applied against the Board's net debts, which were well in excess of this figure;
- the Minister for Agriculture was to make a series of loans to the Board totalling up to $13 million to allow outstanding 1999-00 pool debts to growers to be repaid; and
- 'authorised buyer' fees of $1.50 per tonne were to continue to be levied on vested commodities as before and were to be applied against repaying the loans. The fees would terminate as soon as the loans were repaid.

These decisions were being implemented at the time of finalising this publication.

3.7 JOINT COAL BOARD SUCCESSOR ARRANGEMENTS

In late 1999, the NSW Minister for Industrial Relations advised the NSW Government of the Commonwealth Government's proposal to withdraw from its partnership in the Joint Coal Board.

In early 2000, NSW Treasury assisted in developing a proposal for the establishment of a new corporate entity. The entity would assume the responsibilities of the Joint Coal Board and provide other industry-related services.

The NSW Government subsequently proposed to establish a new Statutory Corporation to:

- be jointly owned by coal employer representatives (i.e. NSW Minerals Council) and coal employee representatives (i.e. the CFMEU);
- continue to provide the same type of services provided by the Board (including workers' compensation insurance; health and safety services; statistical services);
- absorb the current Mines Rescue Board, which provides mine rescue services to the NSW coal industry; and
- assume certain coal superannuation services.

The above structure will give coal employers and employees 'ownership' of many service functions relevant to them. It will also allow the new entity's functions to be more easily restructured as industry needs change.

The Government is currently working with the parties with a view to finalising the new arrangements. Supporting legislation will need to be passed by the NSW Parliament to give effect to the new arrangements.

3.8 REVIEW OF COAL WORKERS' COMPENSATION INSURANCE SCHEME

The current NSW coal workers' compensation scheme is administered by Coal Mines Insurance, a wholly-owned subsidiary of the Joint Coal Board. Coal Mines Insurance is a statutory monopoly, vested with sole rights to provide NSW coal workers' compensation insurance.

In October 1999, coal workers' compensation insurance premiums rose by an average of 32 per cent. The increased premiums have reduced the competitiveness of NSW coal mines. Initial industry feedback attributed the rises to:

- higher claims costs arising from large scale retrenchments in recent years; and
- lower premium income arising from industry downsizing.

In response to growing industry concerns, the Premier commissioned consultants, KPMG, to review the current NSW scheme. The review commenced in late 1999. It focused on identifying reforms that could lower future costs of the scheme, particularly in the areas of scheme administration and claims and injury management processes.

The Review was completed in April 2000. It identified a range of reforms designed to improve Coal Mines Insurance's core functions of underwriting, claims and injury management. The Joint Coal Board has incorporated implementation strategies for many of the recommendations into its operating plan. The Review also suggested that Coal Mines Insurance be given two years to implement the reform package, after which a review would determine whether to retain or dissolve its statutory monopoly status.

4. AGGREGATE PERFORMANCE OF NSW GOVERNMENT BUSINESSES

NSW Government businesses supplying electricity, transport and water account for some 80 per cent of all Government business employment. They also contribute approximately 80 per cent of all revenue collected by Government businesses. Improvements in labour productivity in these areas have a relatively large impact on the overall performance of Government businesses.

The following Government businesses are drawn from three sectors:

1. Electricity:

a.	Generators:	Pacific Power, Macquarie Generation and Delta Electricity;
b.	Distributors/Retailers:	Advance Energy, Australian Inland Energy, EnergyAustralia Integral Energy, Great Southern Energy and NorthPower;

2. Transport: State Rail Authority, Rail Access Corporation, Rail Services Australia, FreightCorp and State Transit Authority; and

3. Water: Hunter Water Corporation and Sydney Water Corporation.

Figure 1: Labour Productivity for Major NSW Government Businesses

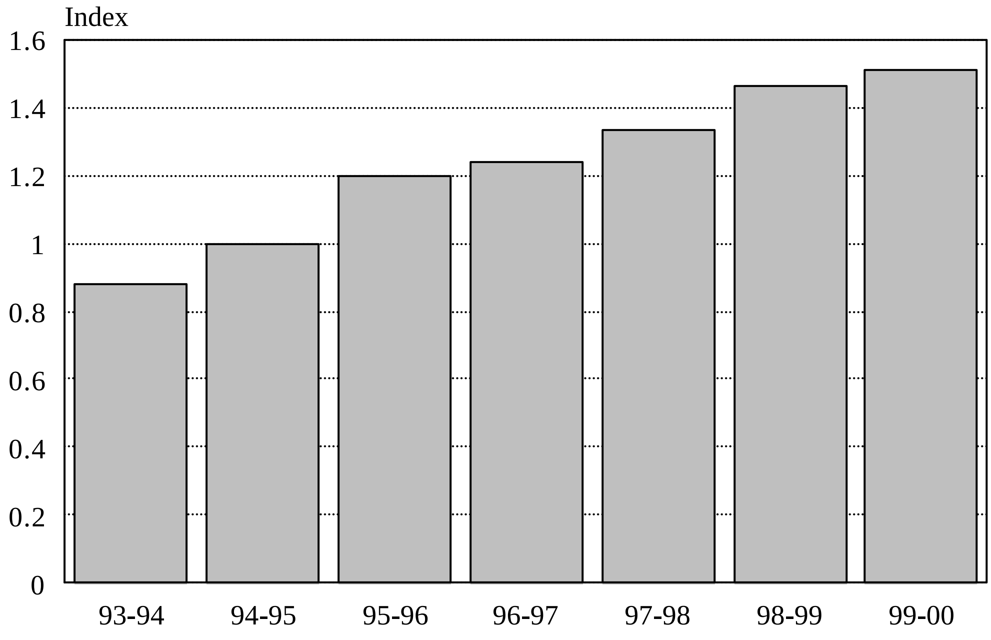


Figure 1 shows that, since 1993-94, NSW Government businesses have significantly improved their labour productivity. This has resulted in a weighted improvement in productivity of 71 per cent.

Figure 2: Dividend and Tax Equivalent Payments from Non-Budget Sector Enterprises (1999-00 Dollars)

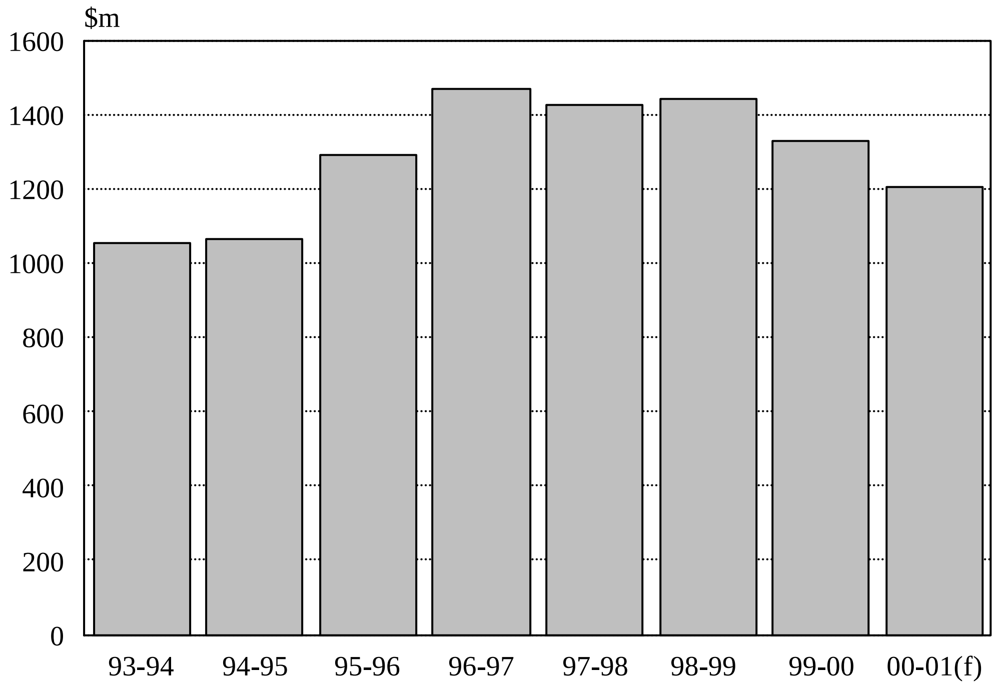


Figure 2 shows that these input cost savings have largely been passed on to consumers (rather than being paid as dividends to Government).

4.1 THE GOVERNMENT CHARGES INDEX

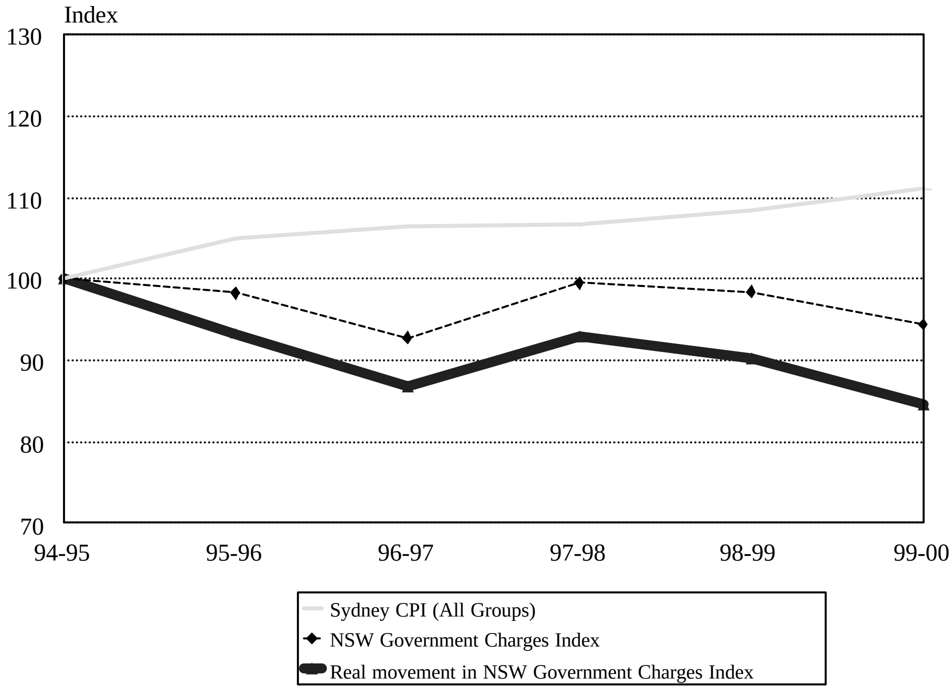
The Government Charges Index (GCI) provides a broad measure of the performance and impact of microeconomic reform on major NSW Government businesses. More specifically, the GCI provides an aggregate assessment of movements in the charges and prices levied by Government businesses.

The speed and impact of microeconomic reform over the past decade has created a more dynamic, competitive and productive NSW economy. Progressive deregulation and reform of key factor markets in New South Wales has also had distributional impacts within the electricity, gas, freight and water sectors, for example removal of cross subsidies. Overall, microeconomic reform has led to lower real prices and costs, higher real incomes and enhanced consumer choice and welfare.

In compiling the GCI, a weight is applied to the revenue of each Government business to reflect its relative contribution to total revenue. In last year's publication, the GCI was re-weighted to a base year of 1994-95 to reflect the fact that economic reforms and changing customer demands have had a disproportionate impact on the efficiency and structure of Government businesses over time.

The movement in the GCI is illustrated in Figure 3, which indicates that it fell by 6.5 per cent in real terms over the 1999-00 financial year. Over the five years from 1994-95, the GCI has fallen by 15.5 per cent in real terms.

Figure 3: Government Charges Index



The productivity improvements associated with economic reform initiatives such as National Competition Policy, corporatisation of Government businesses and deregulation of energy markets have largely contributed to these sustainable real price reductions. Infrastructure industries such as freight rail, ports and the water industry have also passed on considerable price reductions to customers, thereby lowering input costs to NSW businesses.

It should be noted that the GCI only captures price changes associated with regulated, non-contestable electricity markets. As such, it significantly understates the quantum of benefits flowing to business customers from the deregulation of electricity supply markets. The introduction of competitive supply arrangements into the residential electricity market from 1 January 2002 is expected to deliver further price savings to customers.

Table 1 (on the following page) summarises the output, employment and productivity performance of Government businesses in the electricity, transport and water sectors between 1993-94 and 1999-00.

Table 1: Employment, Productivity and Output Performance of Government Businesses in the Electricity, Transport and Water sectors

	(1)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	% Change 1993-94 to 1999-00
Employment									
Electricity Generators	(2)	5,757	5,595	3,503	3,328	3,019	2,531	2,376	(59)
Electricity Distributors		11,666	11,396	8,746	7,972	7,552	7,417	7,450	(36)
Sydney Water Corporation		7,326	5,965	5,099	4,763	4,629	4,470	3,766	(49)
Hunter Water Corporation		799	740	715	620	554	545	541	(32)
State Rail Authority	(3)	10,015	8,334	8,278	9,370	9,317	8,508	8,660	(14)
Freight Corp		9,110	7,389	6,976	3,525	3,115	2,528	2,265	(75)
State Transit Authority		3,740	3,795	4,101	4,303	4,305	4,369	4,690	25
		48,413	43,214	37,418	33,881	32,491	30,368	29,748	(39)
Index of Output									
Electricity Generators (Gwh)		100	103	108	104	106	108	111	11
Electricity Distributors (Gwh)		100	103	106	107	106	119	127	27
Sydney Water Corporation (properties served)		100	102	103	105	108	109	111	11
Hunter Water Corporation (properties served)		100	103	99	101	103	104	106	6
State Rail Authority (passengers carried)		100	106	109	113	114	116	120	20
Freight Corp (net tonne Kms)		100	95	101	72	81	80	82	(18)
State Transit Authority (passengers carried)		100	96	100	103	103	104	107	7
Productivity (Output relative to Employees)									
Electricity Generators		9.0	9.6	16.1	16.2	18.2	22.2	24.2	168
Electricity Distributors		3.4	3.6	4.8	5.3	5.6	6.4	6.8	100
Sydney Water Corporation		195.2	244.8	290.3	314.9	334.8	349.0	422.2	116
Hunter Water Corporation		221.5	245.9	245.6	287.9	327.8	339.1	347.9	57
State Rail Authority		23.4	29.9	31.0	28.2	28.6	32.1	32.5	38
Freight Corp		1,777.0	2,074.0	2,335.0	3,302.0	4,194.0	4,754.0	4,754.0	168
State Transit Authority		54.4	51.4	49.6	48.8	48.8	48.5	46.4	(15)
Weighted Total Output Change (%)	(4)								**17**
Total Employment Change (%)									**(39)**
Weighted Productivity Change (%)	(5)								**76**

Notes

(1) Employment measured as equivalent full time persons as at 30 June.

(2) TransGrid staff included in 1994-95 employment number.

(3) The years prior to SRA's restructure (1995-96) exclude employees who subsequently were employed by Rail Access Corp. and Rail Services Australia.

(4) Output weighted by the 1993-94 dollar value of output from each agency.

(5) Average productivity of each agency weighted by final year employment.

5. PERFORMANCE MEASUREMENT OF NSW GOVERNMENT BUSINESSES

Section 6 of this publication records standard financial, service quality and efficiency performance measures for NSW Government business enterprises (GBEs). However, it can be difficult to gauge GBEs' performance on these measures alone since GBEs may:

- not trade in competitive markets (e.g. electricity distribution); and
- be sheltered from the disciplines of the stock exchange.

Consequently, Treasury has developed additional regimes to assess the performance of GBEs, discussed below. Performance indicators can help to:

- make GBEs accountable to Parliament, customers and the general public;
- promote surrogate, or 'yardstick', competition in service delivery to inform managers of reasons for poor performance; and
- assess potential improvements in productivity and to guide structural change.

NSW Treasury has used several techniques to measure the productivity or efficiency of GBEs and, in combination, test the robustness of the benchmarking exercise. Each technique uses assumptions. These need to be taken into account when interpreting the results. The techniques include[48]:

1. partial productivity measures;
2. data envelopment analysis (DEA);
3. stochastic frontier analysis (SFA);
4. total factor productivity (TFP);
5. shareholder value added (SVA); and
6. profit composition analysis (PCA).

5.1 PARTIAL PRODUCTIVITY MEASURES

Partial productivity measures are often used because they are simple to calculate and readily understood. The measures are usually the ratio of an output (e.g. electricity supplied) to an input (e.g. employees) or the unit cost of an output. Partial productivity measures are the main indicators of efficiency of government services used in this report. IPART has used partial productivity measures to help set revenue or price caps for several government services, including electricity, water and rail.

Partial productivity measures need careful interpretation because for GBEs that deliver several services, they do not consider the various trade-offs between outputs and inputs. Using several measures can better indicate performance, but the usefulness of this approach is limited if the measures move in different directions. Consequently, Treasury and other government agencies (e.g. IPART) are beginning to apply techniques that provide broader measures of productivity or efficiency.

5.2 DATA ENVELOPMENT ANALYSIS

DEA is a mathematical programming technique that combines measures of organisations' inputs and outputs to produce a single measure of productivity for each organisation relative to observed best practice within the sample. The analysis allows environmental factors that influence performance but cannot be controlled by management (e.g. climate and population

[48] Other than PCA, these are described in Coelli, T. J., D. S. P. Rao and G. E. Battese (1998) *An Introduction to Efficiency and Productivity Analysis*. PCA is described in NSW Treasury (1999) *Profit Composition Analysis: A Technique for Linking Productivity Measurement & Financial Performance*.

density) to be taken into account. Treasury used DEA to help in the restructure of electricity distribution industry. IPART used it to assist in revenue caps for electricity distributors.

DEA has several limitations. The efficiency measures can be sensitive to data outliers, resulting in apparent low efficiency of some businesses. Outliers may arise from data errors or random events. DEA measures are also sensitive to the sample size and the number of variables included in the benchmarking exercise. The apparent efficiency of organisations can increase if too many variables are included in an analysis with a relatively small sample.

5.3 STOCHASTIC FRONTIERS ANALYSIS

A statistical technique, SFA differs from DEA in several respects. SFA measures of efficiency are less likely to be distorted by outliers in the data. This reduces the likelihood of measurement errors or random events influencing the results. Furthermore, statistical tests can help to assess the extent of the inefficiency in service delivery. But, unlike DEA, SFA requires an assumption about the process of converting the inputs into outputs. Consequently, mispecification error may arise in the analysis. IPART used SFA to help set the revenue caps for electricity distribution.

5.4 TOTAL FACTOR PRODUCTIVITY

TFP measures the productivity of an organisation by constructing index numbers for the ratio of the aggregated outputs to the aggregated inputs. Prices are required to combine the outputs into a single measure of output and inputs into a single measure of input. Unlike DEA and SFA, TFP cannot decompose productivity into efficiency and technological change. Treasury has used TFP to help assess the performance of public transport and electricity supply businesses. IPART used the technique to help set the revenue caps for electricity distributers.

5.5 SHAREHOLDER VALUE ADDED

SVA is the net operating profit of a GBE after tax, less a risk adjusted charge on debt and equity. By focusing on this measure, a GBE is encouraged to maximise its value to shareholders. 73 per cent of GBEs routinely report SVA figures to Treasury and include annual SVA targets in their Statements of Financial Performance and Statements of Corporate Intent.

However, SVA may not reflect productivity improvements in GBEs. A GBE could improve its SVA by expanding the wedge between input and output prices rather than improving its productivity. Conversely, a GBE’s SVA may be low despite improvements in productivity because its does not adequately recoup the cost of services.

5.6 PROFIT COMPOSITION ANALYSIS

To complement the use of SVA analysis, Treasury is investigating the use of PCA. PCA decomposes the financial and economic dimensions of an organisation’s performance by separating a profit change (measured by shareholder value added) into its respective pricing and productivity components. Understanding the relationship between productivity, changes in prices and changes in profits can help to inform regulatory decisions where a balance must be struck between passing on productivity improvements to customers in the form of lower prices or increasing dividends to shareholders. Treasury has completed a pilot PCA study on a metropolitan water authority and is exploring the potential application of the technique to other GBEs.

6. PERFORMANCE OF NSW GOVERNMENT BUSINESSES 1999-00

The information in the following tables and graphs is consistent with annual reports and has been audited. The preceding commentary on 1999-00 performance was prepared and authenticated by the businesses. Treasury is not in a position to fully validate the statements made in the commentary.

ADVANCE ENERGY

Mr Craig Murray
Managing Director
ADVANCE ENERGY
PO Box 172
BATHURST NSW 2795
132 795

ADVANCE ENERGY

Advance Energy is a dynamic State owned corporation. It provides energy solutions to customers in Queensland, the Australian Capital Territory, New South Wales and Victoria. Its mission is to be the service provider of choice in the Australian energy industry.

Advance Energy provides electricity and other energy services to 120,000 franchise customers in the central and far western areas of the State. Advance Energy distributes across an area of 167,000 square kilometres, spanning:

- 725 kilometres from Bathurst and Mudgee in the east to Cobar in the west; and
- 450 kilometres from Coonamble in the north to Lake Cargelligo and Cowra in the south.

Advance Energy has total assets of $391 million and annual sales revenue of more than $275 million. Advance Energy has developed a strong commercial culture by focusing on customers, business success, safety, teamwork, community responsibility and continuous improvement. The corporation's long-term rating at AA affirms its strength.

Advance Energy has responded successfully to the challenges of the competitive National Electricity Market. It was the first energy company in New South Wales to secure a major contestable customer outside its franchise area. Since then, Advance Energy has acquired more than 520 sites outside its franchise area and increased its contestable load by more than 100 per cent.

Advance Energy actively encourages the use of renewable energy and is an approved Sustainable Energy Development Authority (SEDA) retailer. Advance Energy promotes the use of environmentally responsible energy to all customers, including solar energy products and renewable energy sources.

Advance Energy's franchise domestic customers and commercial customers have enjoyed real price reductions of 10.4 per cent and 14.6 per cent respectively from 1996 to 2000. Contestable customers have likewise benefited from the deregulated environment with significant price reductions. This reflects the company's commitment to pass on the benefits of electricity reform to its customers. Advance Energy has improved its supply reliability by 38 per cent from 1997-98 to 1999-00, achieving record levels, notwithstanding price reductions.

Customer satisfaction in the corporation is high in both the contestable and non-contestable segments. In a survey conducted by UMI Industry Research, Advance Energy was rated second nationally for overall consumer satisfaction in the contestable market. Its score of 73.5 per cent was only marginally behind the leader. Within the non-contestable market, a survey by Frank Small and Associates rated Advance Energy's overall customer satisfaction at 84 per cent. It found that over 52 per cent of non-contestable customers were extremely satisfied with the service provided by Advance Energy.

ADVANCE ENERGY

		1995-96 Advance Energy	1996-97 Advance Energy	1997-98 Advance Energy	1998-99 Advance Energy	1999-00 Advance Energy
	(1)					
Efficiency						
Employment	*(2)*	549	504	533	554	592
Output per Employee (GWh)	*(3)*	3.4	4.1	4.4	4.9	4.7
Customers per Employee	*(4)*	196.3	220.4	226.0	219.1	208.3
Operating Cost Per Unit Sold ($/MWh)	*(5)*	28.6	21.3	25.9	22.9	23.5
Operating Cost Per Customer ($)	*(6)*	494.2	392.2	501.2	508.1	533.0
System Loss Index (%)	*(7)*	6.3	6.9	7.3	5.9	5.8
Average Lost Time	*(8)*	10.4	4.9	11.1	6.5	8.3
Lost Time Injury Frequency Rate	*(9)*	27.0	28.8	28.9	19.4	19.8
Service						
No. of Customers		115,735	116,538	118,068	120,057	118,622
Output (GWh)		1,995	2,141	2,268	2,637	2,708
Supply Reliability (Min)	*(10)*	285.0	218.9	293.0	168.0	195.7
Real Price Index	*(11)*	100.0	97.1	93.3	86.4	98.2
Customer Satisfaction Index						
Domestic		76.8	78.0	n/a	84.0	84.0
Business		74.7	77.0	n/a	73.5	81.4
Finances	*(12)*					
Operating Result ($m)	*(13)*	23.2	33.3	41.4	24.9	21.9 *(17)*
Return on Assets (%)	*(14)*	7.6	10.2	11.6	7.3	6.4 *(18)*
Pre Tax Return on Net Assets	*(15)*	9.7	13.6	17.6	10.1	8.8
Return on Equity (%)	*(16)*	8.9	9.2	15.9	7.6	8.3 *(18)*
Gross External Debt ($m)		29.3	32.0	41.6	43.8	48.4
Debt to Equity Ratio (%)		12.3	13.1	17.7	17.8	19.5
Times Interest Earned		10.5	11.6	15.7	8.4	7.9
Financial Distribution ($m)						
Dividend Payment		0.0	3.2	18.9	23.3	17.0
Corporate Tax Equivalent		0.0	4.2	-3.1	0.0	0.0
Payment of Capital from Equity		42.3	0.0	11.0	0.0	0.0

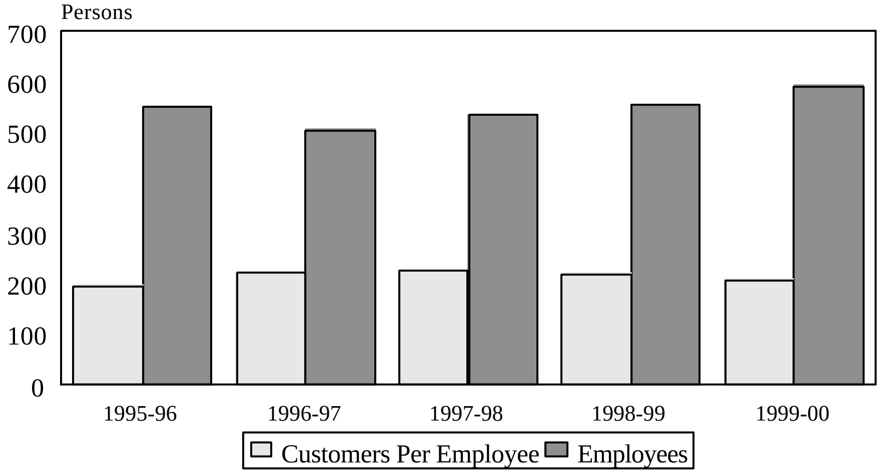
Notes:

nr *Not reported*
n/a *Not available*

(1) *All dollar amounts reported in 1999-00 dollars.*
(2) *Average full time equivalent staff.*
(3) *GWh sold per average number of all employees.*
(4) *Average number of customers per average number of all employees.*
(5) *Operating costs including depreciation, excluding financing costs per MWh sold.*
(6) *Operating costs including depreciation, excluding financing costs per average number of customers.*
(7) *Energy purchased less energy sold divided by energy purchased.*
(8) *Average lost days per employee per year.*
(9) *Number of lost time accidents per million hours worked.*
(10) *Average minutes per customer per year without supply including planned and unplanned outages.*
(11) *Assumes 1995-96 is the base year.*
(12) *All financial indicators are consolidated. The results reflect the electricity supply and non supply energy services businesses. The 1995-96 results have been recorded exclusive of an abnormal expense of $19.7 million for restructuring costs as a result of industry reform.*
(13) *The result reflects profit before tax but does not include abnormal items.*
(14) *Earnings before interest and taxation divided by total assets at 30 June.*
(15) *Operating profit before taxation dividend by net assets at 30 June.*
(16) *After tax profits divided by equity at 30 June.*
(17) *The Operating result for 1998-99 is less than 1997-98 due to: Major one-off capital contributions lifting the 1997-98 figure by over $10 million; the 1998-99 gross margin being reduced due to the 160Mwh tranche becoming contestable; the significantly higher average purchase price for energy in 1998-99; and the higher depreciation expense in 1998-99.*
(18) *The majority of the difference in Return on Assets and Return on Equity between 1997-98 and 1998-99 was due to the higher Operating Result in . 1997-98 (see footnote 17)*

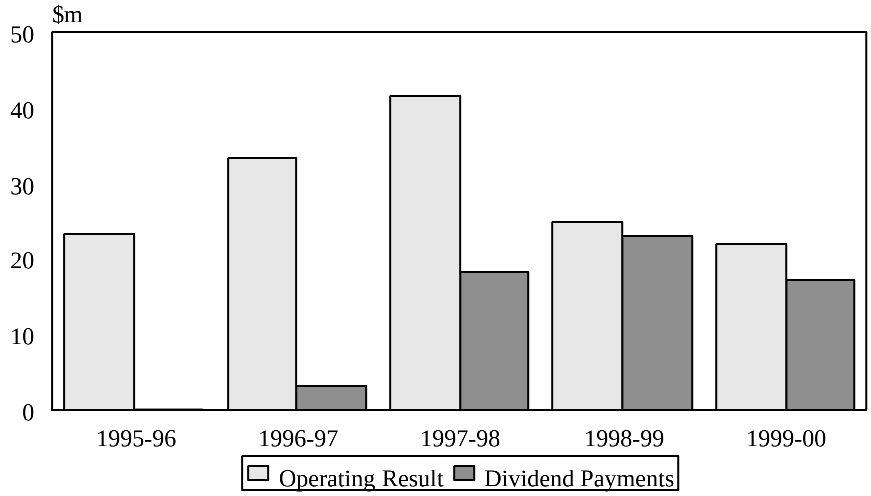
ADVANCE ENERGY

Customers and Employees

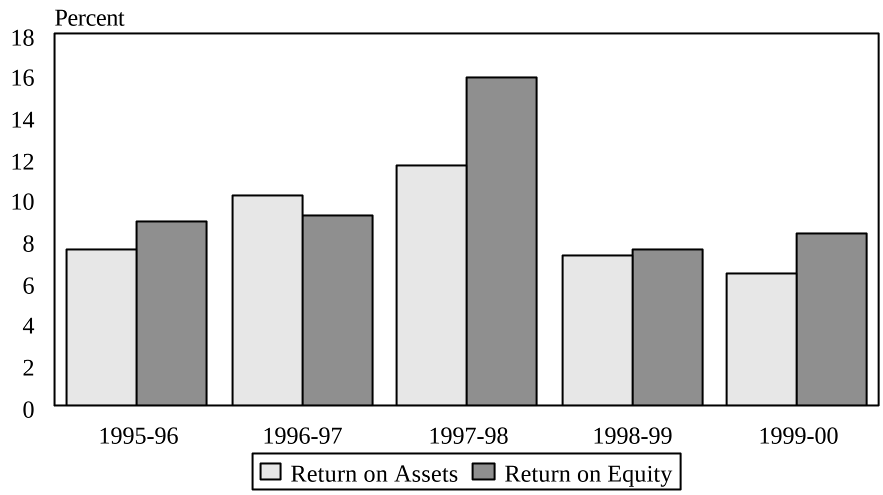


Operating Result and Dividend Payment

1999-00 Dollars



Financial Performance



Mr Guy Chick
Manager Finance
AUSTRALIAN INLAND ENERGY
PO Box 800
BROKEN HILL NSW 2880
(08) 8080 2444

AUSTRALIAN INLAND ENERGY

> **Australian Inland Energy aims to provide a reliable and safe electricity supply, at competitive prices and to benefit its stakeholders. Australian Inland Energy reviews the total energy needs of its customers and the communities it serves in order to provide the most effective energy solutions.**

Australian Inland Energy's main business is the sale and distribution of electricity. The network structure, regional demographics, customer base and human resources issues require that the business be conducted in a different manner to other electricity distributors in New South Wales.

Australian Inland Energy provides energy services to about 19,300 customers in far west New South Wales in a supply area of 155,100 square kilometres, bordered by Queensland, South Australia and Victoria. The customer base is predominantly domestic, small rural and small commercial. The main administrative office is located in Broken Hill. There are administrative offices in Wentworth and Balranald. Works depots are located in these centres as well as Menindee, Wilcannia, Moulamein and Tooleybuc.

The supply area is the most arid in the State. It experiences extreme climatic conditions, as well as severe electrical and windstorm activity during summer months. The supply of electricity to vast, sparsely populated rural areas is largely uneconomic. Australian Inland Energy receives an operating subsidy from the NSW Government to offset losses. Radio communications in the far north west of New South Wales have dramatically improved with Australian Inland Energy's new radio network. This network will be expanded to cover the south west of the State in the next 12 months.

During 1999-2000:

- an Internet service provider was acquired;
- White Cliffs solar power station technical upgrades were recommissioned;
- work commenced on the construction of the 220kV/22kV substation at Balranald;
- NSW retail and distribution licence compliance was assessed as grade "A" in all areas;
- a $265,000 grant was obtained from the Australian Greenhouse Office to trial a new battery storage system ideal for remote and rural areas;
- key community and cultural sponsorships continued; and
- high representation at industry meetings continued.

Of significance during the year, strategic planning resulted in the formation of a proposal to the State Government to expand Australian Inland Energy's charter to allow for investment in projects of regional benefit. As a result, by the end of the 1999-00 financial year, the final planning stages for the merger of Australian Inland Energy and the former Broken Hill Water Board had taken place. The change is one of great significance for customers in the Broken Hill region who can access one supplier for electricity and water services, as well as bottled gas, via a pre-existing business alliance with Kleenheat Gas.

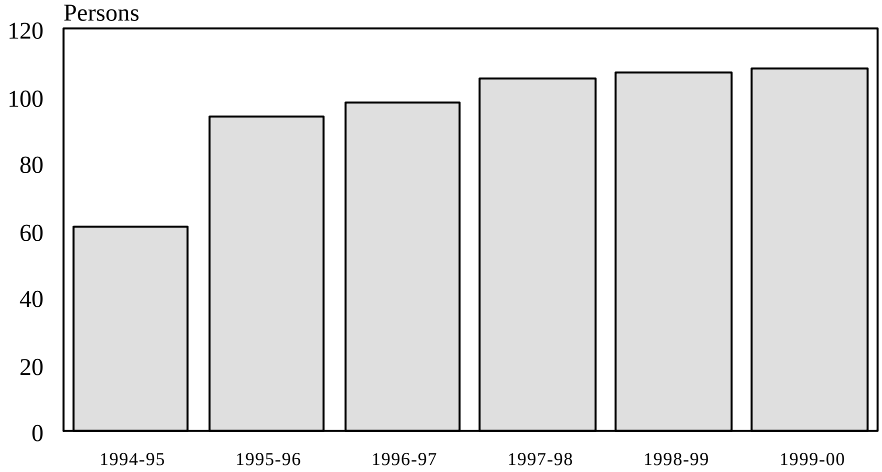
AUSTRALIAN INLAND ENERGY

		1994-95 Broken Hill Electricity	1995-96 Australian Inland Energy	1996-97 Australian Inland Energy	1997-98 Australian Inland Energy	1998-99 Australian Inland Energy	1999-00 Australian Inland Energy
	(1)						
Efficiency							
Employment	*(2)*	61	94	98	105	107	108
Output per Employee (GWh)	*(3)*	4.6	4.7	4.0	3.7	3.5	3.1
Customers per Employee	*(4)*	187.2	197.4	198.2	181.5	177.2	175.2
Operating Cost Per Unit Sold ($/MWh)	*(5)*	18.6	23.7	25.6	27.0	29.3	35.1
Operating Cost Per Customer ($)	*(6)*	455.3	564.7	519.4	544.5	585.1	630.7
System Loss Index (%)	*(7)*	3.0	12.4	5.3	3.8	11.7	17.5
Average Lost Time	*(8)*	44.3	23.9	17.5	10.4	12.3	10.0
Lost Time Injury Frequency Rate	*(9)*	72	28	37	32	32	38
Service							
No. of Customers		11,671	18,924	19,128	18,981	18,944	18,896
Output (GWh)		284	364	386	384	379	340
Supply Reliability (Min)	*(10)*	369.0	161.0	382.0	319.0	221.0	212.0
Real Price Index	*(11)*	100.8	100.0	99.4	93.8	87.9	93.9
Customer Satisfaction Index							
Domestic		73.2	71.5	n/a	n/a	n/a	n/a
Business		69.1	69.6	n/a	n/a	n/a	n/a
Finances	*(12)*						
Operating Result ($m)		0.1	(10.2)	10.6	11.4	13.0	9.3
Return on Assets (%)	*(13)*	0.4	(21.5)	19.1	18.7	20.1	13.8
Pre Tax Return on Net Assets	*(14)*	0.4	(25.8)	25.2	24.5	26.3	17.7
Return on Equity (%)	*(15)*	0.4	(25.8)	17.4	17.0	19.5	12.6
Gross External Debt ($m)		n/a	n/a	n/a	n/a	n/a	n/a
Debt to Equity Ratio (%)		n/a	n/a	n/a	n/a	n/a	n/a
Times Interest Earned		n/a	n/a	n/a	n/a	1.0	n/a
Financial Distribution ($m)							
Dividend Payment		n/a	n/a	3.2	3.7	5.8	2.7
Corporate Tax Equivalent		n/a	n/a	3.3	3.5	3.4	2.7
Payment of Capital from Equity		0.0	0.0	0.0	0.0	0.0	0.0

Notes:
n/a *Not available*

(1) *All dollar amounts reported in 1999-00 dollars.*
(2) *Full time equivalent staff at 30 June.*
(3) *GWh sold per average number of all employees.*
(4) *Average number of customers per average number of all employees.*
(5) *Operating costs including depreciation, excluding financing costs per MWh sold.*
(6) *Operating costs including depreciation, excluding financing costs per average number of customers.*
(7) *Energy purchased less energy sold divided by energy purchased.*
(8) *Average lost hours per employee per year.*
(9) *Number of lost time accidents per million hours worked.*
(10) *Average minutes per customer per year without supply including planned and unplanned outages.*
(11) *Assumes 1995-96 is the base year.*
(12) *All financial indicators are consolidated. The results reflect the electricity supply and non supply energy services businesses.*
(13) *Earnings before interest and taxation divided by total assets at 30 June 1998.*
(14) *Operating profit before taxation dividend by net assets at 30 June 1998.*
(15) *After tax profits divided by equity at 30 June 1998.*

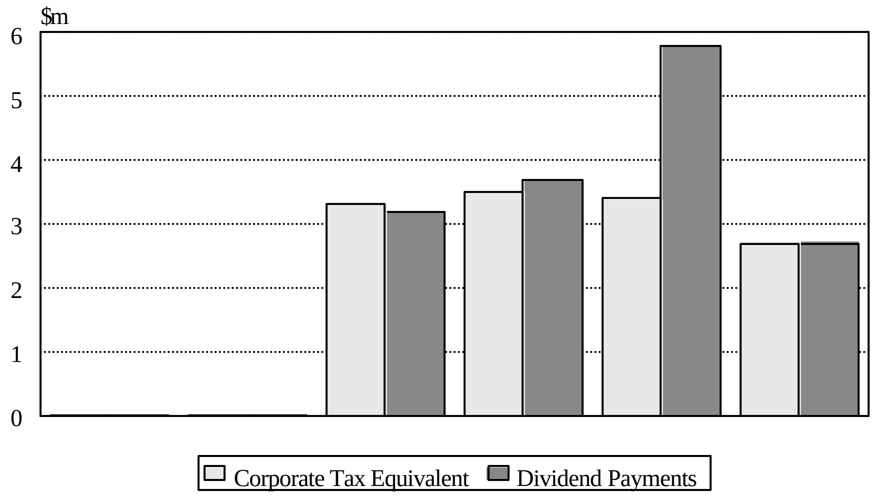
Employees



Operating Result

1999-00 Dollars

Financial Distribution



Mr Richard Street
Chief Financial Officer
DELTA ELECTRICITY
Level 12, Darling Park
SYDNEY NSW 2000
(02) 9285 2700

DELTA ELECTRICITY

Delta Electricity operates power stations near Lithgow and on the Central Coast. Total generating capacity is 4,240MW. The organisation performed strongly in 1999-00, doubling its operating result, lifting its dividend and positioning itself to meet future environmental challenges.

Financial outcomes

The financial performance for 1999-00 exceeded expectations with a net profit before tax of $158.7 million being achieved. The profit reflects increased prices in the market and the successful implementation of a strategy built on strengthening customer relationships; securing competitive fuel resources; and managing market risks. The increased profit resulted in the dividend to the shareholder being increased from $32.7 million last year to $86.7 million in 1999-00.

Plant reliability

Plant availability fell below expectations for the year. Delta will be focusing on improved plant reliability to ensure its continued operating performance. Its performance will be challenged by growing price volatility in the electricity market and future increases in the value-of-lost-load.

Fuel supplies

A major goal for Delta has been securing coal at competitive rates. During the year, Delta secured over two million tonnes of coal at very competitive prices. These contracts will largely insulate Delta from recent increases in coal prices in the short to medium term.

Environment

Environmental regulation poses one of the major strategic challenges for Delta. The organisation is positioning itself to maximise the opportunities available from any legislative changes. Work on a joint venture with the NSW Sugar Milling Co-operative (Australia's largest green energy project) has progressed. Delta is also in the process of installing mini-hydro generators at small dams and water treatment plants.

The Future

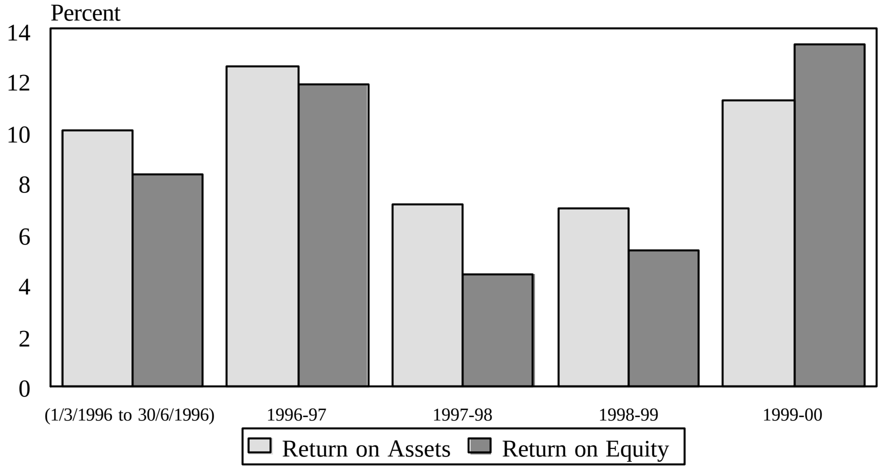
The 1999-00 results highlight Delta's innovation and commitment to ensuring its ongoing success in a competitive market. Delta plans to continue support for innovation as a key component of efficiency improvement and also to pursue new generation initiatives that are environmentally and financially viable.

DELTA ELECTRICITY

	(1)	1 March 1996 to 30 June 1996	1996-97	1997-98	1998-99	1999-00
EFFICIENCY						
Employment		1,248	1,091	1,032	822	797
Output per Employee (GWh)	*(2)*	13.6	17.3	18.6	24.3	25.7
Lost Time Injury Frequency Rate		n/a	15.9	14.6	5.7	11.8
SERVICE						
Output (GWh)	*(2)*	16,917	18,839	19,224	20,006	20,484
FINANCES						
Operating result ($m)	*(3)*	31.0	136.9	56.4	62.1	133.0
Return on assets (%)	*(2)*	10.0	12.5	7.1	7.0	11.2
Return on equity (%)	*(2) (3)*	8.3	11.8	4.8	5.3	13.4
Gross external debt ($m)		701.8	544.5	438.6	430.9	351.4
Debt to Equity Ration (%)		98.2	73.4	58.8	57.8	46.2
Times interest earned		2.5	3.9	2.3	2.7	4.9
Financial Distribution ($m)						
Dividend Payment (Cash)		0.0	104.1	91.9	27.7	32.7
Corporate Tax Equivalent (Cash)		2.4	85.5	5.8	0.0	0.0

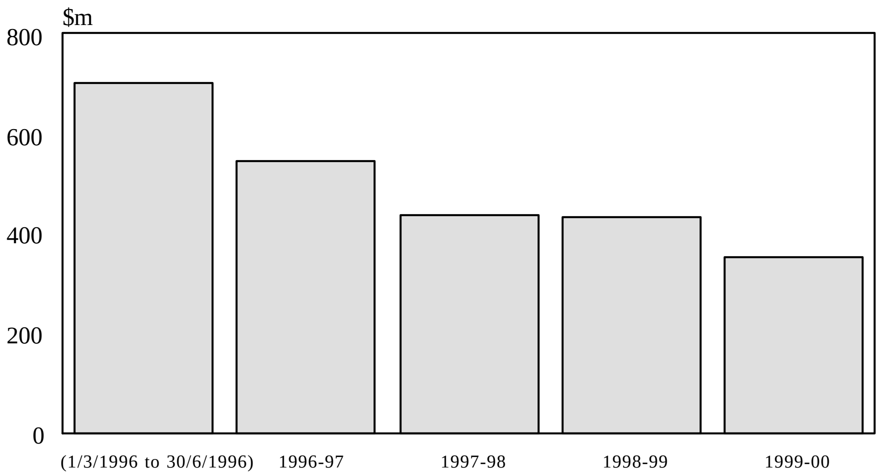
Notes:
(1) All dollar amounts reported in 1999-00 dollars
(2) Annualised for the period 1 March 1996 to 30 June 1996.
(3) Excludes Abnormal Items Years 2 and 5

Financial Performance



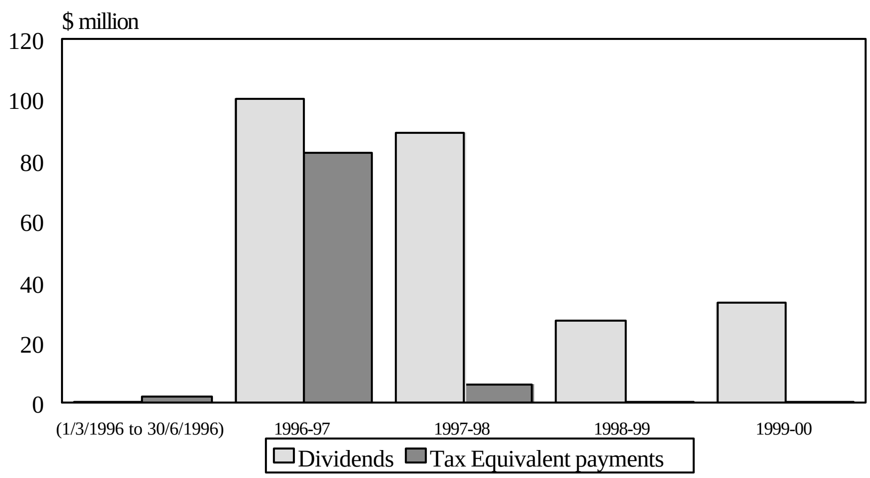
Gross External Debt

1999-00 Dollars



Dividend and Tax Equivalent Payments

1999-00 Dollars



Mr David Bennett
Senior Analyst, Strategic Benchmarking
ENERGYAUSTRALIA
GPO Box 4009
SYDNEY NSW 2001
(02) 9269 4144

ENERGYAUSTRALIA

EnergyAustralia is one of Australia's largest energy services corporations. It supplies nearly half of all NSW electricity customers. It is well positioned to become a major player in the national energy market and the leading multi-utility in the Asia Pacific region.

EnergyAustralia delivers safe, reliable electricity and gas services to over 1.4 million customers (over 3 million people). It also provides a range of other products and services both nationally and internationally. EnergyAustralia owns and operates the electricity distribution network that covers one of the most diverse and complex customer bases in Australia. The network covers the Sydney and Newcastle Central Business Districts, rural areas and commercial operations such as mining, oil refining, shipping and aviation.

EnergyAustralia aims to become the leading multi-utility company in rural areas and the Asia Pacific region; maximise shareholder value by growing in new fields, innovating to gain market share; and ensuring its strategies remain consistent with market developments.

EnergyAustralia's retail arm achieved contestable market share growth and exceeded sales targets for the second consecutive year. Awareness of the EnergyAustralia brand peaked in 2000 due to advertising campaigns and an ongoing commitment to community activities, including EnergyAngels and sponsorships (e.g. Official Partner of the Sydney 2000 Olympic and Paralympic Games).

EnergyAustralia has grown its new business sales by over 60 per cent. Its engineering, contracting and consultative business, Enerserve, was a major contributor to this growth. Enerserve won major contestable projects for (i) the Sydney 2000 Olympic and Paralympic Games sites; (ii) optical fibre infrastructure for PowerTel; and (iii) the Sydney Central Business District's erection of 'smart poles' to provide streetlights, traffic signals, banners, signage, real time electronic message boards and closed circuit television.

EnergyAustralia entered the new millenium without any Y2K bug problems. It also made significant progress in establishing platforms required to successfully operate within the increasingly competitive utilities market. Full energy retail competition is being progressively introduced. Over 7 million electricity customers and over 2 million gas customers will be eligible to choose their energy retailer (i.e. contestable) by July 2002.

In addition, the company achieved at least a 20 per cent improvement in key safety indicators and a 10 per cent improvement in system reliability. The company also produced a strong financial performance, meeting or exceeding all of the financial performance outcomes to which it agreed in its Statement of Corporate Intent. It also maintained high customer satisfaction.

In other 1999-00 highlights,

- Customers: EnergyAustralia's customer service functions were rated as amongst best practice in a recent international benchmarking exercise.
- People: Safety performance has continuously improved. For the second successive year, the Lost Time Injury Frequency Rate improved by over 20 per cent to 6.4. Futher, a comprehensive Occupational Health Safety and Rehabilitation system is being implemented and a pilot project on employee health has been trialled.
- Environment: Pure Energy customers have increased by 120 per cent and the amount of Pure Energy sold has risen by almost 200 per cent.
- Shareholders: EnergyAustralia improved its return on equity to 18.6 per cent, well above the industry standard. This provided an after tax dividend of $184.3 million, some $27 million above forecast.

ENERGYAUSTRALIA

Efficiency	(1)	1993-94 SYD EL	1993-94 ORION	1994-95 SYD EL	1994-95 ORION	1995-96 EnergyAustralia	1996-97 EnergyAustralia	1997-98 EnergyAustralia	1998-99 EnergyAustralia	1999-00 EnergyAustralia
Employment	*(2)*	3,705	1,054	3,509	1,040	3,817	3,136	3,017	3,089	3,282
Output (GWh) per employee	*(3)*	4.1	1.5	4.7	1.7	5.5	6.8	7.3	7.5	7.4
Customers per employee	*(4)*	272	211	310	224	343	430	451	448	428
Operating cost per unit sold ($/MWh)	*(5)*	30.8	26.9	28.7	25.5	29.6	25.1	26.7	26.7	25.5
Operating cost per customer ($)	*(6)*	255.0	304.1	234.5	301.9	472	400	433	445	442
System loss index (%)	*(7)*	4.5	5.0	4.7	5.1	4.8	4.7	5.0	5.0	4.5
Days sick leave per employee		6.4	5.3	6.0	6.0	6.5	7.3	6.7	5.8	6.0
Lost time injury frequency rate	*(8)*	14.7	14.0	10.3	18.6	12.8	11.3	10.2	8.0	6.4
Total factor productivity	*(9)*	1.7	1.7	1.9	1.8	1.9	n/a	2.2	n/a	n/a
Service										
Output (GWh)		16,290	3,667	16,773	3,888	21,035	21,212	22,067	23,064	24,364
Supply reliability (minutes off supply)	*(10)*	76.0	123.0	80.0	117.6	83.0	73.0	101.0	97.0	87.0
Real price index	*(11)*	96.2	88.3	87.6	78.5	81.8	75.6	72.6	71.1	72.0
Customer satisfaction index	*(12)*									
domestic		77.2	74.8	75.9	75.3	76.8	76.0	97.0	97.0	97.0
business		74.2	72.5	74.8	74.1	74.7	74.0	89.0	92.0	87.0
Finances										
Operating result ($m)	*(13)*	72.3	10.1	83.8	8.1	(17.8)	305.2	365.3	266.4	317.9
Return on assets (%)	*(14)*	3.9	1.8	4.6	1.4	7.7	11.1	12.4	10.9	11.3
Return on equity (%)	*(14)*	2.0	1.3	2.3	1.0	7.4	13.0	14.7	11.2	18.6
Gross external debt ($m)	*(15)*	620.2	50.5	559.6	38.3	1,341.4	1,329.4	1,349.1	1,327.1	1,045.5
Debt to equity ratio (%)	*(14)*	25.8	9.6	23.3	6.8	83.1	85.0	82.6	79.7	59.5
Times interest earned		2.4	5.3	2.1	6.4	3.3	3.2	3.4	3.7	5.3
Social programs ($m)	*(16)*	21.2	5.8	21.4	5.9	23.7	25.3	26.8	29.2	26.4
Financial distribution ($m)										
corporate tax equivalent		23.9	0.0	29.9	0.0	42.4	38.5	76.6	89.3	64.8
dividend payment		27.2	0.0	26.3	0.0	34.5	207.6	185.1	142.1	184.3
capital repayment		0.0	n/a	0.0	n/a	793.0	0.0	0.0	0.0	0.0
Net cash from sales of PPE ($m)	*(17)*	18.4	4.5	23.4	2.0	27.6	13.7	33.0	6.1	10.0

Notes:

n/a *Not available*

The producitivity measures may be distorted by the costs of the non electricity business EnergyAustralia is involved in.

1 *All dollar amounts reported in 1999/2000 dollars.*

2 *Full time equivalent (FTE) staff at end of financial year.*

3 *GWh as measured at bulk supply points less distribution losses divided by the number of FTEs at the end of the financial year.*

4 *Number of customers divided by number of FTE's at the end of the financial year.*

5 *Total Operating Costs including depreciation but excluding interest divided by electricity megawatt hours (MWh) delivered.*

6 *Total Operating Costs including depreciation but excluding interest divided by number of customers at the end of the financial year.*

7 *Estimate*

8 *Number of Lost Time Injuries per million hours worked.*

9 *Calculated by NSW Treasury. Results are not comparable between companies.*

10 *Standard SAIDI figure. This is the average minutes per network customer per year without supply including planned and unplanned outages. It excludes major storms, momentary and TransGrid interruptions.*

11 *Based on average price for all accounts.*

12 *Results prior to 1997/98 were based on industry survey results and overall rating. Results from 1997/98 are based on the top 3 boxes of a 5 point scale and are not compareable with earlier surveys. This measure was changed to reflect the new industry structure and business needs.*

13 *Operating surplus calculated before dividends, Electricity Development Fund (EDF) contributions, tax equivalent payments and capital contributions, and social programs (excluding EDF contributions), and financial transfers.*

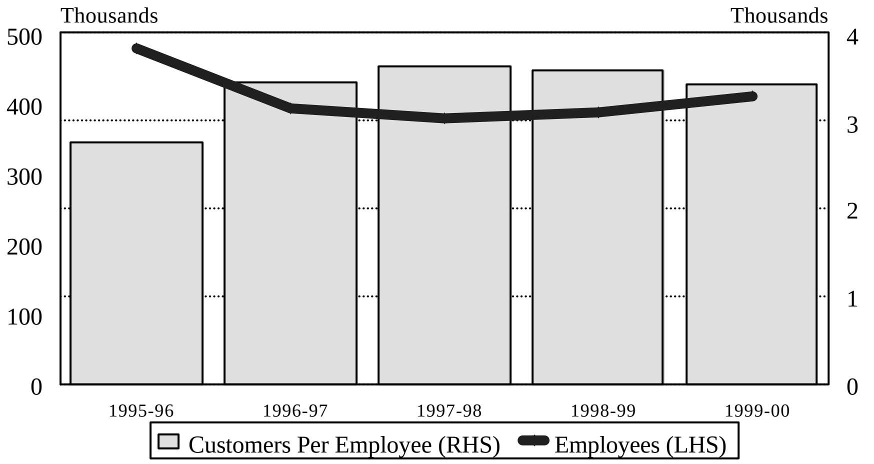
14 *Asset revaluations in 1991-92, 1992-93 and 1993-94 make comparisons of some financial ratios between years misleading.*

15 *Includes loans, leases, EDF loans and long term creditors.*

16 *Includes Pensioner Rebates, Traffic Route Lighting Subsidies*

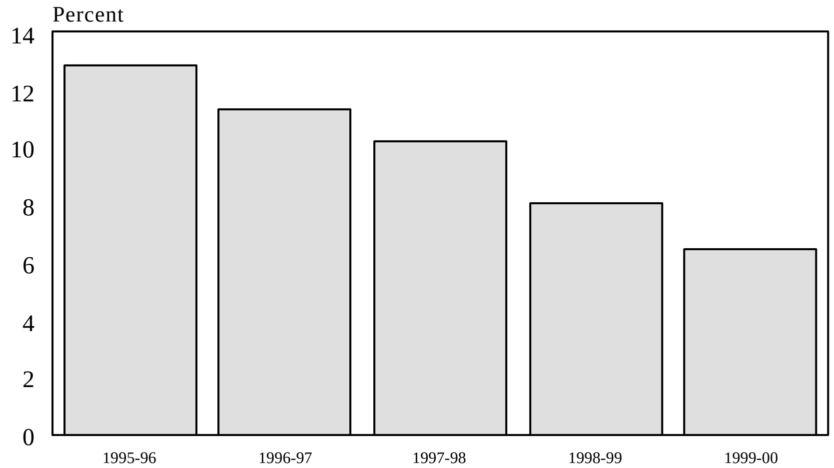
17 *Total proceeds from sales of fixed assets, ie Property, Plant and Equipment (PPE)*

Customers and Employees



Financial Performance

Lost Time Injury Frequency Rate



Ms Joanne Mularczyk
Corporate Strategy
FREIGHTCORP
Locked bag 90
PARRAMATTA NSW 2150
(02) 9893 2523

FREIGHTCORP

New South Wales is leading the implementation of microeconomic reform in Australian rail. This has enabled FreightCorp to substantially improve business performance and service delivery to become a major national freight operator. These achievements have been furthered in 1999-00.

In 1999-00, FreightCorp transported bulk commodities and general freight, and also supplied comprehensive supporting logistical services. FreightCorp is committed to provide comprehensive services to customers throughout Australia, extending beyond the traditional rail line haul role.

In 1999-00, FreightCorp recorded increased operating profit before interest and tax of $83.7 million. FreightCorp carried 85.5 million tonnes of freight, a task in excess of 13 billion net tonne kilometres (ntk).

In 1999-00, FreightCorp reported total revenues of $654.4 million. The decline in revenues was due primarily to a reduction in freight rates from changes in tonnage mix and access charges. For the coal producers, the decrease in charges was made possible by FreightCorp negotiating lower rail access charges with RAC, the reductions in which were fully passed through to FreightCorp's coal customers. The reduction in revenues also arose partly from FreightCorp passing on to its customers the benefits of significant productivity improvements.

Since 1996-97, FreightCorp has achieved significant productivity gains, with ntk per employee improving by over 120% to 5.9 million ntk/employee. In that time locomotives productivity has increased from 37.8 to 44.6 million ntk/locomotive and wagon productivity has increased from 2.3 to 2.4 million ntk/wagon. Employee numbers have fallen by 43% since 1 July 1996.

FreightCorp continued to expand its position in the national freight market. In particular:

- it was selected as preferred operator to haul nearly 6 million tonnes of domestic and export coal per year in Queensland. Operations are expected to begin in 2003, contingent upon obtaining acceptable terms and conditions from Queensland Rail for track access and upon the outcome of current negotiations with potential coal customers;
- the performance of Leigh Creek operations in South Australia continued to improve. The coal hauled by FreightCorp passed the 3 million tonne milestone in 1999;
- the containerised freight business continued to grow. FreightCorp transported 180,000 twenty foot equivalent units (TEUs) in 1999-00, compared with 80,000 in 1996-97. FreightCorp continued to develop its internet-based intermodal business information system to meet the information needs of customers and other stakeholders. The Federal Minister for Transport, the Hon. J. Anderson, opened the Narrabri system hub in November 1999.

In the first quarter of 2000-01, the NSW Government announced its intention to privatise FreightCorp and effect a parallel sale with National Rail Corp, in relation to which the Commonwealth, NSW and Victorian Governments had previously announced an intention to sell.

FREIGHTCORP

	(1)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment	(2)	9,110	7,369	6,976	3,525	3,115	2,528	2,265
Output per employee (000 ntk)	(3)	1,777	2,074	2,335	3,302	3,907	4,754	5,891
Operating expenditure per ntk (cents)	(4)	6.4	6.1	5.3	6.3	5.7	5.1	4.2
Wagon productivity (m ntk per wagon)	(5)	2.2	1.7	1.9	2.3	2.3	2.2	2.4
Loco productivity (m ntk per loco)	(5)	32.3	29.0	30.0	37.8	41.6	43.3	44.6
Total factor productivity	(6)	n/a	n/a	n/a	1.00	1.18	1.35	1.60
Service								
Net tonne kilometres (billion)	(7)	16.2	15.3	16.3	12.1	13.0	13.0	13.3
On time running (%)	(8)	85.0	90.0	89.0	86.0	82.1	70.4	70.5
Finances								
Operating result ($m)	(9)	87.6	45.1	11.4	92.1	62.5	47.8	55.5
Operating expenditure ($m)	(9)	1058.9	935.2	860.5	758.4	742.5	659.2	552.6
Subsidies and social programs ($m)	(10)	155.4	148.0	128.0	63.2	93.7	81.9	76.5

Notes:

n/a Not available

f Forecast

(1) Freight Rail Corporation was established on 1 July 1996.
The figure from 1996-97 onwards are not generally comparable with previous years' figures.
All dollar amounts are reported in 1999/2000 dollars .

(2) Staff employment based on end of financial year employment for consistency with Annual Report. The figures up to 1995-96 (inclusive) included infrastructure and train control staff who were transferred to other rail entities in July 1996.

(3) "Output per employee" from 1996-97 onwards is not directly comparable with previous years' figures due to the organisational change which affects employment as described in (2).1995-96 and figures from 1996-97 onwards are based on average employees.

(4) Operating expenditure is measured on a cash basis prior to 1996-97 and on a fully accrued basis from 1996-97 onwards. From 1991-92 Prime User methodology was used to allocate costs of joint structure.

(5) Productivity is defined as the number of Net Tonne Kilometres carried per wagon or locomotive using average fleet size for the year.

(6) The series does not reflect absolute TFP levels and therefore cannot be compared to the results of other GTEs presented in this publication.
The TFP figure for 1996-97 has been calculated using the 1995-96 base figure of 1.0.

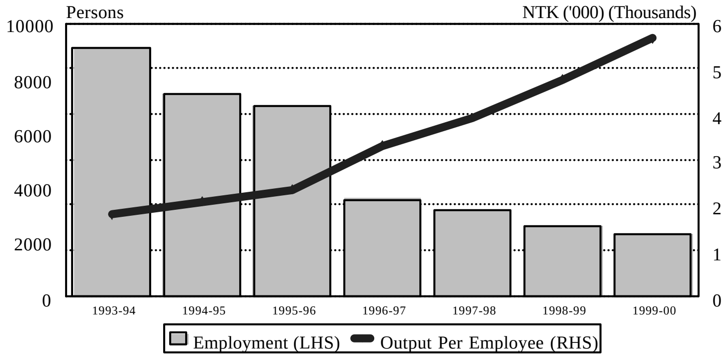
(7) Prior to 1996-97, the figures included all NRC NTKs. The NTKs from 1996-97 onwards exclude NRC figures.

(8) Defined as the percentage of general freight services trains that reach their destination within 30 minutes of their scheduled arrival time. Note, 1998-99 onwards data includes all services - mandatory (fixed) and non-mandatory. It consequently includes the effects of delays to non-mandatory services requested by the customer or access provider.

(9) Operating result is defined as operating profit before abnormals and tax. Operating result and operating expenditure are on a cash basis prior to and including 1995-96 and on a fully accrued basis from 1996-97 onwards.

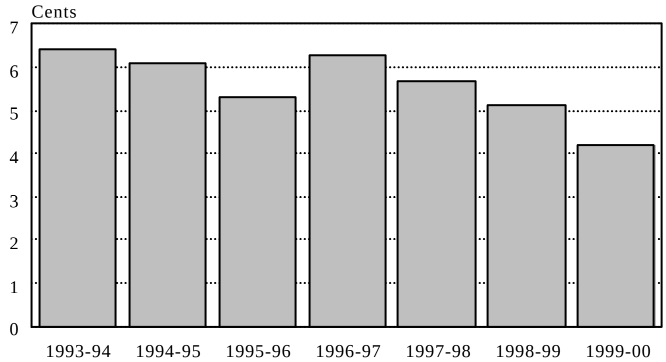
10) Social programs have been based on changed methodologies and industry structure and may not be comparable between years.
From 1996-97 onwards, below rail CSOs have been directed to Rail Access Corporation

Employees and Output

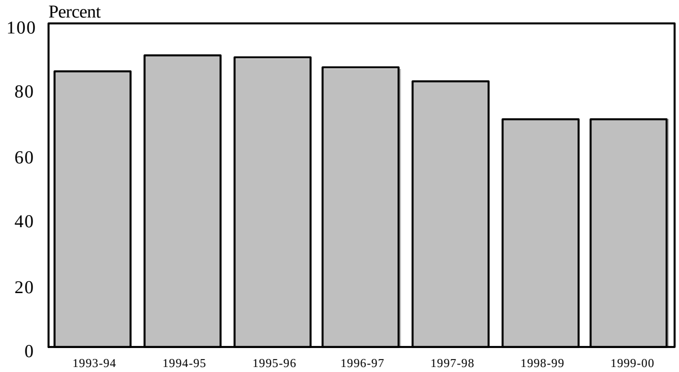


NTK = Net Tonne Kilometres

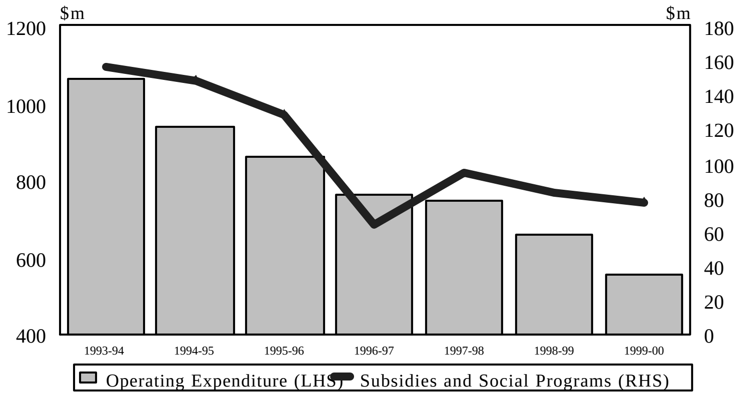
Operating Expenditure per ntk



Services Running on Time



Operating Results



Mr Greg Wood
Acting Chief Executive Officer
GREAT SOUTHERN ENERGY
PO Box 718
QUEANBEYAN NSW 2620
(02) 6298 9898

GREAT SOUTHERN ENERGY

Great Southern Energy was established as a State owned corporation on 1 March 1996. It amalgamated nine distribution authorities throughout southern New South Wales.

Great Southern Energy delivers electricity, gas and energy services to over 230,000 customers, covering an area of 175,840 square kilometres.

Great Southern Energy's structure consists of five divisions: Retail, Networks, Corporate Services, Corporate Development and Holding Company. In an increasingly competitive energy market, Great Southern Energy continues to produce good results through a combination of new business opportunities and the continuing refinement of business processes.

The continuing growth of the gas business, with new reticulations under construction, will lead to natural gas being delivered into Tumut, Gundagai, Adelong, Bombala and Cooma.

Great Southern Energy's operating profit before tax, capital contributions and abnormal items for the year ending 30 June 2000 was $65.3 million (compared to $67.3 million in 1998-99). Return on net operating assets was 16.2 per cent, slightly down on the previous year's result of 18.1 per cent. The financial distribution to the NSW Government by Great Southern Energy for the year ending 30 June 2000 was $53.9 million (compared to $59.1 million in 1998-99).

Looking to the future, Great Southern Energy will face challenges associated with the deregulation of the energy market, potential industry restructuring and additional business refinement. These challenges will require Great Southern Energy to maximise its competitive position in an ever-changing environment.

GREAT SOUTHERN ENERGY

		1994-95 Monaro Electricity	1994-95 Murray River Electricity	1994-95 Murrum -bidgee Electricity	1994-95 Northern Riverina Electricity	1994-95 Southern Riverina Electricity	1994-95 Southern Tablelands Electricity	1994-95 South-West Slopes Electricity	1994-95 Tumut River Electricity	1995-96 Great Southern Energy	1996-97 Great Southern Energy	1997-98 Great Southern Energy	1998-99 Great Southern Energy	1999-00 Great Southern Energy
	(1)													
Efficiency														
Employment	*(2)*	84	270	113	78	165	251	61	48	901	776	720	717	706
Output per Employee (GWh)	*(3)*	1.7	4.8	3.7	2.1	2.6	1.7	1.7	2.9	3.5	4.1	4.9	5.0	5.5
Customers per Employee	*(4)*	162.0	176.3	202.8	186.9	171.7	155.2	155.5	184.5	243.6	304.2	309.4	315.7	323.4
Operating Cost Per Unit Sold ($/M	*(5)*	25.3	8.0	16.1	25.7	18.3	27.1	28.6	13.5	18.6	18.6	16.8	15.8	19.5
Operating Cost Per Customer ($)	*(6)*	263.2	219.0	294.1	283.7	278.7	302.4	306.8	212.7	267.9	275.0	264.6	251.0	331.2
System Loss Index (%)	*(7)*	7.6	4.4	7.9	10.5	4.9	8.2	9.0	6.7	6.8	6.3	4.3	7.7	4.9
Average Lost Time	*(8)*	41.9	110.0	114.0	105.0	104.0	106.0	114.0	76.0	94.6	85.3	118.7	95.1	n/a
Lost Time Injury Frequency Rate	*(9)*	3.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	47.7	39.2	31.5	6.8	4.8
Service														
No. of Customers		14,131	48,574	23,228	14,708	29,476	39,553	9,521	9,758	219,512	223,303	226,218	226,828	230,102
Output (GWh)		146	1,313	420	162	447	435	101	153	3,159	3,380	3,505	3,600	3,900
Supply Reliability (Min)	*(10)*	220.0	170.0	236.0	90.0	135.0	286.0	236.0	180.0	186.0	134.6	188.9	214.0	221.0
Real Price Index	*(11)*	n/r	n/r	n/r	n/r	n/r	n/r	n/r	n/r	100.0	102.2	98.7	99.4	99.3
Customer Satisfaction Index	*(12)*													
Domestic		-	73.3	76.2	72.3	77.1	71.4	75.0	76.9	76.6	n/a	n/a	n/a	n/a
Business		-	74.3	72.2	72.6	77.5	70.0	72.5	76.4	73.5	n/a	n/a	n/a	n/a
Finances	*(13)*													
Operating Result ($m)		2.3	7.7	2.4	0.6	2.0	-0.7	0.9	1.2	20.1	36.5	73.0	67.3	65.3
Return on Assets (%)	*(14)*	5.2	5.8	3.2	1.2	3.9	-0.6	3.7	5.2	4.6	7.3	13.1	11.9	10.7
Pre Tax Return on Net Assets	*(15)*	5.7	6.6	3.6	1.2	4.7	-0.7	3.9	5.8	6.0	9.5	20.4	18.1	16.2
Return on Equity (%)	*(16)*	5.7	6.6	3.6	1.2	4.7	-0.7	3.9	5.8	5.2	10.3	10.7	11.4	9.7
Gross External Debt ($m)		0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	57.1	88.5	87.6	87.9	89.1
Debt to Equity Ratio (%)		0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	17.2	25.0	24.5	23.7	22.1
Times Interest Earned		-	-	-	-	-	-	5.4	-	13.3	9.7	13.1	10.8	10.3
Financial Distribution ($m)														
Dividend Payment		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.1	24.2	39.0	36.3
Corporate Tax Equivalent		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9	21.2	20.1	17.6
Payment of Capital from Equity		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	52.0	0.0	0.0	0.0	0.0

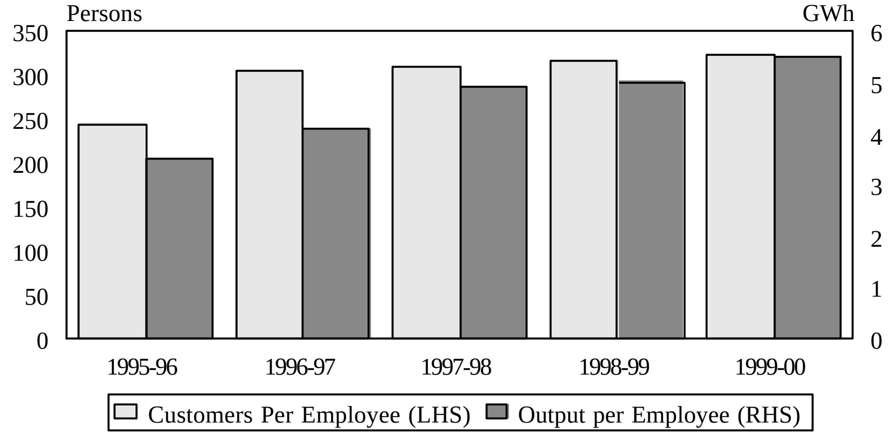
Notes:

n/a Not available
n/r Not reported

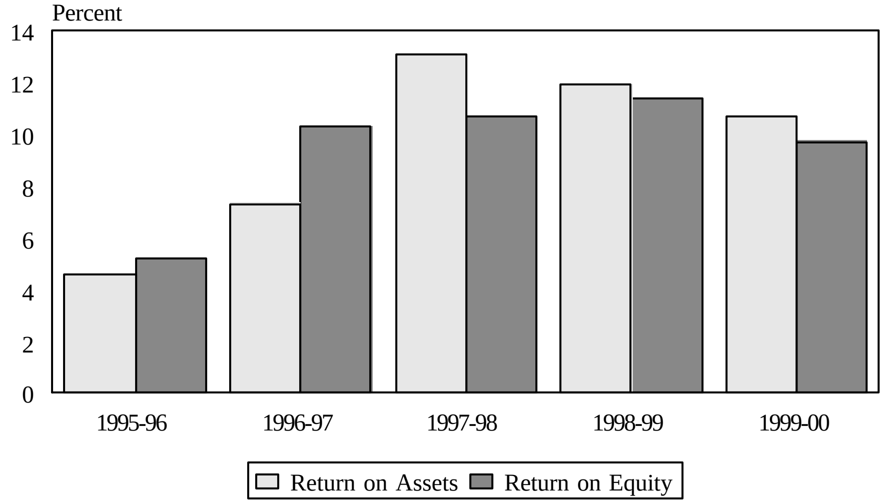
The above financial data includes Gas operations - care should be taken when looking at the operating costs per MWh and per Customer as these figures will include Gas operating costs.

(1) All dollar amounts reported in 1999-00 dollars.
(2) Full time equivalent staff at 30 June.
(3) GWh sold per average number of all employees.
(4) Average number of electricity customers per average number of all employees.
(5) Total operating costs (includes depreciation for 1998-99 only) and excluding financing costs per MWh sold.
(6) Total operating costs excluding depreciation and financing costs per average number of customers. The methodology for calculating operating costs per customer was standardised for all distributors in 1998-99. Standardisation effected a change in the manner Great Southern Energy previously calculated its operating costs per customer. The result was an increase of $103 from 1997-98 to 1998-99, which is not reflective of what actually occurred.
(7) Energy purchased less energy sold divided by energy purchased.
(8) Average lost hours per employee per year.
(9) Number of lost time accidents per million hours worked.
(10) Average minutes per customer per year without supply including planned and unplanned outages.
(11) Assumes 1995-96 is the base year.
(12) Not Reported - internal committee has been established to review the issue.
(13) All financial indicators are consolidated. The results reflect the electricity supply and non supply energy services businesses.
(14) Profit before taxation, dividends, abnormals, capital contributions and interest expense divided by total assets at 30 June.
(15) Profit before taxation, dividends, abnormals and capital contributions divided by total equity at 30 June.
(16) Treasury SCI formula - Profit before taxation, dividends, abnormals and capital contributions divided by average net operating assets (less tax & dividend Prov. and loans) at 30 June.

Customers and Employees

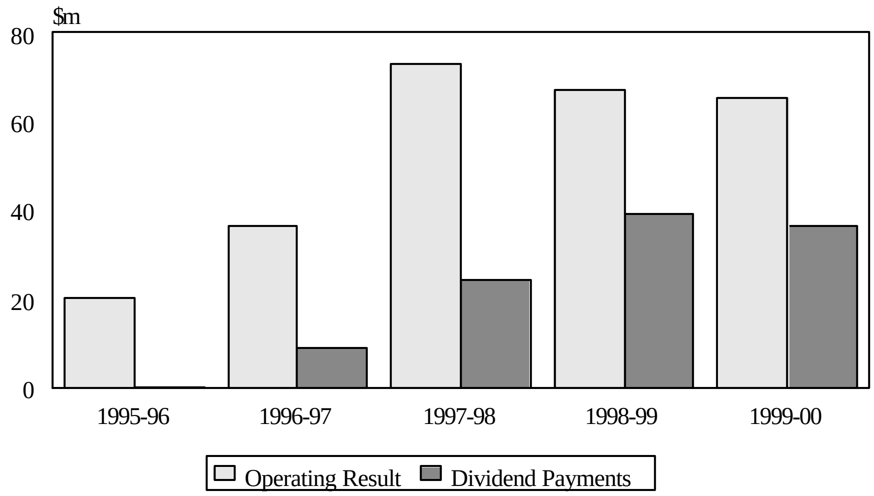


Financial Performance



Operating Result and Dividend Payment

1999-00 Dollars



HOUSING
New South Wales

Mr Wayne Brailey
Director, Finance
DEPARTMENT OF HOUSING
Level 10,
23-31 Moore Street
LIVERPOOL NSW 2170
(02) 9821 6810

DEPARTMENT OF HOUSING

The Department of Housing provides housing assistance to people who have difficulty affording a place to live – particularly people with special needs.

The Department provides housing assistance through Public Housing, the Office of Community Housing, and the Home Purchase Assistance Authority. The Department owns and manages more than 128,000 rental properties through eight public housing regional offices. The Department lets these properties at subsidised rents to people who experience difficulty affording housing (with an average annual rebate of $ 5,144 per property).

During the year, the Department reviewed all public housing rental subsidy recipients. The review assessed new rents for nearly 120,000 tenants. This led to a slight increase in the percentage of income that public housing tenants pay as rent. Under the new arrangements:

- new tenants, if eligible for rental subsidy, pay 25 per cent of their income as rent; and
- existing tenants pay an additional one per cent of their household income in rent each year to a 25 per cent threshold, until 2004.

This change aligns New South Wales arrangements with those of other States and Territories, and NSW church and community housing groups.

This year, the Department housed 10,562 new applicants in public housing. To target offers to those in highest need, changes were made to the method of housing allocation. Thirty-three per cent of new applicants housed were priority applicants. In addition to this, 5,683 clients were rehoused.

The Department maintains a waiting list for public housing applicants. In 1999-00, the number of households on the list increased by 1.3 per cent. This reflects the increasing need for housing assistance in New South Wales.

The Office of Community Housing provides funding to 398 non-profit organisations (‘direct including: housing associations; housing co-operatives; churches; local government; and other community organisations. These organisations manage 9,613 properties, comprising 5,497 capital properties and 4,116 properties head leased from the private sector and government agencies. In 1999-00, the Office spent $119.077 million on community housing. It thereby enabled the number of properties in management to grow from 8,543 to 9,613.

The Department recognises that the cost of establishing a tenancy in the private rental market can be prohibitive for low-income earners. The Department therefore provides support to eligible clients in the private rental market through a system called RentStart. During 1999-00, the Department provided 41,887 households with 63,724 units of assistance, at a cost of some $18 million. Temporary accommodation through RentStart provided 9,090 units of assistance at a cost of $1.8 million. The Department also supplied rental assistance to people with special needs, such as HIV/AIDS or disabilities.

The Department’s operating surplus after capital contributions was $204.9 million, compared with $113.7 million in 1998-99. The Department receives operating funds (rental income) and a capital contribution through the Commonwealth-State Housing Agreement (CSHA). The existing Agreement guarantees Commonwealth funding until 2003. Funding is pegged at the 1998-99 level and diminishes by an efficiency dividend of one per cent each year. In response to diminishing CSHA funds, the Department adopted a more strategic focus and improved financial management practices to ensure it could continue to supply appropriate housing assistance to the NSW people.

DEPARTMENT OF HOUSING

		1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment	*(1)*	1,929	1,768	2,082	2,289	2,129	2,260	2,266
Work contracted ($m)	*(2)*	664	611	623	411	432	517	484
Dwellings per housing employee	*(3)*	67	75	64	58	77	100	104
Admin expenditure ($m)		128.7	130.1	146.5	158.0	166.3	157.6	168.0
Admin expenditure per employee ($000)		67	73	70	69	78	70	74
Service								
Dwellings completed (000)		3.1	2.8	2.7	2.0	1.5	2.0	1.3
Dwellings under management (000)	*(4)*	130.0	132.5	132.3	133.7	134.3	134.0	139.6
Rental rebates ($m)		645	641	606	588	599	602	578
Rental rebates granted to Rental accounts (%)		90	91	91	90	90	93	90
Rental rebates granted to rent raised (%)		59	59	57	57	57	59	59
Public tenant appeals lodged to tenancies (%)		0.46	n/a	1.10	1.10	1.40	1.20	1.50
Households on waiting list (000)		87.2	88.2	93.2	94.8	96.7	97.0	98.3
Applicants housed to waiting list (%)		14	13	13	12	10	15	17
Real price index	*(5)*	85.9	84.3	86.3	89.4	87.9	85.0	87.2
Financial indicators								
Operating result ($m)	*(6)*	60.9	(78.7)	205.4	307.1	84.8	113.7	204.9
Gross external debt ($m)		2,231.0	2,114.0	2,142.4	2,214.8	1,923.9	1,705.3	1,589.5
Asset sales ($m)	*(7)*	18.4	12.5	43.0	53.0	89.8	71.8	117.1
Return on total assets (%)	*(8)*	0.9	0.7	(1.3)	0.8	4.5	3.4	1.5
Return on equity (%)		1.4	(1.8)	(4.1)	0.0	(1.2)	(1.3)	1.3
Debt to equity (%)		51.0	47.5	47.7	16.5	13.2	12.7	9.6
Times interest earned		1.5	38.6	(100.8)	101.5	(0.5)	2.6	4.2
Social programs ($m)		16.1	22.3	23.0	16.9	11.1	11.8	8.5

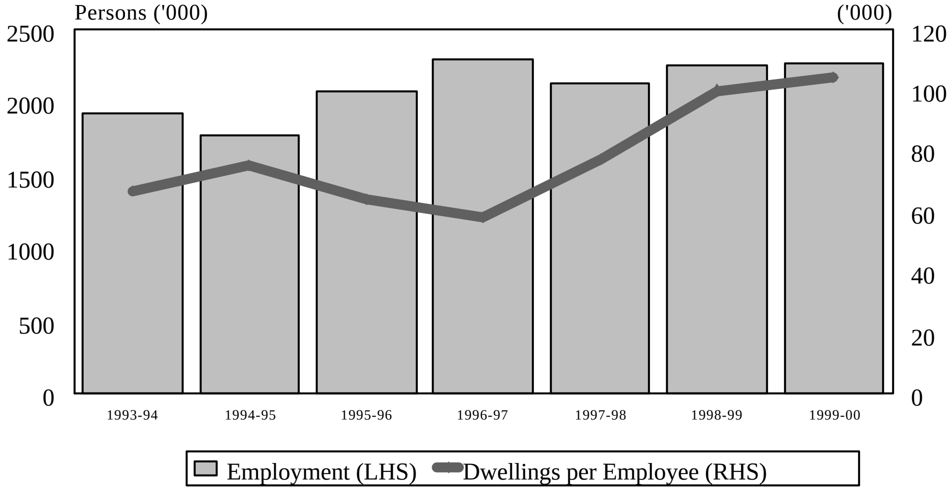
Notes:

n/a *Not available*
f *Forecast*

The administrative restructure which took effect on 8 April 1999 resulted in the transfer of the Office of Community Housing and the Policy and Strategy Directorate of the Department of Urban Affairs and Planning to the Department of Housing. It also resulted in the transfer of the Home Purchase Assistance Authority (HPAA) to the Department. However, under the Home Purchase Authority Act, HPAA continues to exist as a separate legal entity. The indicators reported above exlcude those of HPAA.

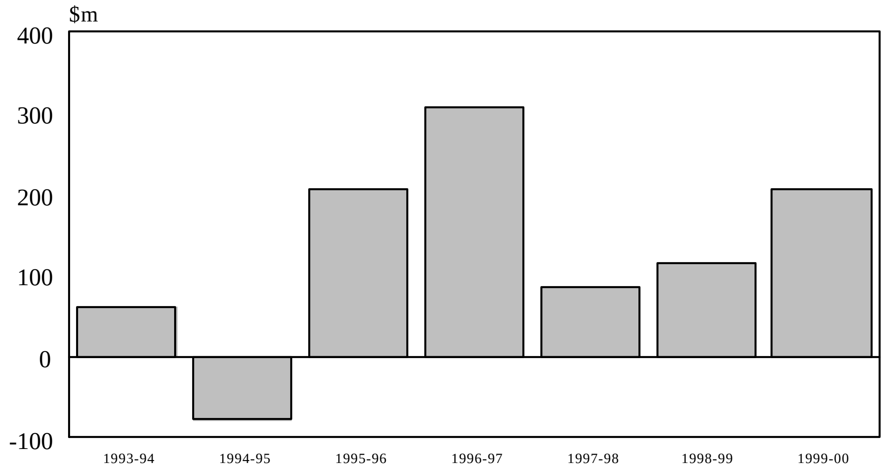
(1) Represents equivalent full time staff (EFT)
(2) Represents contractor costs associated with capital works, capital improvements and repairs and maintenance to residential and other properties
(3) Represents dwellings per EFT (staff directly involved in the procurement and management of dwellings including a notional allocation of corporate support staff)
(4) Includes dwellings across all program areas, some of which are managed by community organisations on the Department's behalf.
(5) Derived from information supplied for the Government Charges Index.
(6) Represents operating results after capital allocation (1996 $367.7M; 1997 $292.9M; 1998 $230.1M; 1999 $274.5M; 2000 $283.1M). The 1999 -2000 operating results include $67.99M (1998 - 99 $12.9 M) abnormal credit for prepaid superannuation. Due to revised assumptions used in the calculation of the year end superannuation position by the Superannuation Administration Corporation's actuary, the superannuation funding position as at 30 June 2000 was significantly higher than 30 June 1999. In addition, $50 loans payable to NSW Treasury were transferred to NSW Treasury. In previous financial years, loan transfers were directly adjusted to Equity.
(7) Represents net proceeds from sale of residential and commercial properties
(8) Represents operating result before interest expense and after capital allocation

Employment and Output



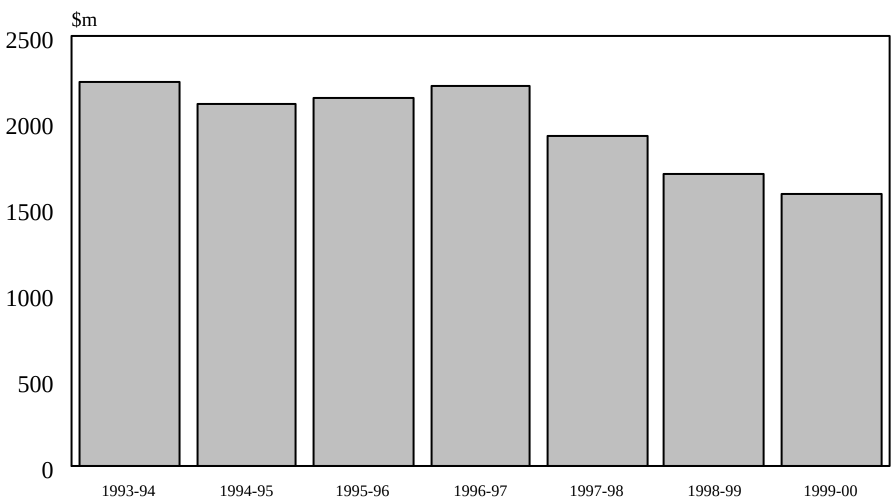
Operating Result

1999-00 Dollars



Gross External Debt

1999-00 Dollars



Mr Kevin Young
Manager, Corporate Planning and Government Regulation
HUNTER WATER CORPORATION
PO Box 5171B
NEWCASTLE WEST NSW 2302
(02) 4979 9799

HUNTER WATER CORPORATION

Hunter Water Corporation is the water and wastewater service provider to the Lower Hunter region. The area covers around 5,400 square kilometres and comprises the Local Government areas of Maitland, Cessnock, Port Stephens, Lake Macquarie and Newcastle. Almost half a million people are served over 188,000 properties.

The major undertakings of Hunter Water Corporation (HWC) are the collection and delivery of water and the collection, transport, treatment and disposal of wastewater.

Two key instruments set the framework for HWC's operations:

1. the Statement of Corporate Intent, which sets out HWC's corporate objectives; and
2. the regulatory framework, by which the Government regulates HWC to protect the consumer and the environment. HWC is strictly regulated by a package including:
    - an Operating Licence, a customer protection device which specifies standards of service (eg drinking water quality, service continuity, etc);
    - wastewater treatment plant licences issued by the Environment Protection Authority under the *Protection of the Environment (Operations) Act 1997.*
    - a Water Management Licence issued by the Department of Land and Water Conservation which specifies the terms and conditions in which the Corporation has access to raw water;
    - independent annual auditing of performance against the Operating Licence; and
    - independent prices oversight by IPART.

Corporate achievement is measured through consumer, environmental and commercial performance in the context of these two key instruments.

HWC has pursued reform since the early 1980s. In 1982, 'user pays' pricing was introduced. Since then, cross-subsidies have been progressively eliminated. HWC's pricing structure has two components: a fixed charge that reflects service availability and a usage charge calculated on the amount of water used. In 1999-00, a typical householder's bill fell by around $6. Over the last decade water and sewer charges per customer have fallen in real terms by over 30 per cent.

The improvement in price performance has been made possible by HWC's continued pursuit of operational and capital cost savings. The emphasis on usage-based charging is continuing, with two effects:

1. the maintenance of a strong price signal. This has enabled HWC to achieve a sustained reduction in water consumption over the past 19 years; and
2. the reduction in the fixed charges and the emphasis on usage charges has meant small business have greater scope to controlling the costs they incur. Taken with the general reductions arising out of removal of the property tax element of charging, HWC's price reforms have boosted the region's economy by reducing charges to the business sector and therefore promoted employment opportunities.

In 2000, IPART published a 3-year pricing determination, in force until 2002-03. The determination provided for real reductions totaling 3.5 per cent over 3 years and also introduced a new cost-reflective water price for large industrial customers located close to water sources and treatment facilities. The new price passes on the economies of being able to supply these customers with large volumes of water without using a large share of the distribution system.

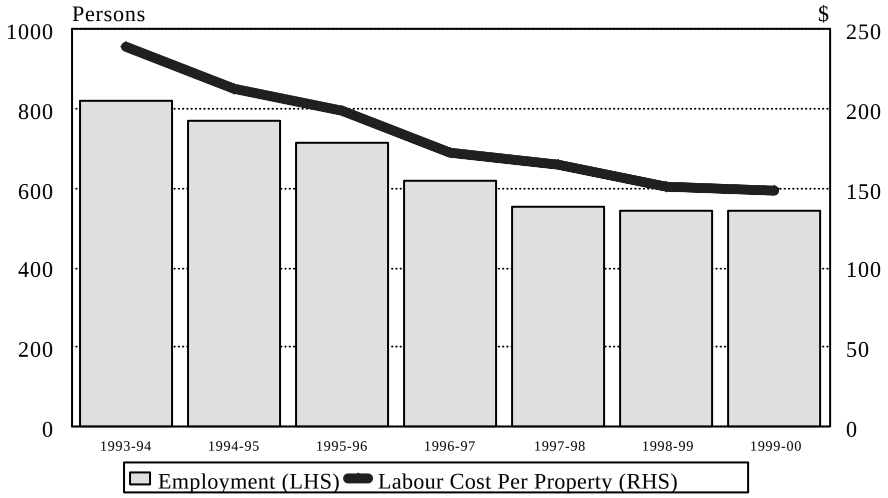
HUNTER WATER CORPORATION

	(1)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment	(5), (10)	822	767	715	620	554	545	541
Employees per thousand properties		4.9	4.5	4.1	3.5	3.1	2.9	2.9
Labour cost per property ($)		244.5	217.1	202.9	176.9	169.3	154.0	148.8
Operating cost per property ($)	(2a)	397.6	378.1	347.4	359.1	308.0	289.9	286.1
Total cost per property ($)	(2b)	813.0	714.5	579.7	582.1	520.7	489.8	482.2
Average revenue per property ($)	(13)	806.1	718.8	663.5	671.0	684.9	636.7	599.3
Outstanding accounts ($m)		1.4	1.4	1.7	2.3	2.1	2.8	2.2
Hours lost to industrial disputes per employee		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lost time frequency rate	(3)	19.6	18.2	18.3	23.7	16.8	11.6	12.9
Service								
Properties served (000)	(4)	168.3	172.3	175.6	178.5	181.6	184.8	188.2
New housing lots served		3,827	3,986	3,374	2,900	3,115	3,185	3,390
Megalitres supplied (000)		76.0	73.9	74.9	74.2	80.6	76.0	76.6
Unsewered lots (000)		19.7	17.4	15.6	14.3	14.0	14.3	13.9
System reliability:								
Water main breaks per 100 km		47.0	49.5	44.3	39.3	52.0	34.4	48.0
Sewer main chokes per 100 km		176.0	164.0	120.5	139.0	163.3	118.2	93.0
Average response time:								
- water main breaks (hrs)	(6)	n/a	n/a	1.4	1.2	1.4	1.4	1.2
- sewer main chokes (hrs)	(6)	1.4	1.3	1.4	1.2	1.0	1.2	1.1
Water resource management:								
Compliance with standards								
1) water quality								
- microbiological (%)		96.1	96.9	97.9	98.7	98.7	98.4	99.2
- physical / chemical (%)		98.1	97.7	99.5	99.8	99.0	99.5	99.6
2) waste water quality (%)	(7)	98.0	98.0	100.0	100.0	100.0	100.0	100.0
Real price index	(8)	87.3	79.5	70.7	68.3	66.9	65.6	64.3
Finances								
Operating result ($m)	(9)	20.5	21.6	34.9	56.5	45.6	39.6	43.5
Dividend payments ($m)		14.3	19.3	31.3	37.0	40.6	46.1	28.0
Asset sales ($m)		2.4	6.2	5.2	4.1	3.8	1.3	3.5
Return on assets:								
- total (revalued) (%)	(11)	3.4	3.5	3.1	4.0	3.5	3.1	3.6
- core (revalued) (%)	(12)	3.6	3.6	3.2	4.4	3.9	3.3	3.7
Return on equity (%)		13.1	12.8	23.1	10.3	8.2	7.4	7.4
Gross external debt ($m)		182.0	94.4	90.8	89.1	87.4	86.0	83.7
Debt to equity (%)		36.3	17.4	17.2	16.2	15.6	16.0	15.6
Times interest earned		1.9	2.8	6.0	8.6	7.3	6.5	7.6
Social programs ($m)		8.2	8.5	8.5	8.4	8.6	8.4	8.3

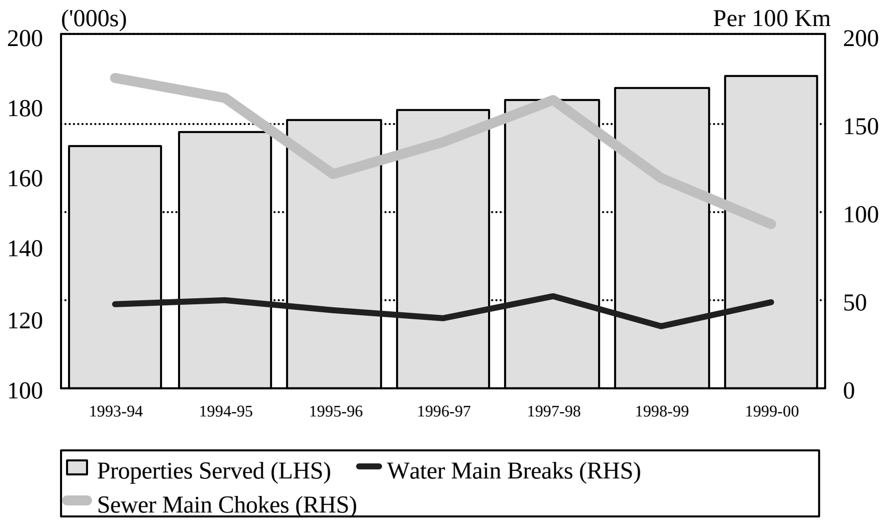
Notes:

n/a Not available.
f Forecast
(1) All dollar amounts reported in 1999-00 dollars. All revenue forecasts are based on the recent IPART determination and an estimated CPI .
(2a) For 1997/98 onwards excludes 'cost of external sales' of Hunterwatertech following the sale of Hunter Water's wholly owned subsidiary in June 1997.
(2b) Annual depreciation charges reduced from 1995/96 following a reassessment of average remaining useful lives.
(3) (Lost time injuries x 1,000,000)/no. of hours worked.
(4) Properties connected figures exclude unconnected vacant lands.
(5) Projected figures not available. Employee numbers are Equivalent Full Time at 30 June.
(6) Response time to Category 1 jobs, excluding unconnected vacant lands.
(7) Proportion of waste receiving secondary treatment.
(8) Derived from information supplied for Government Charges Index. Excludes the special Environmental Levy which was reduced by 50% for 1996/97.
(9) Includes abnormal income from unread meters of $10.748M in 1996/97.
(10) Employment numbers in 1996/97 and onwards do not include Hunterwatertech employees following its sale in June 1997.
(11) Operating result plus depreciation divided by total assets.
(12) Operating result plus depreciation divided by fixed assets.
(13) 1999/2000 revenue reflects the downsizing of BHP. (1996/97 revenue excludes abnormal unread meter income of $10.748m).

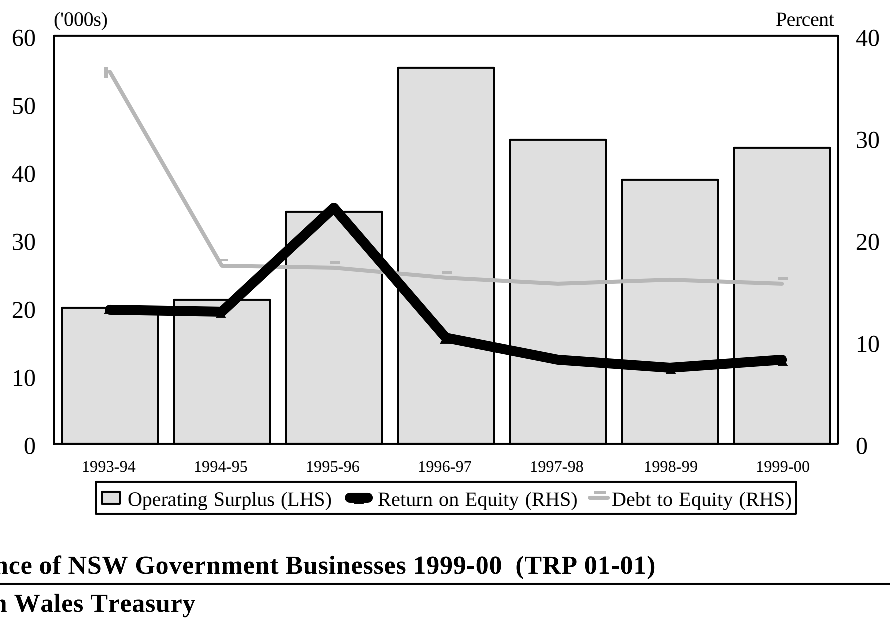
Employment and Labour Costs



Service and Reliability



Financial Performance



INTEGRAL energy

Ms Michelle De Guia
Strategic Business Analyst
INTEGRAL ENERGY
PO Box 6366
BLACKTOWN NSW 2148
(02) 9853 4198

INTEGRAL ENERGY

Integral Energy supplies energy to over 755,000 domestic and commercial customers in the Illawarra region, western and south western Sydney.

Integral Energy is a NSW State owned corporation, incorporated under the *Energy Services Act 1995.* It operates with a sharp customer focus within the terms and conditions of the *Electricity Supply Act 1995.*

Integral Energy was formed on 1 October 1996. Its formation followed the merger of the former Prospect Electricity and majority of Illawarra Electricity, as part of the NSW Government's reforms of the electricity industry.

The 1999-00 financial year produced mixed results for Integral Energy:

- presented a $30 million dividend to its shareholder, the NSW Government;
- performed strongly in key areas of reliability of supply and customer service, according to an independent report by the NSW Ministry of Energy and Utilities;
- commenced an organisational restructure to help prepare for Full Retail Contestability and drive improvements to customer service delivery and billing;
- saw a new Board, CEO and Executive team appointed, with the capabilities to help rebuild Integral Energy and drive the organisation forward;
- implemented a Strategic Asset Management Plan, designed to further network reliability;
- remained on target to reduce full-year greenhouse gas emission by more than 3 million tonnes of CO_2 equivalent – making Integral Energy an industry leader in greenhouse gas reduction;
- signed an historic agreement with NSW State Forests for western Sydney's first greenhouse forest – one of the first electricity distributors to do so;
- sold its bottled LPG business;
- successfully prepared for the introduction of the New Tax System and GST;
- successfully implemented its Y2K compliance program;
- significantly improved safety performance, reducing lost time accidents by 40 per cent compared with the same period in 1998;
- recorded a positive EBIT for its contracting business, against a budgeted loss of $4.1million for the year. Contracting income from external sources rose to $48m - $10m over budget;
- introduced a new computer-based Customer Service System. Despite initial implementation problems, Integral Energy now possesses one of the strongest billing engines in Australia in readiness for the introduction of Full Retail Contestability;
- increased call centre staff and launched improvements to call centre technology to improve customer response times and customer service levels;
- achieved full quality certification of its Commercial Services Unit to Australian Standard ISO 9002;
- provided 18 NSW schools with access to solar power in the "Solar in Schools" program with the NSW Sustainable Energy Development Authority and NSW Department of Education and Training;
- opened the Integral Energy Training Centre in Werrington to meet the training needs of the corporation and the electricity industry, through a partnership with the University of Western Sydney, and NSW TAFE.

INTEGRAL ENERGY

	(1)	1993-94 PROSPECT	1993-94 ILLAWARRA	1994-95 PROSPECT	1994-95 ILLAWARRA	1995-96 INTEGRAL	1996-97 INTEGRAL	1997-98 INTEGRAL	1998-99 INTEGRAL	1999-00 INTEGRAL
Efficiency										
Employment	(2)	2,192	945	2,188	939	2,294	2,157	2,039	1,845	1,668
Output per employee (gwh)	(3)	4.0	2.7	4.3	2.8	4.5	5.1	6.0	6.9	7.9
Customers per employee	(4)	237.0	302.2	237.9	207.2	263.9	325.2	349.1	385.3	422.0
Operating cost per unit sold ($/mwh)	(5)	25.0	35.0	24.5	33.7	26.8	26.0	23.5	22.4	23.5
Operating cost per customer ($)	(6)	291.8	324.0	257.5	303.0	452.1	409.7	403.3	401.0	440.7
System loss index (%)	(7)	5.2	6.0	4.6	6.5	5.0	6.6	4.6	5.6	5.5
Days sick leave per employee	(8)	6.0	5.4	5.2	7.2	6.3	6.1	4.2	4.4	5.0
Lost time injury frequency rate	(9)	181.8	21.0	144.8	18.1	20.8	9.7	12.2	13.1	14.2
Service										
Output (gwh)	(10)	9,103	2,636	9,497	2,666	12,092	11,410	12,579	13,346	13,896
Supply reliability (min)	(11)	84.0	242.0	85.0	315.0	132.0	100.0	139.4	137.7	123.7
Real price index		93.4	98.3	84.7	91.8	83.7	80.4	75.1	73.6	64.6
Customer satisfaction index										
domestic	(12)	74.1	70.2	75.8	73.3	75.7	80.0	87.5	80.0	78.0
business	(13)	72.8	73.0	73.2	74.4	74.4	80.0	80.0	77.5	74.0
Finances										
Operating result ($m)	(14)	80.3	10.1	83.3	17.6	77.6	118.6	115.4	54.8	33.1
Return on assets (%)	(15)	5.0	3.3	6.3	2.8	6.2	10.9	10.6	8.6	7.9
Return on equity (%)	(16)	5.3	1.4	5.2	2.9	5.8	11.8	11.2	7.8	7.0
Gross external debt ($m)	(17)	286.2	15.6	259.9	19.2	795.1	736.0	709.5	706.1	701.1
Debt to equity ratio (%)	(18)	21.9	4.8	19.8	4.0	94.0	101.3	96.7	102.4	98.8
Times interest earned	(19)	12.7	66.5	5.1	34.1	4.2	2.8	2.8	2.2	2.0
Social programs ($m)	(20)	10.6	6.0	10.9	5.2	14.0	13.3	13.5	13.4	16.2
Financial distribution ($m)										
corporate tax equivalent	(21)	23.0	2.9	22.8	5.0	0.0	0.0	14.3	0.0	0.0
dividend payment		45.6	6.9	22.3	3.3	27.6	96.0	92.1	45.9	29.7
payment of capital from equity	(22)	124.1	n/a	0.0	n/a	537.1	36.6	0.0	0.0	0.0
Asset sales ($m)	(23)	8.4	6.2	10.0	3.1	19.1	17.1	25.2	21.0	26.5

Notes:

(1) All dollar amounts are reported in 1999/00 dollars

(2) Full time equivalent staff as at 30 June.

(3) GWh sold per average number of electricity employees. Average staff numbers calculated by taking current and prior year fulltime equivalents and dividing by two. 1996/97 and 1997/98 have been restated to be consistent with this definition.

(4) Average customers per average No. of electricity employees. The 1993/94 Illawarra figure has been previously reported incorrectly due to a typographical error. All subsequent years have been restated consistent with the average customer numbers contained in the 1997/98 Annual Report.

(5) Operating expenditure including depreciation, but excluding interest, divided by number of units sold. All Prospect figures have been restated on the basis of this formula. All Integral Energy figures have been restated, except for 1995/96.

(6) Operating expenditure including depreciation but excluding interest, per average number of customers. All figures have been restated on the basis of this formula. Prospect's were recalculated whereas Illawarra's were done on a proportional basis only to allow for the inclusion of depreciation. All of Integral's figures were recalculated.

(7) Energy purchased less energy sold divided by energy purchased.

(8) Total sick leave days per average no. of electricity employees

(9) Number of lost time accidents per million hours worked.

(10) Electricity Sales (GWh). Output for 1997/98 slightly adjusted.

(11) Average minutes per customer per year without supply including planned and unplanned outages

(12) & (13) From 1997/98, figures are based on a new customer satisfaction study specifically commissioned to meet Integral Energy's business needs. The research in 1998/99 was conducted by AC Nielsen with results presented in December 1998. The study provides a score out of 100 to indicate the positive perception of customers to the service provided by distributors. Results prior to 1997/98 are not comparable.

(14) Operating surplus calculated before abnormals,capital contributions and income tax attributable to profit. All Prospect results were restated on the basis of this formulae, as was the 95/96 Integral result. The Illawarra results are unchanged.

(15) Return on assets is calculated by taking the operating surplus above and adding back the net interest expense over average net assets. The net asset figure excludes interest bearing debt. The Asset revaluations in 1991-92, 1992-93 and 1993-94 make comparisons of some financial ratios between years misleading. Results were restated as above.

(16) Return on equity is calculated as operating surplus less interest income, over average equity. Equity is calculated by deducting interest bearing debt from net assets . Asset revaluations in 1991-92, 1992-93 and 1993-94 make comparisons of some financial ratios between years misleading. Results were restated as above with 1989/90 for Illawarra also restated.

(17) Gross external debt is equivalent to interest bearing debt made up of the net value of current and non-current loans and bank overdraft.

(18) Gross external debt/total equity (net assets). Asset revaluations in 1991-92, 1992-93 and 1993-94 make comparisons of some financial ratios between years misleading

(19) Times interest earned calculated by adding the net interest expense to the operating surplus above over the net interest expense.

(20) Based on reimbursement of CSOs.

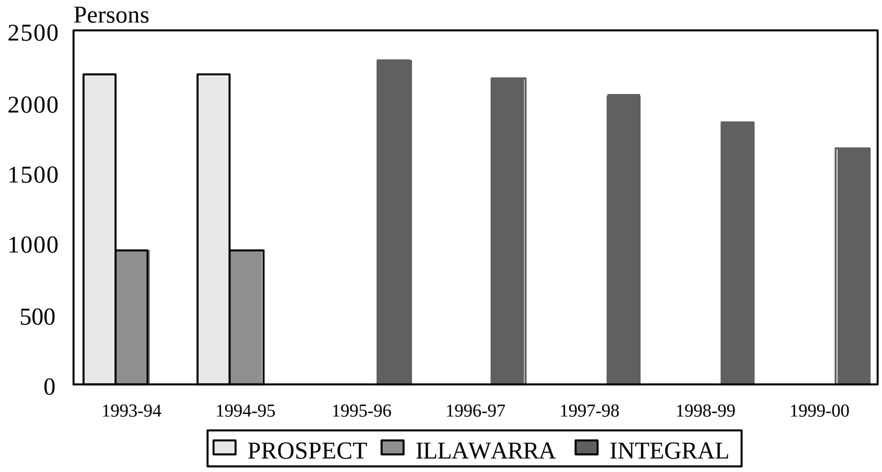
(21) Corporate tax equivalent based on income tax equivalents attributable to operating surplus prior to 1995/96. From 1995/96 onwards it has been based on the income tax payable (after taking in to account deferred income tax and future income tax benefits). As a result figures prior to 1995/96 are not comparable.

(22) Involves a special payment to the Government.

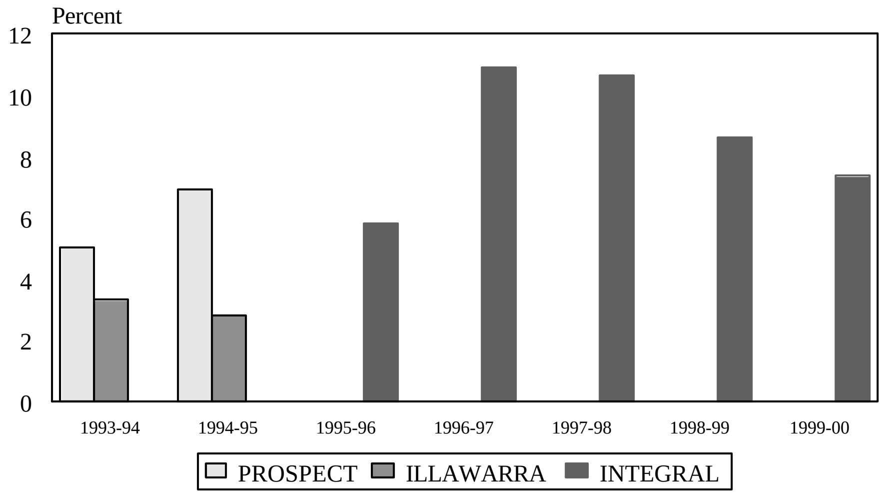
(23) Total proceeds from asset sales.

INTEGRAL ENERGY

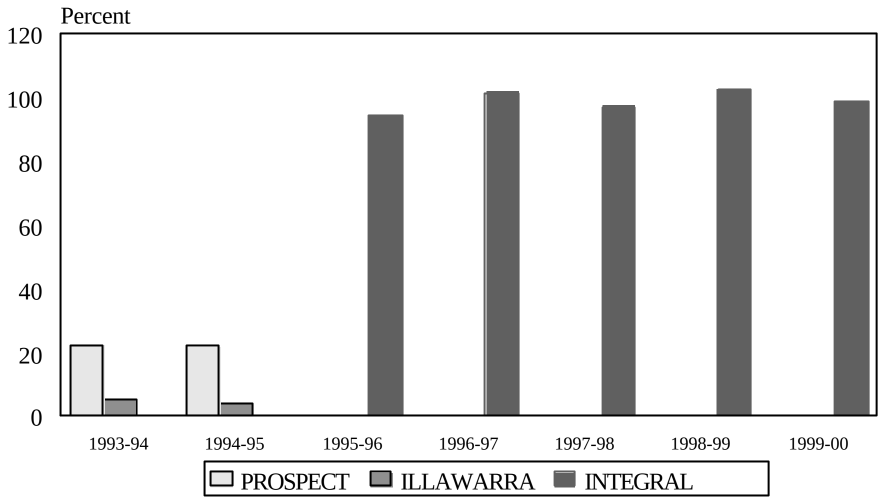
Employees



Return on Assets



Debt to Equity Ratio



NEW SOUTH WALES
DEPARTMENT OF INFORMATION TECHNOLOGY AND MANAGEMENT

LAND TITLES OFFICE

Mr Steve Nieuwendyk
Financial Controller
LAND TITLES OFFICE
Queens Square
SYDNEY NSW 2000
(02) 9228 6678

LAND TITLES OFFICE

The Land Titles Office's mission is to provide secure and responsive land title registration and land information services for the people of New South Wales.

The Land Titles Office (LTO) is a government business enterprise within the Department of Information Technology and Management. Its services are essential for conveyancing, surveying, mapping, land development, assessment of rates by local authorities, financial security and historical and private research.

On 1 July 2000 the Office merged with the Surveyor General's Office and the Valuer General's Office to form 'Land and Property Information NSW'.

Significant aspects of the Office's performance and progress in 1999-00 include:

Improvement in business systems processing:
- implementation of the Old System component of the Integrated Titling System, to replace the Automated Deeds Indexing System, creating a common environment between dealing and deed registration;
- initiatives under the Continuous Improvement Programme for Plans, through which the Office works with the surveying profession to improve quality, have reduced errors in plans of survey lodged for registration by 43 per cent;
- introduction, in September 1999, of a pilot project for the electronic lodgment of plans for pre-examination;
- release of an office-wide staff intranet in February 2000, enabling ready access to business and administrative information;
- implementation of Electronic Distribution of Plans and 88B Instrument Images to Councils on 1 February 2000.

New business development:
- general internet access for Land Titles information was launched in October 1999 as 'LTO Online'. It allows customers to use a standard web browser to receive title search information within minutes and securely pay on-line by credit card;
- implementation of an internet search facility for other government agencies (Webgov) in May 2000 to include the complete range of available searches;
- the continuing development of the Integrated Street Address application in cooperation with the Valuer General's Office and the Land Information Centre.

Proof of product and service excellence:
- 96 per cent customer satisfaction rating (from two surveys during 1999-00); and
- services rated good or excellent by 87 per cent of respondents to the Office's 'Customer is our Focus' questionnaire.

Finances:
- profit of $53.67 million - 127 per cent above forecast levels. Consequently, the dividend payable to Treasury was $27.2 million above forecasts;
- staff numbers decreased from 578 full time equivalents (FTEs) to 545 through natural attrition and a planned voluntary redundancy program; and
- 20.8 per cent increase in income per FTE employee.

LAND TITLES OFFICE

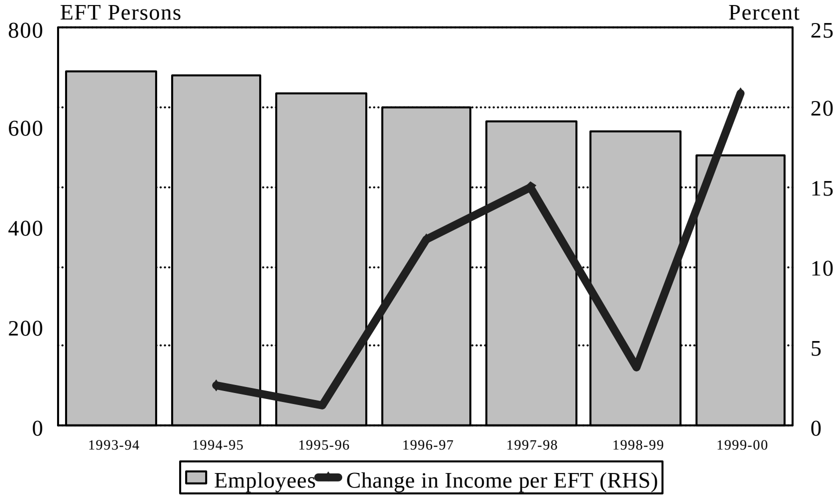
		1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
	(1)							
Efficiency								*(12)*
Employment	*(2)*	710	704	668	639	609	590	543
% employed on "public good" operations		12.5	11.4	11.1	10.2	9.4	10.5	10.1
Increases based on 1990 productivity (%)	*(3)*							
dealing registrations		16.9	17.4	18.0	19.9	22.1	24.7	31.0
old system registrations		24.6	25.1	26.4	32.5	32.4	32.5	32.8
plan registrations		0.6	0.6	0.6	0.6	0.6	0.6	0.6
searches	*(4)*	7.7	7.9	7.6	8.4	9.4	8.1	n/a
piis applications	*(5)*	26.1	19.3	22.8	30.2	29.8	27.0	29.3
provision of land information		85.0	92.2	93.6	124.5	145.0	156.8	202.3
total core operations	*(6)*	37.2	42.9	42.8	57.8	71.3	82.9	115.0
		10.0	2.5	1.3	11.7	15.0	3.7	20.8
Service								
Remote access to alts	*(7)*							
- per total searches (%)		62.0	62.6	70.6	75.0	78.0	80.0	80.0
Change in volume of business (%)		6.5	1.1	-5.6	1.7	12.7	-2.0	13.0
Throughput								
dealing registrations (avg no days)								
- manual titles		3.0	3.0	2.0	2.0	1.5	1.5	1.5
- auto titles		1.5	1.5	1.5	1.5	1.0	1.0	1.0
Plan registrations (% within 12 days)								
- deposited		68	86	90	95	84	84	86
- auto titles		97	98	99	99	97	96	96
Land information (ave response time)								
- alts title searches (min)		15.0	15.0	15.0	15.0	15.0	14.0	12.0
- plans (min)		15.0	15.0	15.0	15.0	15.0	20.0	25.0
- dealings (min)		120.0	120.0	120.0	120.0	30.0	25.0	35.0
Finances								
Total revenue ($m)		75.4	74.0	67.8	71.4	78.3	77.3	84.5
Revenue per EFT employee ($'000)		106.2	105.1	101.4	111.7	128.3	131.1	155.6
Operating surplus ($m)	*(8)*	29.4	15.7	17.4	24.2	29.7	23.5	53.7
Dividend payment ($m)	*(9)*	24.0	12.9	20.6	32.3	37.2	21.2	48.5

Notes:

n/a Not available/not applicable.
e Estimate
f Forecast.

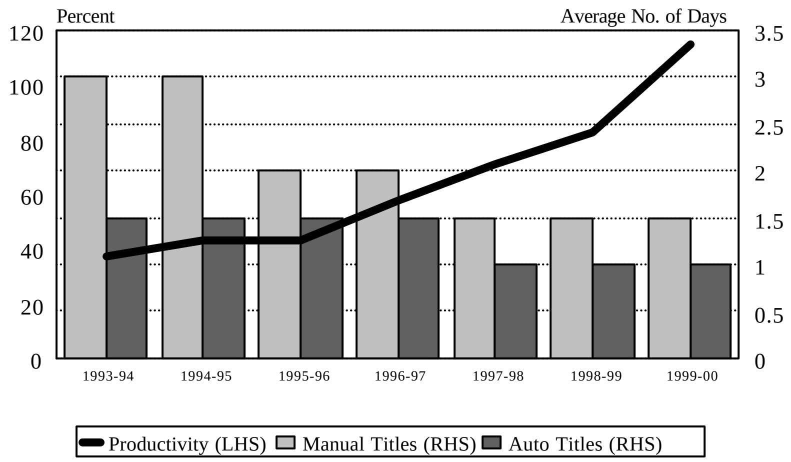
(1) All dollar amounts are reported in 1999-00 dollars.
(2) Average equivalent full time (EFT) staff for year.
(3) Productivity benchmarks established in 1990 for core activities. Staff directly and indirectly associated with each core activity included in determining productivity benchmarks.
(4) Service Discontinued 30/6/99
(5) Property Information Inquiry Services
(6) Total Factor Productivity for operational staff.
(7) Automated Land Titling System
(8) Includes abnormal items. Operating surplus was $17.9m if abnormal items were discounted.
(9) Special dividend of $15m paid from accumulated reserves.
(10) Abnormal adjustment for superannuation liability.
(11) Special dividend paid from accumulated reserves.
(12) Land Titles Office amalgamated with Valuer General's Office & Land Information Centre to form Land & Property Information NSW on 1 July 2000

Employment and Income

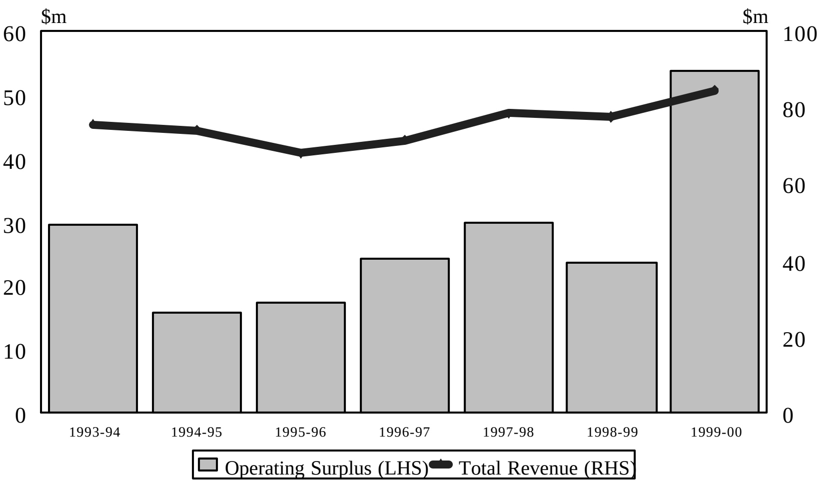


EFT - Equivalent Full Time person

Productivity and Dealing Registrations



Financial Performance



Macquarie Generation

Ms Linda Watkins
Financial Accountant
MACQUARIE GENERATION
Corporate Office
34 Griffiths Road
LAMBTON NSW 2299
(02) 4968 7469

MACQUARIE GENERATION

> **Macquarie Generation's vision is to become Australia's preferred provider of energy related products and services.**

Macquarie Generation owns and operates Bayswater and Liddell Power Stations, near Muswellbrook in the Upper Hunter Valley. The stations are coal fired and source their fuel from the plentiful high-grade coal reserves of the local Hunter Valley mines. The stations have a combined capacity of 4,640 MW, making Macquarie Generation the largest electricity generator in the National Electricity Market.

Intense competition in the National Electricity Market has continued. In New South Wales, excess capacity has compounded competition. Average net selling prices rose by 25.8 per cent, representing the strength of the Corporation's capacity withdrawal strategy. The average NSW pool price increased by 16.8 per cent to $28.28/MWh due to the further maturity of the National Electricity Market. Macquarie Generation has continued to purchase electricity to smooth the contracted load profile.

Bayswater and Liddell continued to record high levels of efficiency, availability and reliability during 1999-00. Improved efficiency levels were evident across the board: the EBIT to sales ratio improved by 4 per cent; production volume per employee improved by 10 per cent; and EBIT per employee improved by 11 per cent.

Net financing charges fell by 18.2 per cent to $75 million due mainly to the on-going debt repayment program whereby the Corporation repaid $104 million of debt in 1999-00.

Net profit before abnormal items and tax increased by a significant 36 per cent due to: increased average NSW pool prices of 16 per cent; increased sales volume of 5 per cent; reduction in net financing charges of 18 per cent; and reduction in operating costs of 1 per cent. The lower operating costs stem from a fall in fuel costs of 3 per cent and labour costs of 12 per cent.

Income tax expense includes an abnormal credit adjustment of $17.6 million from the restatement of the deferred tax balances due to the reduction in corporate tax rates.

Macquarie Generation's operating profit after tax for 1999-00 was $59.2 million, a 27.1 per cent increase on 1998-99. Its after tax return on equity was 6.3 per cent, a 25.8 per cent increase on 1998-99.

Macquarie Generation has formulated strategic objectives, which recognise the evolving regulatory, social and technological factors impacting upon the industry. The Corporation's 2000-01 Business Plan once again reflects its pursuit of value-adding operating and growth strategies.

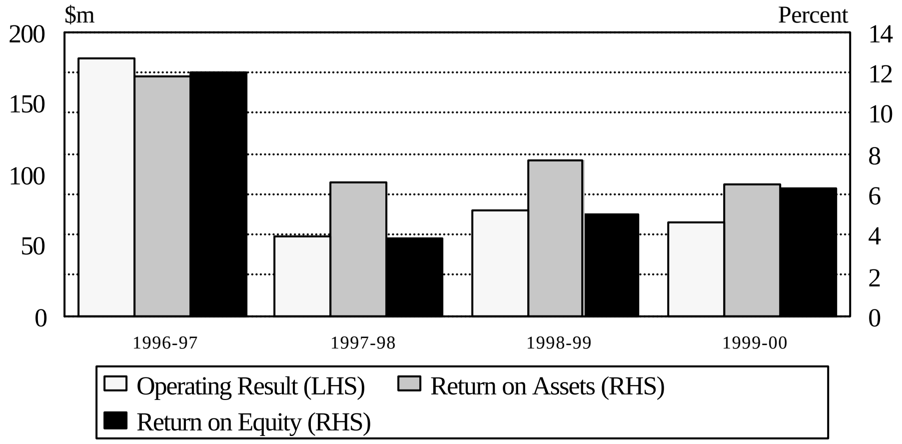
MACQUARIE GENERATION

		1995/96 [4 months]	1996/97	1997-98	1998-99	1999-00
	(1), (2)					
Efficiency						
Employment		826	799	688	630	624
Output per Employee (GWh)		n/a	27.2	30.4	34.0	37.4
Lost Time Injury Frequency Rate		n/a	12.4	10.1	4.6	13.4
Service						
Output (GWh)		n/a	23,280	22,738	22,764	23,447
Finances						
Operating Result ($m)		53.5	181.2	56.0	74.8	65.1
Return on Assets (%)		n/a	11.8	6.6	7.7	6.5
Pre Tax return on net assets (%)		n/a	18.8	5.8	7.9	6.9
Return on Equity (%)		0.0	12.0	3.8	5.0	6.3
Gross External Debt ($m)		1,508.2	1,074.8	1,069.5	957.6	816.9
Debt to Equity ratio (%)	(3)	60.6	52.7	52.6	50.1	46.5
Times Interest earned		2.2	2.8	1.6	2.0	2.3
Financial Distribution ($m)						
Dividend payment		26.2	130.3	36.4	40.9	40.0
Corporate Tax equivalent	(4)	19.2	65.3	0.0	0.0	0.0
Payment of capital from equity		0.0	0.0	0.0	0.0	0.0

Notes:

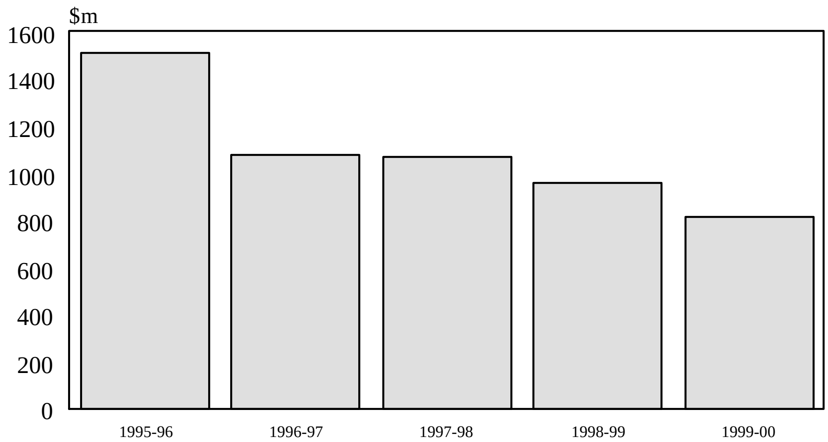
n/a Not Available
(1) Macquarie Generation was established on 1 March 1996.
Only four months data is applicable for the 1995/96 year return analysis ratios.
(2) All figures are reported in 1999-00 dollars.
(3) Refers to the ratio of debt to the sum of debt and equity.
(4) Based on income tax payable after taking into account deferred income tax and future income tax benefits.

Financial Performance



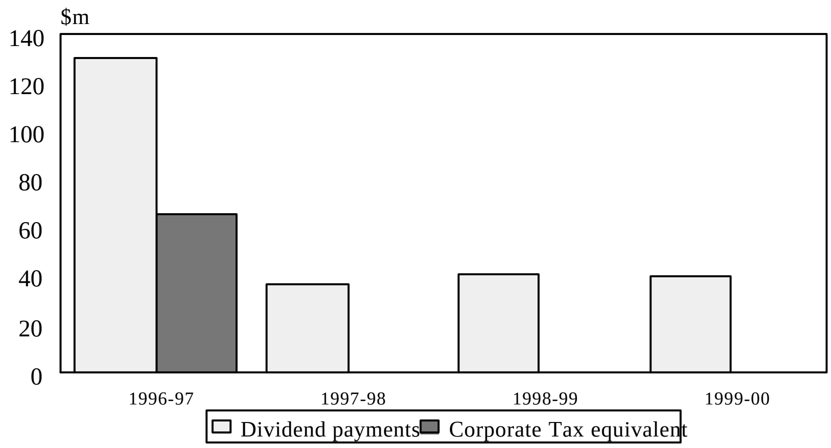
Gross External Debt

1999-00Dollars



Dividend and Tax Equivalent Payments

1999-00 Dollars



Mr Steve Edmonds
Corporate Secretary & Commercial Manager
NEWCASTLE PORT CORPORATION
PO Box 663
NEWCASTLE NSW 2300
(02) 4985 8222

NEWCASTLE PORT CORPORATION

The Newcastle Port Corporation's mission is to create business growth and development opportunities that provide and promote world class port services and that produce sustainable commercial returns.

The Newcastle Port Corporation was established as a NSW Statutory State owned corporation in July 1995, under the *Ports Corporatisation and Waterways Management Act 1995.* The Corporation is wholly owned by the people of New South Wales. It is obliged to be a successful business; to promote and facilitate trade through its port facilities; and to ensure that port safety functions are carried out properly.

The Corporation's operations in 1999-00 have resulted in:

- tonnage throughput of 72.7 million tonnes;
- coal exports reaching 65.4 million tonnes, making the Port of Newcastle the world's largest coal export port for the fourth consecutive year;
- an operating surplus before abnormals and tax of $12.7 million, with a $9 million shareholder distribution; and
- achievement of a record monthly coal loading tonnage of 6.4 million tonnes in July 1999.

In addition, the closure of BHP steelmaking in Newcastle impacted on the Corporation in the following manner:

- raw material imports declined 2.4 million tonnes on the prior year;
- iron and steel exports fell by over 340,000 tonnes.

The Corporation has been implementing strategies to:

- diversify and increase trade through the Port;
- increase general cargo trade through strategic alliances;
- improve productivity of shipping movements by introducing helicopter transfers of marine pilots to vessels; and
- promote a port related development on the former BHP steelworks site.

NEWCASTLE PORT CORPORATION

	(1)	1995-96	1996-97	1997-98	1998-99	1999-2000
Efficency						
Employment	(2)	120	123	122	121	119
Revenue per employee ($000)		302	322	363	342	319
Industrial disputation						
- total hours lost		596	335	70	0	65
- hours lost per employee		5.0	2.7	0.6	0	0.5
Contract labour ($m)		0.8	n/a	n/a	n/a	n/a
Service						
Total trade (million tonnes)	(3)	60.3	67.5	77.1	78.0	72.7
Vessel arrivals		1,439	1,560	1,710	1,649	1,593
Vessel turnaround time (hrs)		62.0	51.0	51.0	43.3	44.5
Berth occupancy (%)		45.0	51.0	52.0	44.1	46.0
Berth queueing time (hrs)		n/a	n/a	n/a	n/a	n/a
Average time at berth (hrs)		51.0	40.0	39.0	37.0	40.2
Avg port management charge per tonne of cargo ($)	(4)	0.54	0.53	0.51	0.49	0.48
Avg port management charge per vessel ($)	(4)	22,520	22,752	22,846	22,969	21,874
Finances						
Operating result ($m)	(5)	13.5	12.6	13.9	13.2	12.7
Dividend payment ($m)		5.7	9.4	10.4	9.2	9.0
Asset sales ($m)		0.3	0.2	0.3	0.9	0.8
Return on total assets (%)		12.1	9.5	13.4	11.5	10.5
Return on equity (%)		21.7	12.7	20.2	15.5	14.8
Gross external debt ($m)		52.9	31.3	31.2	30.7	30.0
Debt to equity (%)		92.0	51.0	51.0	41.0	39.0
Times interest earned		7.9	5.4	6.2	6.5	8.6

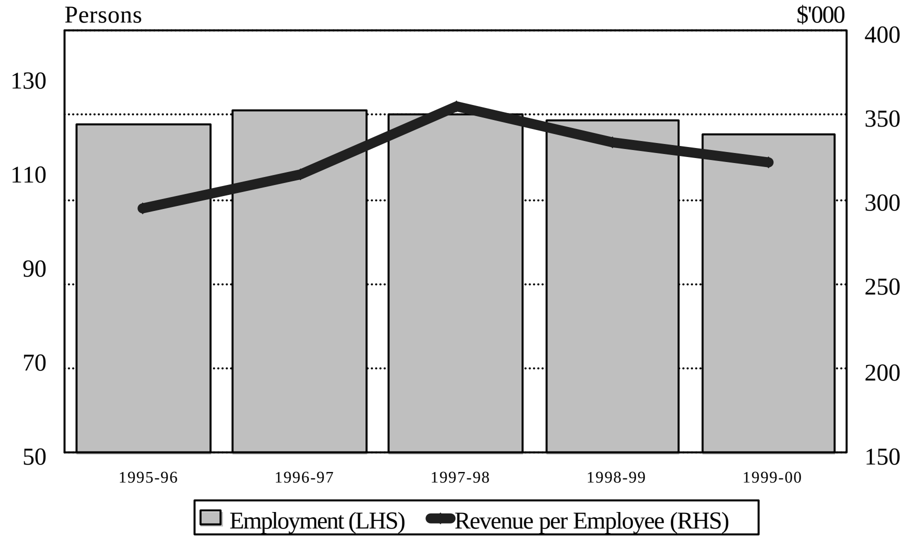
Notes:

n/a Not available
e Estimate
f Forecast

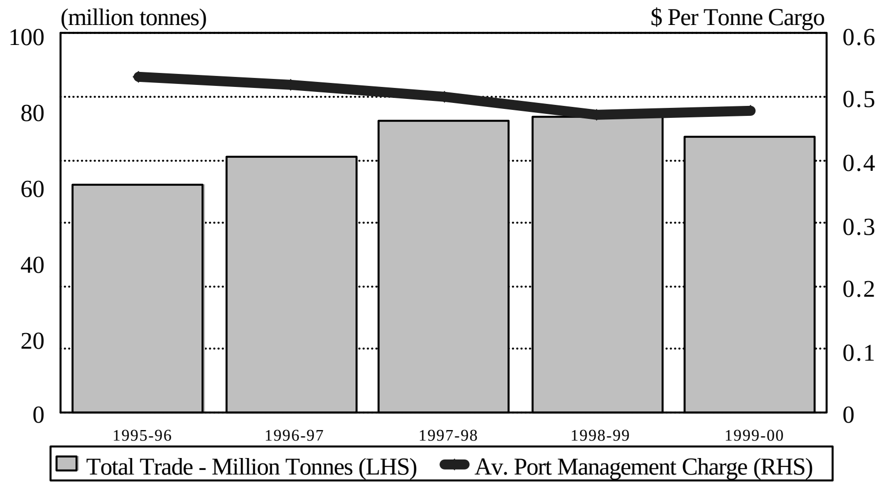
(1) All dollar amounts reported in 1999-00 dollars.
(2) Excludes labour employed by consultancy.
(3) Total trade expressed in million revenue tonnes.
(4) Excludes coal loader revenue.
(5) Operating surplus before tax.

NEWCASTLE PORT CORPORATION

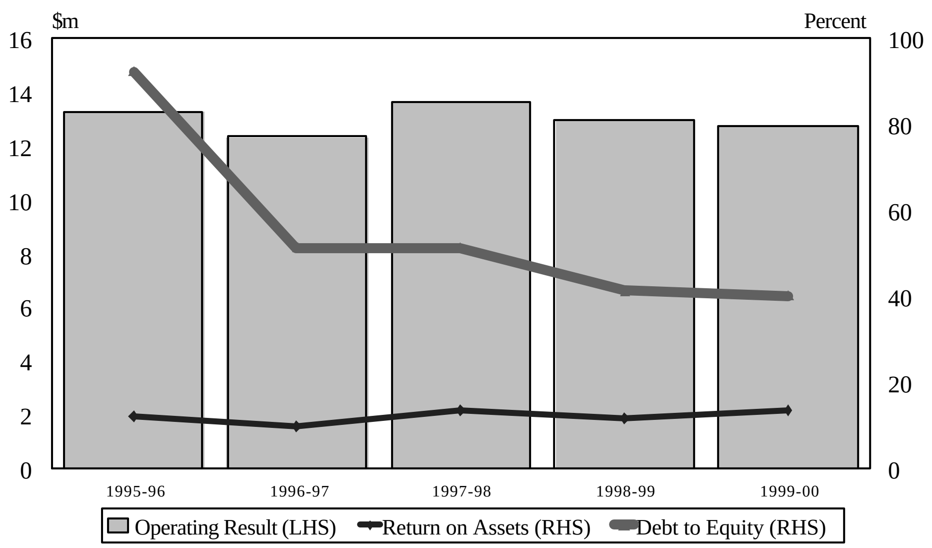
Employment and Revenue per Employee



Trade and Port Charges



Financial Performance



Mr John Sheather
Manager Public Affairs
NORTHPOWER
PO Box 786
PORT MACQUARIE NSW 2444
(02) 6582 8670

NORTHPOWER

NorthPower is a State owned corporation constituted by the *Energy Services Corporation Act 1995.* Geographically, NorthPower is the largest NSW electricity distributor. It administers a network distribution area of 230,000 square kilometres across the vast and geographically diverse regions of northern New South Wales.

NorthPower's core business is to provide energy services to 370,000 residential, commercial and industrial customers. In addition to its franchise customer base, NorthPower operates in the National Electricity Market and has contestable customers in New South Wales, Queensland, Victoria, South Australia and the Australian Capital Territory.

With assets of $1,227 million and annual operating revenue of $556 million, NorthPower is ranked as one of Australia's top 250 companies. NorthPower has achieved strong financial results for 1999-00, exceeding targets in all key financial indicators.

Earnings (before interest and tax) of $56 million exceeded the budget of $36 million by 54 per cent. Surpassing shareholder expectations was a $46 million financial distribution, realised by prudent risk management and business acumen. 1999-00 saw an increase in revenue from electricity sales of some $94 million to $481 million, placing NorthPower in a robust position for future growth in the electricity industry's increasingly competitive marketplace.

Key highlights for 1999-00 included:

- the attainment of a 5 Star Grading, the highest grading possible, from the National Safety Council of Australia for NorthPower's Occupational Health and Safety performance;
- commissioning Directlink, thereby joining the NSW and Queensland electricity networks and the only entrepreneurial interconnector to date in the National Electricity Market;
- introducing e-Bill, Australia's first end-to-end electronic bill presentation and payment service for electricity accounts;
- the launch of 'Rapid Response' to deploy trained technicians, equipped with leading edge mobile technology, to respond rapidly when energy supply problems occur; and
- the launch of the trees for life program, the first comprehensive Vegetation Management Plan by a NSW electricity distributor that incorporated widespread public consultation in the review of vegetation management practices.

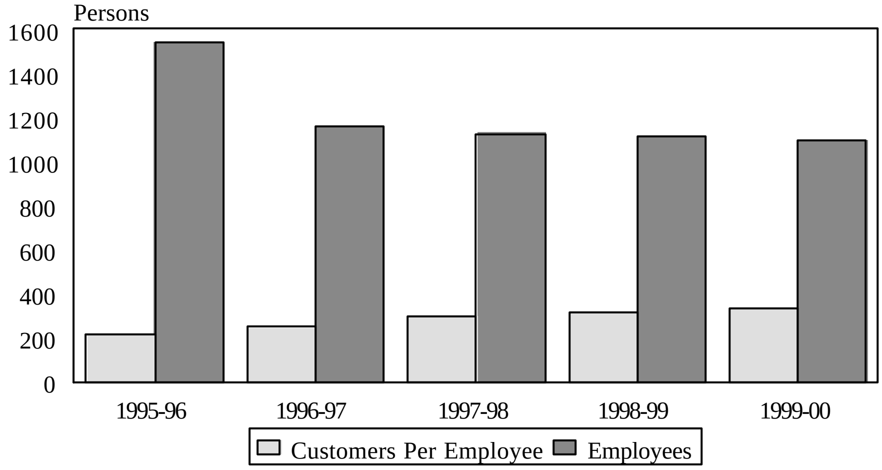
NORTHPOWER

	(1)	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency						
Employment	*(2)*	1,536	1,160	1,126	1,114	1,094
Output per Employee (GWh)	*(3)*	n/r	2.8	3.7	3.9	5.1
Customers per Employee	*(4)*	215.3	247.7	301.2	318.8	332.9
Operating Cost Per Unit Sold ($/MWh)	*(5)*	n/r	27.2	32.3	33.4	30.0
Operating Cost Per Customer ($)	*(6)*	n/r	0.3	0.4	0.4	0.5
System Loss Index (%)	*(7)*	n/r	1.9	1.9	1.9	1.9
Average Lost Time	*(8)*	11.9	12.1	5.3	19.8	12.4
Lost Time Injury Frequency Rate	*(9)*	115.0	47.0	3.5	7.2	4.1
Service						
No. of Customers		330,673	337,053	351,533	362,587	372,558
Output (GWh)		n/r	3,285	4,136	4,393	5,591
Supply Reliability (Min)	*(10)*	264	186	225	257	236
Real Price Index	*(11)*	n/r	100	99	94	87
Finances	*(12)*					
Operating Result ($'000)		22,523	40,363	67,133	40,399	88,180
Return on Assets (%)	*(13)*	5.8	7.7	9.0	4.4	4.6
Pre Tax Return on Net Assets	*(14)*	5.9	9.8	12.6	5.2	10.9
Return on Equity (%)	*(15)*	5.9	5.7	6.9	2.7	11.2
Gross External Debt ($'000)		155,714	145,136	142,935	170,882	225,591
Debt to Equity Ratio (%)		40.9	35.1	26.9	22.2	27.8
Times Interest Earned		8.2	4.1	7.1	5.1	4.5
Financial Distribution ($'000)						
Dividend Payment		6,705	18,731	60,442	34,846	31,731
Corporate Tax Equivalent		0	0	0	6,101	14,269
Payment of Capital from Equity		0	0	0	0	0

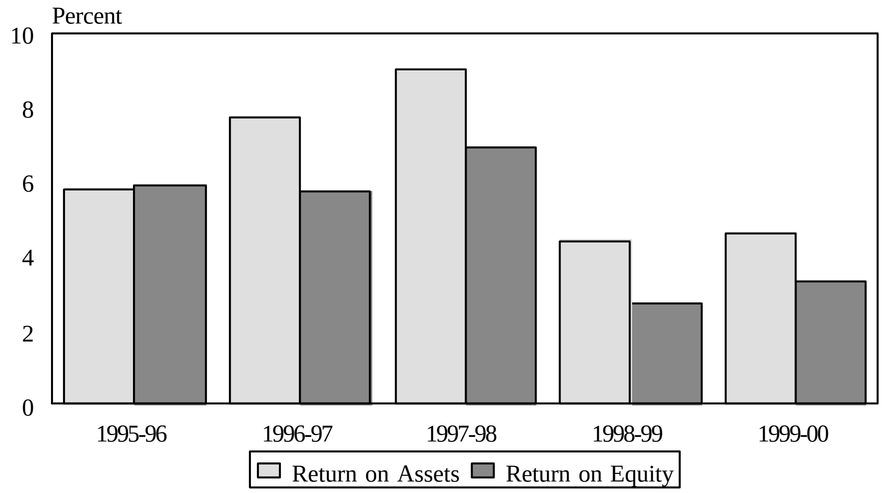
Notes:
n/r Not reported
n/a Not available

(1) All dollar amounts reported in 1999-00 dollars
(2) Full time equivalent staff at 30 June.
(3) GWh sold per average number of all employees.
(4) Average number of customers per average number of all employees.
(5) Operating costs including depreciation, excluding financing costs per MWh sold.
(6) Operating costs including depreciation, excluding financing costs per average number of customers.
(7) Energy purchased less energy sold divided by energy purchased.
(8) Average lost hours per employee per year.
(9) Number of lost time accidents per million hours worked.
(10) Average minutes per customer per year without supply including planned and unplanned outages.
(11) Assumes 1996-97 is the base year.
(12) All financial indicators are consolidated. The results reflect the electricity supply and non supply energy services businesses.
(13) Earnings before interest and taxation divided by total assets at 30 June.
(14) Operating profit before taxation dividend by net assets at 30 June.
(15) After tax profits divided by equity at 30 June.

Customers and Employees

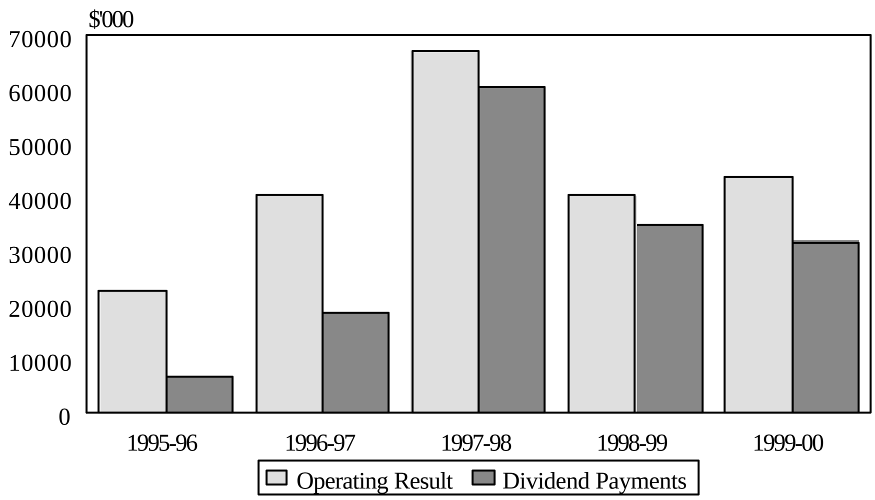


Financial Performance



Operating Result and Dividend Payment

1999-00 Dollars



NSW Lotterie$

We all get a lot out of lotteries

Mr Brian McIntyre
Director Finance
NSW LOTTERIES
2 Figtree Drive
HOMEBUSH BAY NSW 2127
(02) 9752 5500

NSW LOTTERIES

NSW Lotteries is the largest operator of lottery games in Australia. Its seven products - Lotto and Lotto Strike, OZ Lotto, Powerball, Instant Scratchies, Lucky Lotteries, and 6 From 38 Pools - are sold through a retail distribution network of 1632 small businesses in New South Wales and the Australian Capital Territory.

The 1999-00 year was a challenge for NSW Lotteries in many ways. After eleven successive sales records, its 1999-00 sales of $946 million fell below the $986 million of 1998-99 (1999-00 dollars). Several factors contributed to this result, including a decline in the popularity of the long-established Lotto game and the failure of the $2 Jackpot Lottery to match the $147.7 million record sales figure achieved last year.

Despite a 2 per cent reduction in sales, total duties of $278.9 million were paid to the Government, $1.9 million above last year. Tax equivalent payments and dividends were slightly below expectations, totaling $27.6 million. However, the Corporation's overall contribution to shareholders and the community totaled $306.5 million, only marginally below last year's figure of $308.0 million.

As well as coping with the difficult sales environment, NSW Lotteries successfully met a number of major challenges during this demanding year. These included:

- a smooth transition to the year 2000;
- implementation of a replacement gaming system to provide a technology platform for the future;
- preparation for the Federal Government's Goods and Services Tax; and
- selection and implementation of a new disaster recovery site.

Given the intense competition in the gaming and wagering market, the Corporation places a high priority on providing high quality service to its millions of customers. The results of its annual customer survey showed further improvement on the very high levels of satisfaction recorded in previous surveys: some 97 per cent of customers indicated extreme satisfaction with the level of service delivered by NSW Lotteries and the retail network.

Sales trends within the lottery industry, both nationally and internationally, indicate that lottery products are in the mature to post-mature phases of their life cycle and consumer preferences do not remain stable. A major priority will be to repackage the present product range and identify opportunities to introduce new games in a socially responsible manner to ensure the ongoing appeal of NSW Lotteries' products. The successful implementation of both strategies, coupled with the introduction of the new gaming system in mid-2000, will play a major role in the Corporation's future success and ongoing contribution to the community.

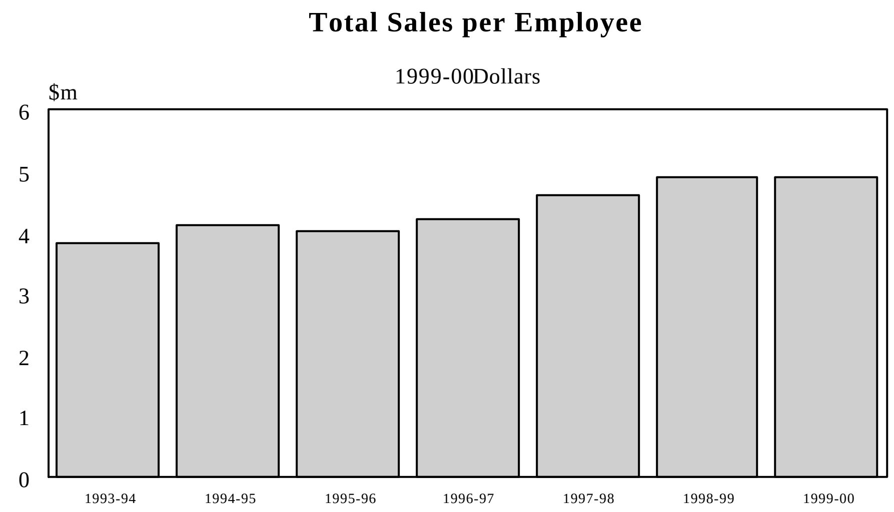
NSW LOTTERIES

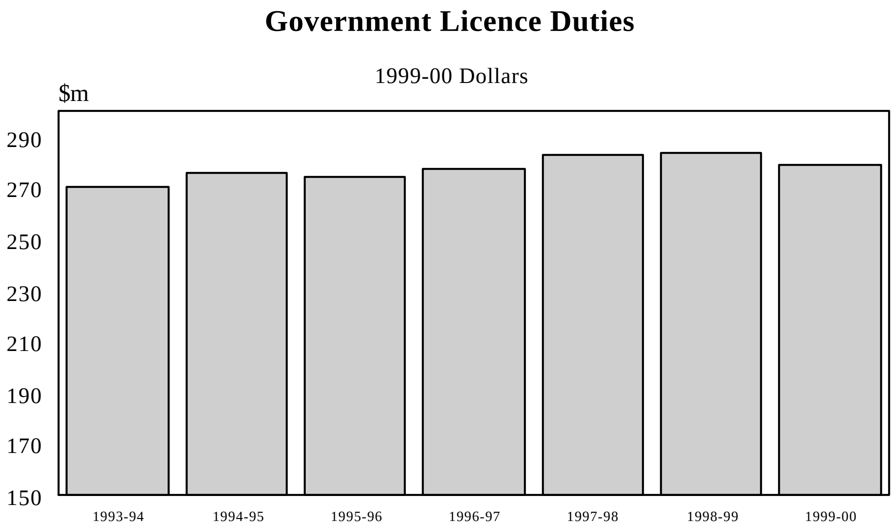
	(1)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment		247	240	243	235	222	209	203
Total sales per employee ($m)		3.9	4.2	4.1	4.3	4.7	5.0	4.9
Days lost for sick leave per employee		5.2	6.3	5.2	6.5	5.3	6.4	6.1
Days lost for workers compensation per employee		0.2	0.5	0.8	0.5	0.3	0.6	0.3
Effectiveness								
Agent commissions ($m)		56.0	57.7	57.5	57.1	58.6	59.0	56.0
Net sales ($m)		924.7	943.5	937.5	948.0	977.5	986.0	946.0
Total sales ($m)	(2)	980.7	1,001.2	995.1	1,005.1	1,036.1	1,045.0	1,002.0
Prize payments ($m)		568.8	579.1	575.6	581.8	599.6	605.2	579.7
Total sales per capita ($)	(3)	204.8	219.0	214.5	213.8	217.7	216.7	208.8
Number of on-line agents		1424	1429	1428	1422	1417	1414	1413
Number of instant only agents		340	329	321	290	249	229	219
On-line system uptime (%)		99.99	100	99.99	99.97	99.99	99.99	100
Financial indicators								
Government licence duties ($m)		270.2	275.7	274.0	277.0	282.9	283.6	278.9
Return on shareholders funds (%)	(4)	43	47	48.6	60.8	80	75	61
Return on corporate assets (%)	(5)	30	32	30.2	39.5	42	40	37
Dividend and tax equivalent payments ($m)	(6)	19.7	26.5	26.2	26.7	30.0	31.7	27.6

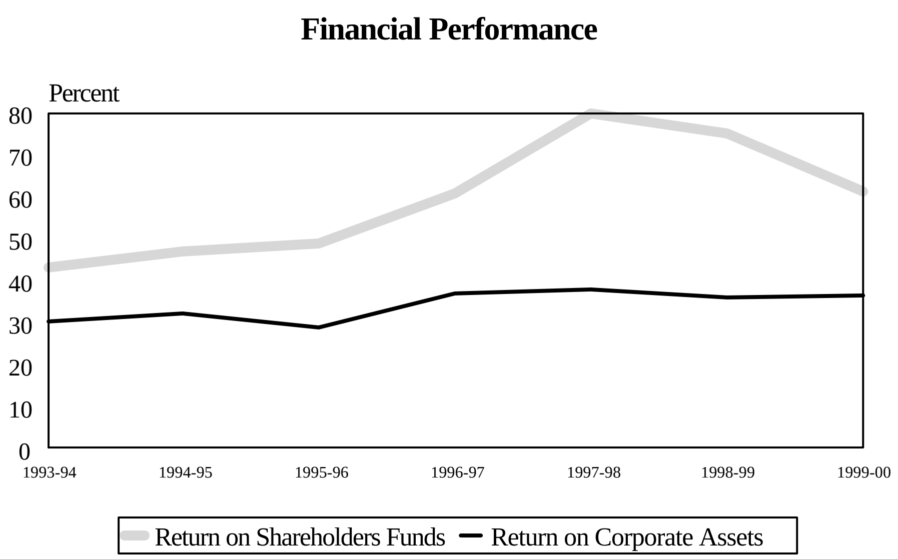
Notes:

n/a Not Applicable
f forecast

(1) All dollar amounts are reported in 1999-00 dollars.
(2) Total Sales includes Agent Commission.
(3) Population based on estimate of persons over 18 years. Projections for 1996-97 onwards.
(4) Return based on surplus before abnormal items and tax equivalents.
(5) Relates to assets of the Corporation, excluding prize funds.
(6) For comparison purposes, a one off special equity distribution of $24.5 million as a result of Corporatisation in 1996/97 has not been included .


Total Sales per Employee
1999-00Dollars
$m
6
5
4
3
2
1
0
1993-94
1994-95
1995-96
1996-97
1997-98
1998-99
1999-00


Government Licence Duties
1999-00 Dollars
$m
290
270
250
230
210
190
170
150
1993-94
1994-95
1995-96
1996-97
1997-98
1998-99
1999-00


Financial Performance
Percent
80
70
60
50
40
30
20
10
0
1993-94
1994-95
1995-96
1996-97
1997-98
1998-99
1999-00
Return on Shareholders Funds
Return on Corporate Assets

PACIFIC POWER

Mr Darren Gustard
Manager of Finance
PACIFIC POWER
The Pacific Power Building
Cnr Park and Elizabeth Streets
SYDNEY NSW 2000
(02) 9268 6355

PACIFIC POWER

> **During the year, the NSW Government announced that Pacific Power would be restructured to form stand-alone commercial businesses for generation, energy services and coal mining.**

The Pacific Power Group consisted of the following businesses during 1999-00:

- **Energy Generation** – efficiently produces and competitively trades electricity in the National Electricity Market (from a portfolio of existing coal fired, hydro, gas and wind generation totaling 3200MW) and further develops generation assets where commercial returns can be achieved;
- **Energy Services -** provides energy services in Australia, New Zealand and Asia, focusing on energy project development, asset management and consulting;
- **Coal Mining** – produces and sells coal to the domestic and export markets; and
- **Solar** - researches, develops and commercialises photovoltaic solar cells.

Pacific Power's generation business performed profitably in 1999-00, following the upward movement in spot prices during the second half of the financial year. However, financial performance was affected by comparatively higher coal prices and capital structure costs. Pacific Power continues to explore commercially viable opportunities for renewable energy by conducting feasibility studies and gaining development approvals for solar, wind farms, hydro plants, coal bed methane and bagasse projects.

Pacific Power International continues to win energy services contracts both nationally and internationally. A consortium consisting of Pacific Power International, Toshiba, Mitsui and IHI was awarded the contract for the construction of a 450 MW coal fired unit at Tarong North Power Station in Queensland.

The Pacific Power Entity's 1999-00 operating profit after abnormals and before tax and dividend was $167.1 million, largely due to a significant improvement in revenue contribution from the Snowy Hydro Trading Company; increased Pacific Power sales; net abnormal gains; and reduced operating expenditure.

The 1999-00 operating result was affected by several one-off abnormal items, resulting in a net abnormal gain of $53.4 million. These items included adjustments for superannuation following an actuarial review; prior year costs and legal expenses for the Powercor judgement; and insurance expense representing the movement in liability for future asbestosis claims. Ratio calculations exclude these items.

Capital expenditure was $23.1 million. This was lower than expected, largely due to delays in the commencement of the Blayney Wind Farm and the Burrinjuck Augmentation projects. The delays were attributable to earlier delays in achieving the power purchase agreements which underpin the projects.

Pacific Power's generating assets, rights and liabilities were transferred to Eraring Energy, a State owned corporation, on 2 August 2000. The Government has also announced the intention to review the prospects of Pacific Power International and Powercoal to determine the most viable business structures for the future.

PACIFIC POWER

	(1)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment		5,775	4,316	1,432	1,381	1,299	1,079	960
Output per Employee (GWh)		9.2	11.9	9.2	9.2	9.6	12.4	14.3
Lost time Injury Frequentcy rate		11.3	10.6	5.4	1.8	6.9	8.8	4.7
Service								
Output (GWh)		53,166	51,422	13,187	12,667	12,498	13,369	13,683
Finances								
Operating result ($m)	(2), (6)	895.2	625.3	551.7	575.1	45.6	(33.2)	167.1
Net Assets ($m)	(9)	6,113	4,021	891	1,036	1,042	994	1,025
Return on assets (%)	(3), (7), (8)	11.8	9.1	11.3	7.2	3.9	3.9	8.7
Pre Tax Return on Net Assets (%)		0.1	0.2	0.6	0.6	0.0	0.0	0.2
Return on operating assets (%)	(3), (7), (8)	12.3	9.3	14.7	10.1	5.0	4.8	11.3
Return on equity (%)	(3), (7), (8)	9.9	7.4	18.0	9.2	2.1	1.8	11.1
Asset sales ($m)		51.7	24.4	23.6	176.2	28.1	22.6	8.0
Gross external debt ($m)	(9)	4,318.3	2,583.5	558.3	707.0	741.9	678.1	578.2
Debt to equity (%)		61.5	55.0	59.2	65.5	68.4	66.6	56.4
Times interest earned	(7), (8)	2.5	2.6	3.2	2.3	1.4	1.3	2.8
Internal funding ratio (%)	(4)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Dividend payments ($m)	(5)	391.9	457.5	333.8	229.2	22.9	28.4	31.6
Corporate tax equivalent ($m)		198.0	98.4	127.8	13.3	0.0	0.0	0.0
Social programs ($m)		2.3	8.9	1.7	0.9	0.8	0.4	0.0
Payment of Capital from Equity		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Notes:

(1) *All dollar amounts reported in 1999-00 prices.*

(2) *Operating surplus before dividends, corporate income tax payments, and extraordinary items and after abnormals and contributions & subsidies.*

(3) *An asset revaluation was undertaken in 1993-94.*

(4) *The proportion of funds for capital works internally sourced.*

(5) *Excludes tax equivalent payments.*

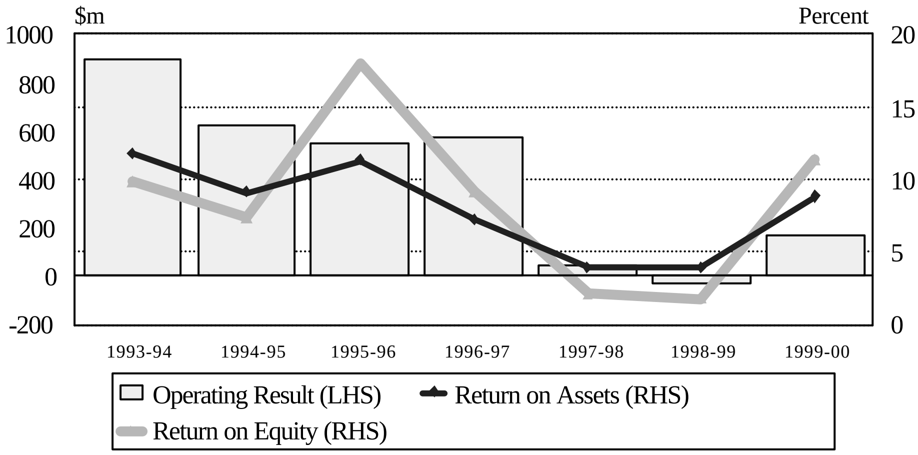
(6) *1997/98, 1998/99 - Includes superannuation abnormal item.*

(7) *1997/98, 1998/99 - Excludes superannuation abnormal item.*

(8) *1999/00 - Excludes abnormal gain of $53,384,991.*

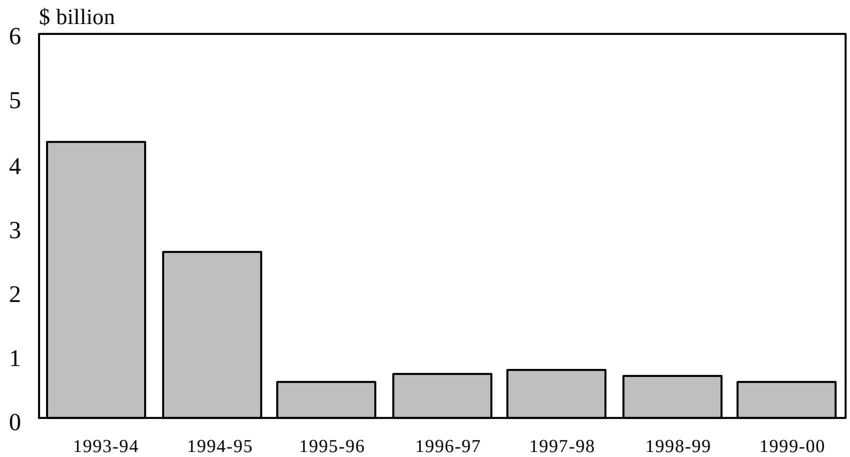
(9) *1999/00 - Includes loans to. and receivables from subsidiaries of $92.2 million*

Financial Performance



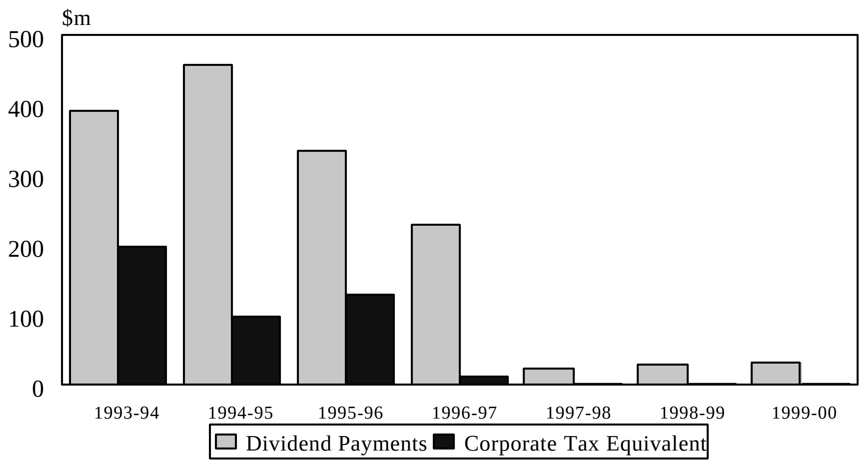
Gross External Debt

1999-00 Dollars



Dividend and Tax Payments

1999-00 Dollars



PORT KEMBLA
PORT CORPORATION

Mr Brian Ward
Chief Financial Officer
PORT KEMBLA PORT CORPORATION
PO Box 89
PORT KEMBLA NSW 2505
(02) 4275 0105

PORT KEMBLA PORT CORPORATION

The Port Kembla Port Corporation was formed on 1 July 1995 to promote and facilitate trade and ensure port safety functions are properly carried out through Port Kembla. The Corporation is well placed to capture new market and future trade opportunities.

Highlights for 1999-00:

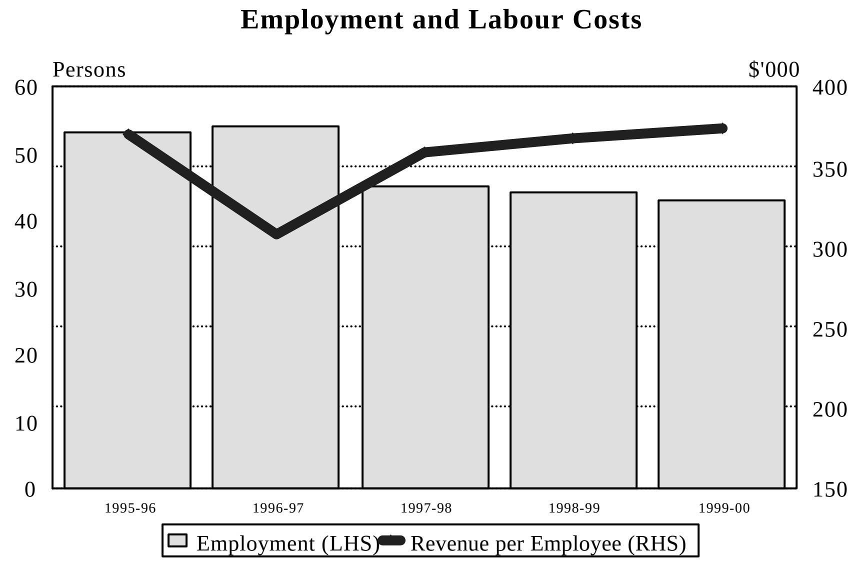
- All major financial indicators performed well above expectations with Net Profit Before Tax and Abnormals of $10.2 million and Return to Shareholders of $8.7 million. Operating Revenue of $29.2 million and Operating Expenditure of $19.1 million were better than last year's results.
- Trade through Port Kembla reached 22.98 million tonnes and was carried in 620 vessels, compared to 23.2 million tonnes and 655 vessels in 1998-99.
- Non coal/steel/grain trade cargoes reached a record of over 1 million tonnes, an increase of over 32 per cent from 1998-99. These products included sawlogs, cars, cement clinker and structural steel imports.
- Port records were broken for grain exports (2.9 million tonnes) and iron ore imports (7.65 million tonnes).
- A National Institute of Economic and Industrial Research study demonstrated that the Port's operations were of major significance to the regional economy, providing over 3,900 jobs and creating $418 million of total industry output.
- A trial import of motor vehicles took place in June 2000. It has led to securing further shipments during the Olympic period, with further long term potential.
- Adoption of a new positioning statement "Port Kembla – Sydney's Port of Opportunity" to capitalise on the proximity of potential Sydney customers and new infrastructure in the Inner Harbour.
- The completion of the Inner Harbour land restoration saw almost 2 million tonnes of slag used to reclaim the casting basin and cover all other vacant land, creating 35 hectares for future port development.
- A 2,200 square metre cargo storage facility on the Multi Purpose Berth was completed and commissioned in November 1999. It has already attracted new trade to the Port.
- Completion of the Bulk Liquids Berth at the No. 4 Jetty and preliminary environmental studies for the 30 hectare reclamation in the Outer Harbour.
- In November 2000, the inaugural Annual Australian Shipping & Transport Awards recognised Port Kembla's visionary port development and marketing solution to its diversifying trade base by naming it the Australian Port of the Year.
- Excellent occupational health and safety performance saw a record 20 months without lost time due to injury and a low Lost Time Injury frequency rate of 13.

PORT KEMBLA PORT CORPORATION

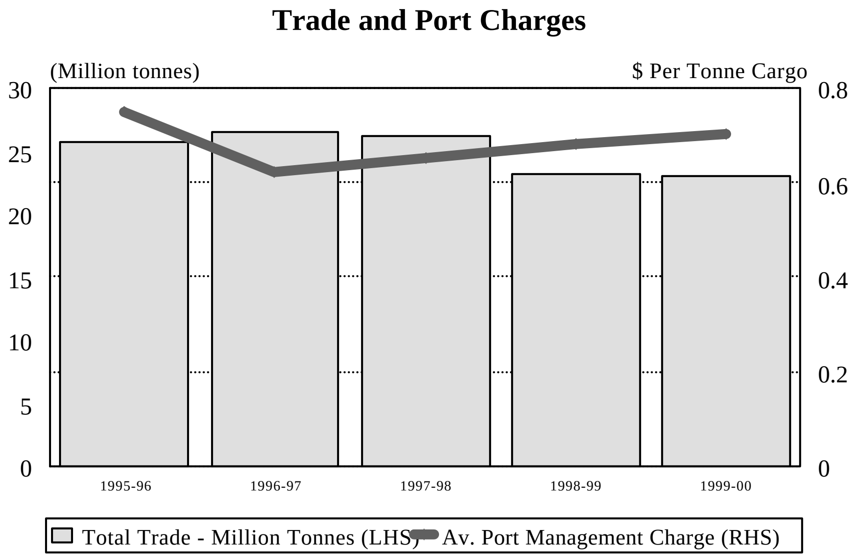
	(1)	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency						
Employment	(2)	53	54	45	44	43
Revenue per employee ($000)	(5)	377	315	367	376	373
Industrial disputation						
- total hours lost		31	117	0	0	0
- hours lost per employee		0.6	2.1	0	0	0
Contract labour ($m)		0.9	0.9	0.9	0.9	1.7
Service						
Total trade (million tonnes)	(3)	25.7	26.5	26.2	23.2	23.0
Vessel arrivals		599	643	642	655	620
Vessel turnaround time (hrs)	(4)	62	65	66	59	57
Berth occupancy (%)	(4)	25	28	36	32	29
Berth queuing time (average hrs per month)	(4)	1,667	2,089	1,613	1,478	1,221
Average time at berth (hrs)	(4)	69	76	76	68	68
Avg port management charge per tonne of cargo ($)	(5)	0.77	0.64	0.66	0.69	0.70
Avg port management charge per vessel ($)	(5)	33,331	25,001	27,116	24,432	25,873
Finances						
Operating result ($m)	(6)	21.3	20.3	21.6	7.7	10.2
Contribution to govt ($m)	(7)	8.5	8.5	6.7	12.2	n/a
Asset sales ($m)		0.0	0.1	0.2	0.0	(0.1)
Return on assets (%)		15.1	13.2	13.8	8.9	11.1
Return on equity (%)		20.9	19.5	20.8	14.0	17.2
Gross external debt ($m)		78.2	61.6	61.5	60.6	59.2
Debt to equity (%)		79.3	62.3	70.5	128.1	106.6
Times interest earned		3.0	4.8	5.3	2.6	3.1

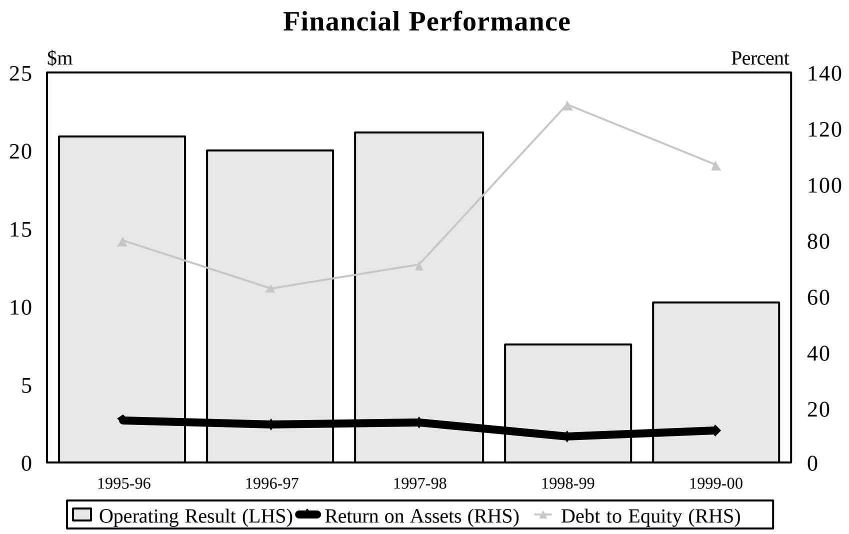
Notes:

f Forecast
n/a Not available
(1) All dollar amounts are in 1999-00 dollars.
(2) Excludes labour employed by contract or consultancy.
(3) Total trade expressed in million revenue tonnes.
(4) Value given for all berths in Port.
(5) Excludes coal loader lease revenue.
(6) Net profit before tax.
(7) Includes dividend only.



Excludes Coal Loader Lease Revenue





DPWS
NSW DEPARTMENT
OF PUBLIC WORKS
AND SERVICES

Mr Adrian Renouf
Director, Executive Services Division
DEPARTMENT OF PUBLIC WORKS AND SERVICES
Level 22, McKell Building
2-24 Rawson Place
SYDNEY NSW 2000
(02) 9372 8745

DEPARTMENT OF PUBLIC WORKS AND SERVICES

The Department of Public Works and Services (DPWS) provides strategic and professional advice and expertise in business services and infrastructure to NSW Government agencies.

DPWS delivers benefits to the community by providing value-added services to the NSW Government and its agencies. It works in close partnership with national and international clients, offering a wide range of technical, managerial and specialist skills. These skills, together with DPWS' intimate knowledge of Government policies and processes, ensure clients are provided with innovative and practical solutions to their business needs.

The services delivered to clients include procurement of goods and services; architectural and engineering services; property management; asset management; environmental and corporate services.

Significant DPWS achievements during 1999-00 include:

- the passage through Parliament of the *Building and Construction Industry Security of Payment Act 1999.* This legislation is a key part of the Government's agenda for the construction industry. It will create fair, balanced payment and dispute standards for all parties under construction contracts.

- the establishment of an online tendering project to place DPWS at the forefront of electronic tendering in NSW. This project follows a successful trial on the submission of a tender via the Internet and accords with the Government's policy of expanding e-commerce. The e-tender system enables tenderers to browse through a menu of tender documents; select appropriate tenders to view; and return a tender response into a secure electronic tender box.

- the development of a Contracts Manual to improve the management of the Department's C21 based contracts (ie a new contract system developed by the NSW Government to foster co-operative contracting between the Government and private sector for construction related works). The Manual was issued in June 2000. It is electronically based and available on the internet www.dpws.nsw.gov.au/tenders/sell-to-govt/C21/index.html. The Manual incorporates responses to frequently asked questions and details analysis of each operative provision in the Department's General Conditions of Contract. The document also includes a library of proforma letters, instructions and other documentation to assist the administration of C21 based contracts.

- the release of the *Government Office Accommodation Workspace Management Guidelines and Workbook* in September 1999 to assist NSW Government agencies make effective and efficient planning decisions about their office accommodation.

- implementation of a new integrated information management system. The new system was introduced into a number of areas of DPWS during the year. It supplanted several individual financial, human resource and management systems. The system also replaced non-Y2K systems and provided the Department with a GST compliant system. Full implementation will be completed in 2000-01.

DEPARTMENT OF PUBLIC WORKS AND SERVICES

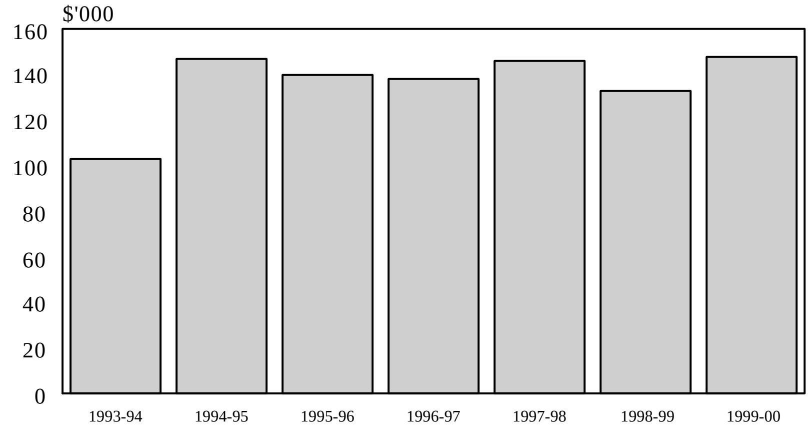
	(1)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment		2,191	2,632	2,423	2,511	2,366	2,573	2,516
Total expenditure ($m)		217.9	343.8	315.4	326.5	327.2	337.1	371.1
Revenue per employee ($000)		103.2	146.4	139.3	137.7	146.0	132.4	147.5
Hours lost to industrial disputes								
per employee		0.0	0.0	0.0	0.0	0.0	0.0	0.0
total ('000)		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average days sick leave per employee:								
salary staff		5.7	5.6	6.0	5.9	7.0	6.7	6.0
wages staff		7.1	6.5	6.6	6.1	5.1	7.0	6.1
total staff		6.1	5.7	6.1	6.0	6.7	6.8	6.1
Employee safety measure	(2)	0.18	0.27	0.21	n/a	n/a	n/a	n/a
Effectiveness								
No. of construction contracts let > $0.25m		386	399	307	275	306	296	273
Total no. of construction contracts let		2,129	1,857	1,093	1,231	871	1,462	1,423
Value of purchases through								
goods & services period contracts ($m)		1,437	1,415	1,348	1,296	1,330	2,150	2,250
No. of goods & services period contracts		590	590	300	437	386	433	400
No. of vehicles leased by statefleet		10,038	10,938	12,004	13,047	14,952	23,166	23,425
Capital assets under management ($m)		394.2	426.1	406.0	322.5	471.8	467.3	456.5
Commercial space under mg'mnt ('000 sq		312	313	317	358	358	319	352
No. of commercial properties/buildings								
under management		125	125	125	160	168	165	146
Crown property sales ($m)		n/a	0.9	92.0	132.3	21.3	0.0	0.6
Financial indicators								
Government funded services ($m)	(3)	53.7	32.5	33.9	33.7	29.5	28.2	27.7
Asset sales ($m)		1.1	8.8	145.8	9.1	9.3	3.4	0.5
Operating result ($m)		8.9	37.2	21.9	19.3	18.3	3.6	(2.3)
Return on equity (%)		10.1	11.7	11.6	7.3	5.9	1.2	(0.6)
Financial distribution to govt ($m)		6.1	30.9	162.3	13.6	27.4	10.9	0.5

Notes:

n/a Not available
f Forecast
(1) All dollar amounts are reported in 1999-00 dollars.
(2) Time lost from work related injuries in hours divided by total time worked, expressed as a percentage.
(3) Services and activities performed for government which are not funded through fees from clients.

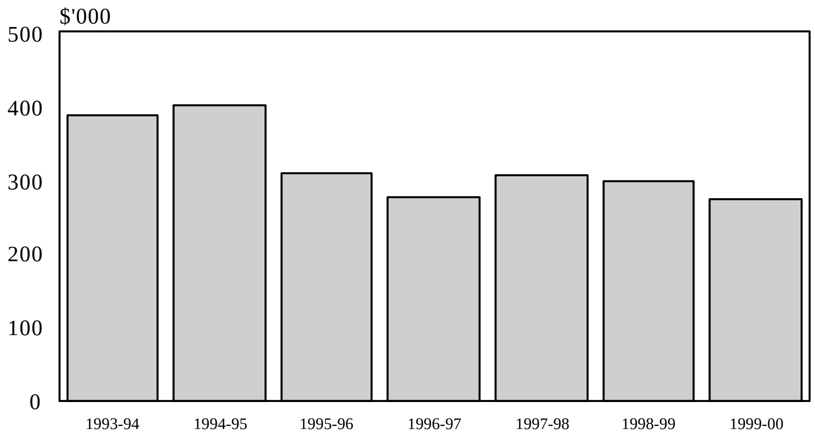
Revenue Per Employee

1999-00 Dollars



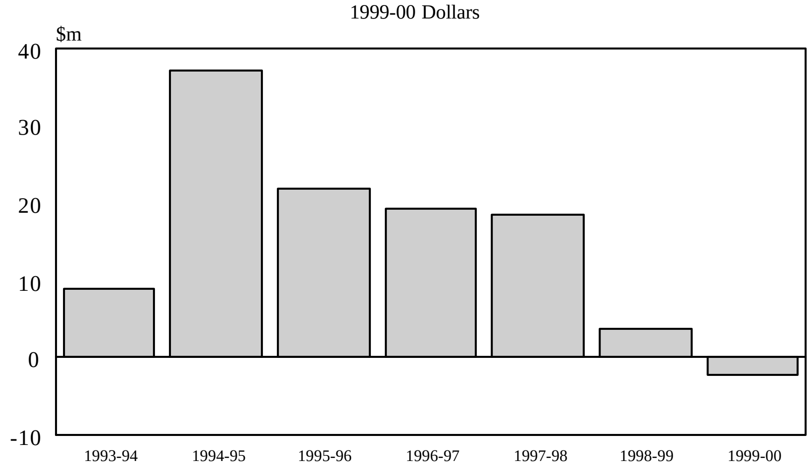
Number of Construction Contracts Let
(Greater than $0.25 million)

1999-00 Dollars



Operating Result

1999-00 Dollars



RAIL ACCESS CORPORATION

Ms Sharyn Gregory
Manager, Corporate Strategy
RAIL ACCESS CORPORATION
Level 16,
55 Market Street
SYDNEY NSW 2000
(02) 9224 2970

RAIL ACCESS CORPORATION

Rail Access Corporation (RAC) owns and maintains the rail infrastructure network on behalf of the NSW Government. RAC is committed to delivering a safe, sustainable and efficient rail network.

RAC has concluded its fourth year of operation with a profit of $13.5 million in 1999/00 and $75 million paid to Government in the form of dividends.

Network safety

A total commitment to safety is fundamental to RAC's management of the NSW rail network. All decisions relating to investment, maintenance and upgrading are made to maintain, if not improve, safety levels.

The following safety initiatives commenced in 1999-00:

- implementation of the interim recommendations of the Glenbrook Inquiry, including the progressive installation of indicator boards across the City Metro area at a cost of $80 million;
- introduction of new Safeworking (Circular No. 470) to improve the safety of track workers around moving trains;
- progressive installation of a Smoke Management System in the City Underground, estimated to cost up to $44 million and expected to be completed in 2003-04;
- progressive installation of 250 Train Stops to provide a fail-safe stop system for trains going past stop signals in the Intercity area, at a cost of $11.6 million;
- elimination of signaling blind spots (or 'dark territory') in the greater metropolitan area at a total cost of $8 million; and
- complete redrafting of the existing Safeworking Rules to provide a clear, workable and practical set of rules.

Network reliability

When on time running and asset performance deteriorated during 1999-00, RAC quickly applied additional technical and financial resources to lift infrastructure performance to the result achieved in the last few months of 1999-00.

RAC and the State Rail Authority successfully implemented the NSW Government's "6-point in March 2000. RAC refocused its maintenance priorities to target 7 critical junctions (the main infrastructure causes of CityRail delays) and produced both short-term and long-term strategies to improve the reliability of these junctions. These strategies are now being implemented.

Network expansion

RAC completed a number of projects in 1999-00, the most significant being the New Southern Railway (Airport Link). This Link was Sydney's largest transport infrastructure project in the lead up to the Olympics. It was completed on time and within budget in May 2000.

RAC will continue its involvement in several large scale infrastructure projects such as the Parramatta Rail Link, the Sydney to Newcastle Rail Upgrade, the Bondi Beach Rail Link and Sydney Freight Access projects.

RAIL ACCESS CORPORATION

	(1)	1996-97	1997-98	1998-99	1999-00
Efficiency					
Employment	(2)	94	115	392	484
Revenue per employee ($000)		9,478	7,587	2,319	1,761
Average days sick leave per employee	(3)	n/a	n/a	2	4
Industrial disputes					
- total hours lost (000)		0	0	0	0
- hours lost per employee		0	0	0	0
Service					
Total gtk (billion)	(4)	46.5	46.7	45.8	49.0
Total gtk per route km (million)	(5)	5.2	5.3	5.3	5.6
Number of new customers (cum.)		0.0	5.0	9.0	12.0
Number of passenger train-km sales in electrified area (million)	(6)	32.9	32.7	34.8	35.1
Number Of Rac Infrastructure Incidents	(7)	339.0	291.0	330.0	461.0
Number Of Services Delayed Per Rac Incident		8.1	7.3	6.9	9.7
Major Network Safety Incidents	(8)				
Civil		54.0	46.0	58.0	88.0
Electrical		4.0	4.0	4.0	8.0
Outside Agent	(9)	170.0	146.0	153.0	169.0
Rolling Stock	(10)	57.0	56.0	87.0	84.0
Safeworking	(11)	116.0	100.0	197.0	261.0
Signals		16.0	4.0	11.0	14.0
Environmental compliance (number of level 2 severity incidents)	(12)	2.0	9.0	10.0	6.0
Finances					
Operating expenditure ($m)	(13)	696.8	682.2	707.8	721.1
Total revenue ($m)		890.9	864.9	909.0	852.4
Shareholder value added ($m)		(6.9)	62.5	59.0	(26.5)

Notes:

n/a *Not Available*

(1) *All dollar amounts reported in 1999-00 dollars.*

(2) *When RAC was established on 1 July 1996, 30 permanent staff were vested from SRA. By the end of its first year permanent employees totalled 94. The major increase in staff numbers came with the purchase of the former RailCom (now Argus Telecommunications) on 01/08/98 from SRA which added another 187 staff to RAC. A further 68 staff have been recruited in Argus. Employmentfigures only contain permanent staff figures.*

(3) *Average sick leave for 1996-97 is not meaningful as the Corporation was not properly staffed until the end of the year.*

(4) *Gross Tonne Kilometres = Gross tonne * distance*

(5) *Active track km in NSW totals 8,740.*

(6) *Electrified area of CityRail network.*

(7) *Refers to the extent to which RAC infrastructure has contributed to CityRail peak on time running delays.*

(8) *Includes all major incidents occurring within RAC's responsibility.*

(9) *Outside agent incidents includes those which are difficult to manage from within the railway where passengers are at fault (trips, slips and falls) trespassers, vandals, motor vehicles incidents and level crossing accidents where the motor vehicle is at fault are typical examples.*

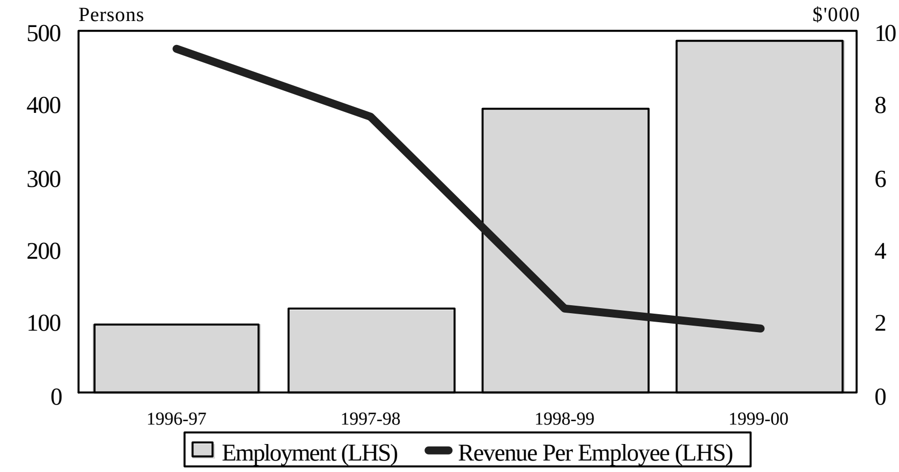
(10) *Rolling stock incidents have been increasing marginally, operators have programs in place to address known hazard areas during a time when loads and train lengths have substantially increased.*

(11) *Signals passed at stop account for the majority of the increase in spite of an active management campaign. It must be noted that the awareness of these incidents has increased and the introduction of additional electronic monitoring equipment have combined to show an apparent increase in incidents which may have been previously unreported. Nonetheless, operators are reviewing training and supervision of drivers to correct the performance.*

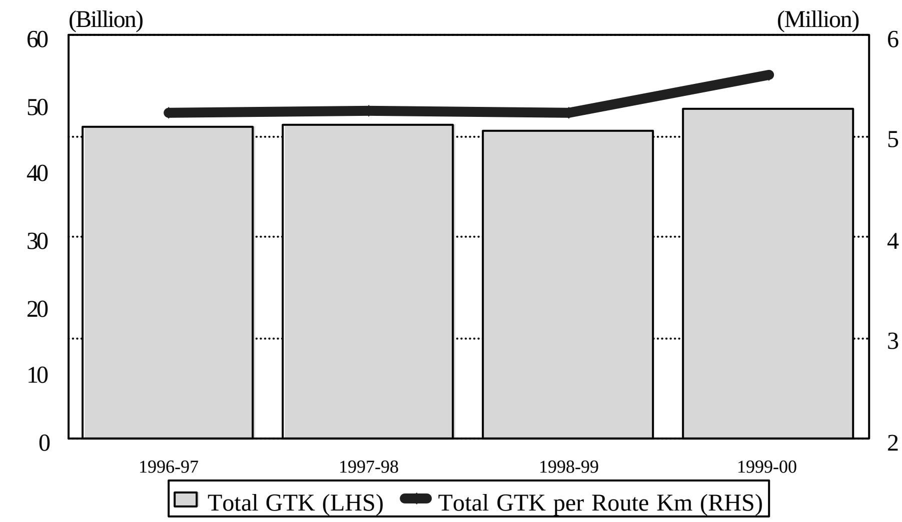
(12) *Level 2 severity incident is where there are at least some significant environmental effects.*

(13) *Operating costs excluding commercial capital expenditure. Significant changes in RAC's operating environment are in part reflected in changes to RAC's financial performance. The major areas of change in RAC's profit are: cost efficiencies/changes in scope, increased network control, capital expenditure, overhead costs, reduced line CSO payments and access revenue and other (includes bussing and possessions).*

Revenue per Employee

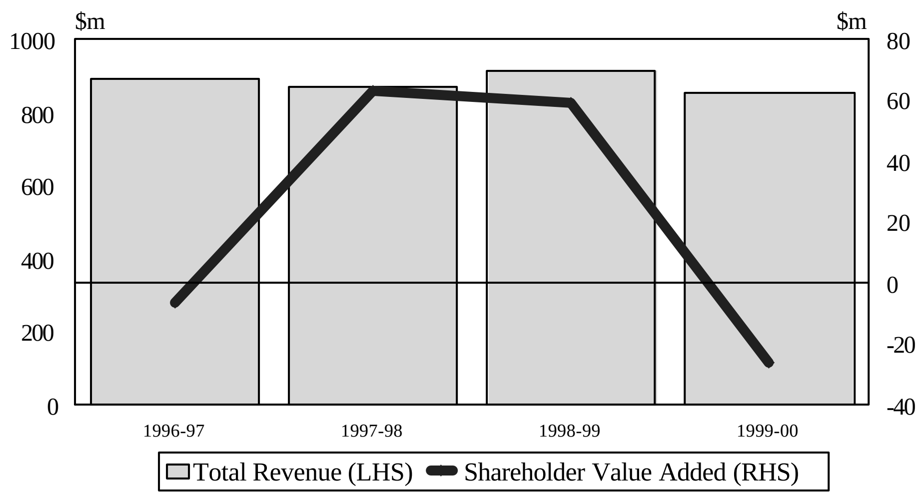


Service



Financial Performance

1999-00 Dollars



RAIL SERVICES AUSTRALIA

Mr Frank Morrison
Director of Finance and Strategy
RAIL SERVICES AUSTRALIA
Locked Bag A4090
SYDNEY SOUTH NSW 2000
(02) 9224 3708

RAIL SERVICES AUSTRALIA

Rail Services Australia (RSA), as one of the NSW Government rail entities, is committed to delivering the highest quality of services and assisting to provide a safe, reliable rail network. At 30 June 2000, RSA had delivered more than 90 per cent of its contracts on time and on budget. These projects included the fit out of the new airport rail link and major junction renewal projects for Rail Access Corporation (RAC). In addition to its core business, RSA has won $82 million of new business.

In the last year, the environment in which RSA operates has changed considerably:

- in May 2000, the Minister for Transport announced the Government's decision to discontinue outsourcing of rail infrastructure maintenance in New South Wales. Subsequently, RSA was awarded three year contracts to maintain lines not already under contract. Prior to the announcement, RSA had won the North Coast and Illawarra contracts;
- in June 2000, the NSW Government appointed a Coordinator-General of Rail to: manage and coordinate the activities of the State Rail Authority (SRA), RAC and RSA; and review the effectiveness of existing relationships between the three organisations in achieving reliability of rail services; and
- in December 2000, Parliament passed a Bill to merge RSA with RAC to form the Rail Infrastructure Corporation (RIC). RIC will work closely with the Coordinator-General to provide a safe, reliable and efficient rail network.

RSA provides a diverse range of services including: rail construction; ongoing and periodic rail maintenance; project management; technical advice; consulting; and contract work in non-traditional areas of asset management and maintenance.

RSA aims to become Australia's leading asset management contractor by improving its performance in four key result areas:

- **financial performance** — by having the highest revenue per employee in the industry and by providing shareholders with a solid return on assets;
- **clients and markets** — by diversifying its client base and becoming the supplier of choice;
- **internal processes** — by having best practice internal processes and the highest level of safety in the industry; and
- **organisational learning and growth** — by becoming employer of choice and encouraging innovation.

RSA's financial performance in 1999-00 exceeded plan, reporting profit before tax and abnormals of $25.7m. This was largely driven by: improved margins on RAC work; inclusion for the first time contributions from the Victorian joint venture; completion of the NSR tunnel; improved workforce productivity and asset recoveries from the Resources Group; and above budgeted revenue from non trading operations.

RSA has also increased its commercial focus through further involvement in joint ventures. In addition to alliances in place with Thiess, Plasser, Leightons (Asia) and Transfield, RSA formed an alliance with Alstom in 1999-00. Rail Fleet Services (a RSA-Alstom joint venture) upgraded and modernised workshop facilities and systems. All affected operations were transferred from RSA to Rail Fleet Services by the end of July 2000.

RAIL SERVICES AUSTRALIA

	(1)	1996-97	1997-98	1998-99	1999-00
Efficiency					
Employment	(2)	6,300	5,800	5,000	4,735
Revenue Per Employee ($000)	(3)	114	115	161	163
Average Days Sick Leave Per Employee	(4)	12	11	10	10
Service					
RAC Average key performance indicator	(5)	0	0	>1	>1
Employee utilisation (%)		0	0	86	106
Finances					
Operating Result ($m)	(6)	2.1	(1.8)	10.6	26.7
Return on Total Assets (%)	(7)	0.4	(0.4)	1.9	4.2
Return on Equity (%)	(8)	0.9	(0.8)	7.8	7.7
Total Assets ($m)	(9)	492.2	490.9	514.3	570.1

Notes:

n/a Not available

1 All amounts reported in 1999/00 dollars.

2 1996/97 and 1997/98 staff employment based on average for financial year. 1998/99 figure based on number of staff employed as at 30 June 1999. 1999/2000 figure based on number of full time eqivalent staff as at 30 June.

3 Revenue is defined as operating revenue on an accrual basis, excluding interest income.

4 Calculated as total days sick leave divided by number of employees.

5 The RAC KPI provides an indication of RSA's performance against a set of service levels. A result of more than one indicates that RSA has exceeded agreed service levels.

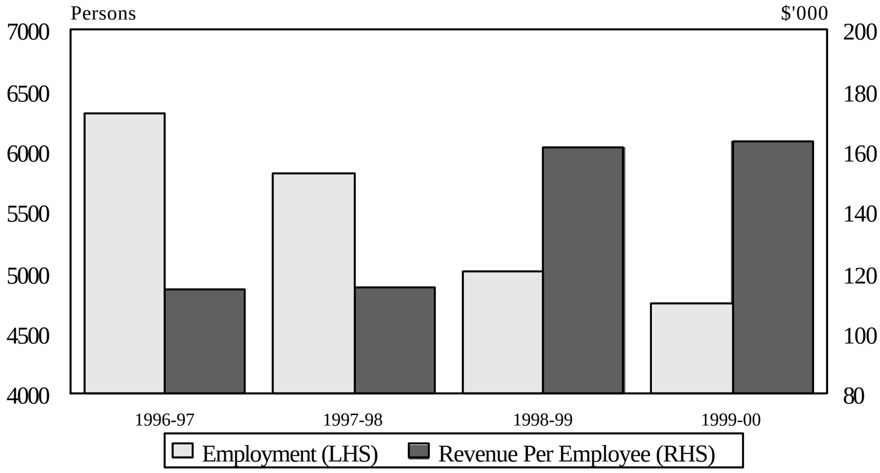
6 Operating result on accrual basis, calculated as profit after interest and before tax. The 1997/98 figures have been revised.

7 Calculated using profit before interest and tax (EBIT). The 1997/98 figures have been revised. Figures for 1997/98, 1998/99 and 1999/2000 exclude asset sales.

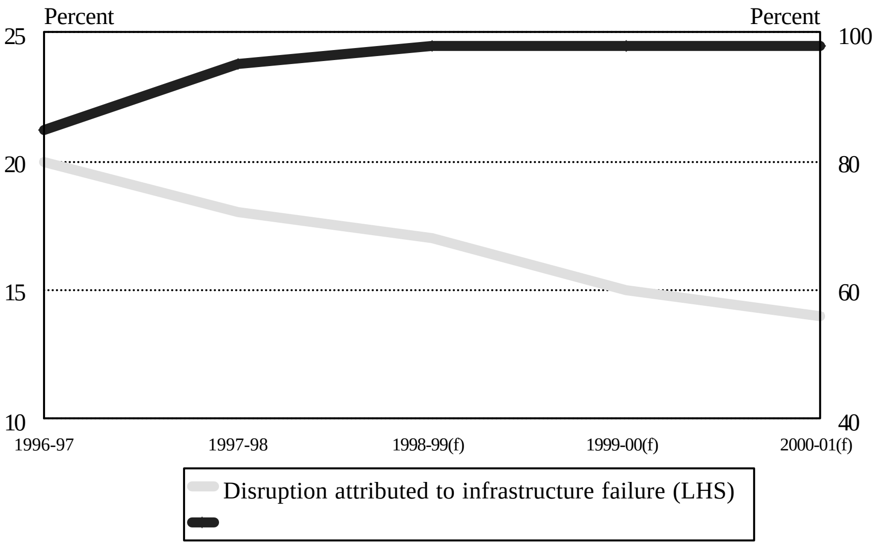
8 Calculated using profit after interest and tax and excluding abnormal items. The 1997/98 figures have been revised.

9 Total assets at book value net of depreciation. The 1997/98 figures have been revised.

Revenue per Employee

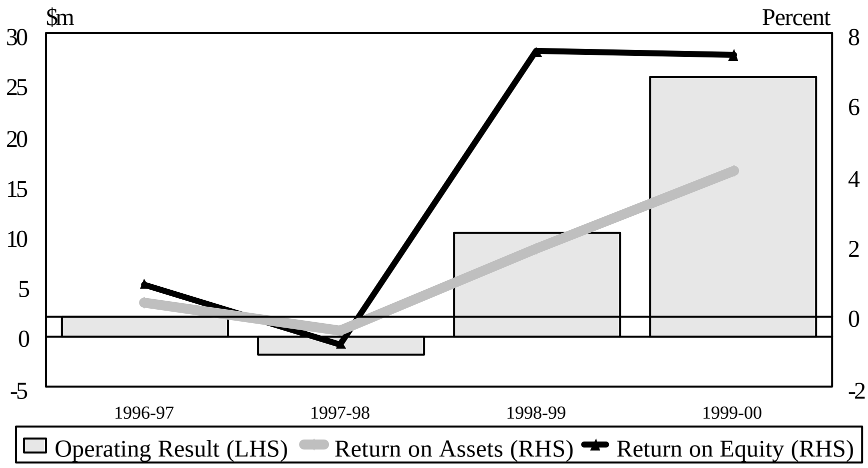


Service



Financial Performance

1999-00 Dollars



STATE FORESTS

Mr Brad McCartney
Manager, Corporate Finance
STATE FORESTS
Locked Bag 23
PENNANT HILLS NSW 2120
(02) 9980 4100

STATE FORESTS

In 1999-00, State Forests made significant progress towards key commercial, environmental and community objectives. In particular, State Forests improved the financial performance of its wood production and marketing businesses. It is also developing new business opportunities in planted forests and environmental services.

Buoyant economic conditions and new home building activity generated strong demand for wood from native forests and softwood plantations. A business review has initiated an ongoing process of change to continually improve State Forests' financial, environmental and community performance. The review has also resulted in organisational changes to position State Forests to capitalise on emerging markets for forest environmental services.

Financial performance

State Forests attained revenue of $169 million (up 10 per cent on the previous year) and an operating profit (before abnormals and tax) of $29.5 million. This significant improvement on the previous four years is due in part to favourable market conditions.

New corporate focus

State Forests' traditional timber production activities will continue to generate the bulk of its revenue for some years. Nevertheless, State Forests is firmly committed to diversifying into new business areas related to environmental services.

During 1999-00, State Forests commenced its first major greenhouse forests project. It is also developing commercial markets for other environmental services, including salinity control, land rehabilitation, renewable energy and biodiversity conservation.

Plantation expansion program

Since 1995, more than 20,000 hectares of new hardwood plantations have been established in north eastern NSW, a Statewide increase of 75 per cent. By 2010 this hardwood estate will produce more than 200,000 tonnes of sawlogs annually, around two thirds of the hardwood volume currently supplied to sawmills on the North Coast.

State Forests' softwood resource already sustains Australia's largest concentration of wood processing industries. Even so, it is expanding at around 2,500 hectares yearly.

Native forest management

Implementation of the Government's forestry reform program continued during 1999-00. Forest agreements have been completed for South Coast, North Coast and Eden regions. The agreements have created 1.4 million hectares of new national park and reserves, and will ensure stability for a sustainable, value-adding native forest timber industry.

Future outlook

Changes within State Forests and important external developments during 1999-00 have strengthened its position in traditional hardwood and softwood markets and also confirmed potential for profitable expansion into identified new business areas.

In addition, State Forests foresees growing community awareness and knowledge of the importance of new planted forests in addressing environmental issues. This will present new opportunities for State Forests to become a leading environmental services provider in partnership with other government, private sector and community organisations.

STATE FORESTS

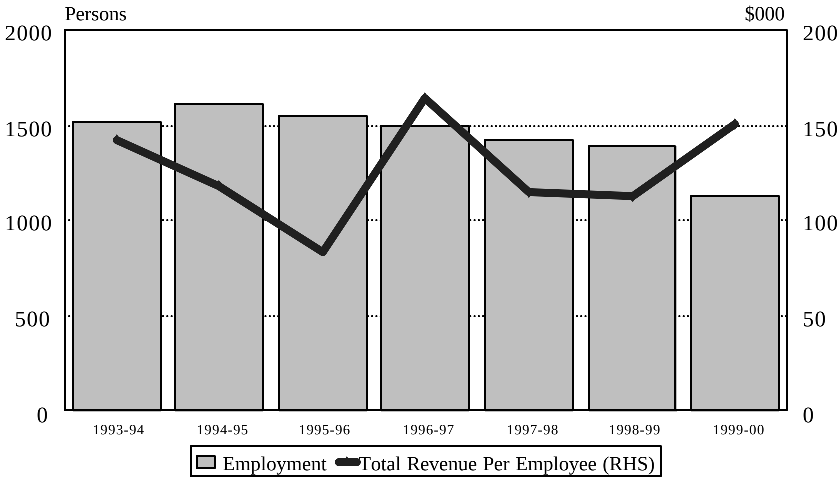
	(1)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment		1,513	1,609	1,552	1,495	1,423	1,392	1,125
Total revenue per employee ($000)		142.5	118.4	83.5	164.0	114.5	112.5	150.4
Timber sold per employee								
- sawlogs including pine sawlogs (000 cubic metre		1.40	1.40	1.30	1.30	1.50	1.70	2.30
- pulp including pine pulp (000 tonnes)		0.90	0.90	0.80	0.70	0.80	1.00	1.19
Forests managed per employee (hectares)								
- pine plantations		133	126	131	139	145	152	182
- other forests		2,303	2,086	2,197	2,169	2,241	1,904	2,044
Employee safety -								
- lost time injuries	(2)	49	47	44	47	44	33	31
- frequency rate	(3)	17.6	16.4	15.7	19.0	17.4	13.9	14.2
Service								
State forest managed (000 hectares)								
- pine plantations		201	202	203	208	207	211	205
- other forests		3,478	3,356	3,410	3,242	3,189	2,650	2,300
Timber production								
- sawlogs including pine sawlogs (000 cubic metre		2,116	2,212	2,006	1,995	2,181	2,417	2,593
- pulp including pine pulp (000 tonnes)		1,355	1,437	1,211	1,111	1,156	1,406	1,342
Pine plantations planted (hectares per year)		2,440	3,996	6,415	6,200	6,067	5,693	5,505
Hardwood plantations planted (hectares per y	(4)	274	1,747	2,077	5,000	7,500	4,000	5,300
Roads built (kilometres)		381	359	313	350	802	715	52
Finances								
Total revenue ($m)	(5)	140.2	149.4	135.4	129.8	140.8	155.6	169.2
Operating surplus ($m)	(5)	106.5	139.2	(6.4)	122.5	(20.8)	13.2	111.0
Operating surplus before MVI ($m)	(5)	30.8	29.0	15.0	10.8	20.4	17.5	29.5
Total assets ($m)	(6)	1,268.5	1,379.8	1,528.6	1,666.7	1,677.0	1,644.8	1,684.7
Total liabilities ($m)	(7)	111.4	211.6	243.7	312.8	339.2	364.0	334.9
Total equity ($m)		1,157.1	1,168.2	1,295.0	1,353.8	1,337.9	1,280.8	1,349.8
Interest bearing debt ($m)	(8)	39.8	53.4	90.0	101.4	118.7	129.1	126.1
Return on assets (%)	(6)	8.8	10.5	0.0	7.3	(1.2)	0.8	6.6
Return on equity (%)		9.2	11.9	(0.5)	9.0	(1.6)	1.0	8.2
Debt to equity (%)		3.5	4.6	6.9	7.5	8.9	10.1	9.3
Total liabilities to equity (%)		9.6	18.1	18.8	23.1	25.4	28.4	24.8
Current ratio		1.7	1.2	1.0	1.8	1.1	1.2	1.2
Times interest earned	(9)	21.9	27.9	(0.6)	13.9	(2.7)	1.6	3.9

Notes:

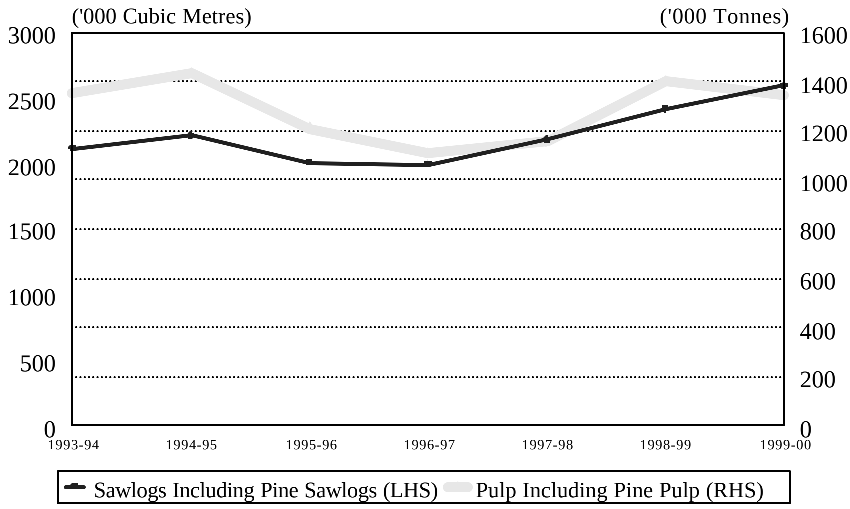
n/a Not available
f Forecast

(1) All dollar amounts are reported in 1999-00 dollars.
(2) Number of work injuries which resulted in employees being unable to work for at least one full day (or shift) after the day (or shift) on which the injury occurred.
(3) An index to illustrate the number of workplace injuries expressed in terms of a million work hour units.
(4) Hardwood hectares planted after 1992-93 relate to structured plantation partnerships and Government funded program. Funding has not been approved beyond 1998/99.
(5) Market value increment (MVI) represents increase in imputed market value of pine plantations. Rises in revenue and profits for 1993-94, 1994-95 and 1996-97 are related to increases in MVI. Large drop in revenue and profit for 1995-96 is primarily due to a MVI decrement caused by falling timber, prices and revised inventory techniques,exacerbated by a downturn'in the housing industry. Similarly, 1997/98 experienced a decrement causing an operating loss despite strong improvement in timber revenue. The revenue increases in the forecast years largely result from introduction of Contract Harvest and Haulage during the 1999 calendar year. This work is planned to increase during the Forecast years as State Forests takes on this work from the industry in certain areas of the State.
(6) Does not incorporate a valuation of native forest.
(7) Increase in liabilities for 1995-96 is due to increased borrowings and increased deferred tax position.
(8) Increases in debt levels from 1995-96 are to support the capital investment program into plantation establishment.
(9) Times interest earned in 1993-94 and 1994-95 are large due to the increased revenues and profits from MVI effects. Negative ratios in 1995/96 and 1997/98 are due to the decrements in MVI.

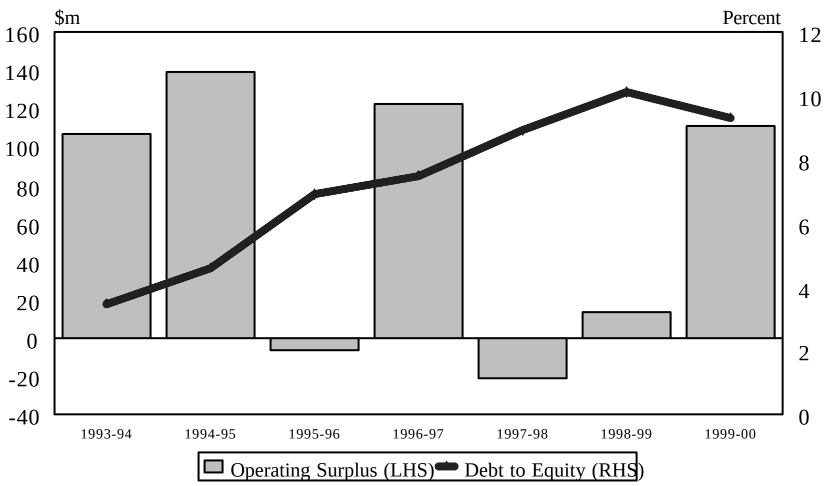
Employment and Total Revenue



Timber Production



Financial Performance



State Rail

Mr Rob Noyes
General Manager, Corporate Services
STATE RAIL AUTHORITY
Level 5, 18 Lee St
CHIPPENDALE NSW 2008
(02) 8202 2200

State Rail operates passenger rail services in New South Wales under two principal business units – CityRail and Countrylink.

CityRail is the principal urban public transport provider in Sydney and the surrounding region. It delivers suburban, outer suburban and regional train services in the Sydney, Hunter Valley, Central Coast, Blue Mountains, Southern Highlands, Illawarra and South Coast areas.

CityRail provides around 2,300 services each weekday, carrying approximately 900,000 passengers. These services operate between 306 stations over some 2060 kilometres of track. The CityRail fleet consists of 1514 carriages. Double-deck electric sets service the Sydney metropolitan and outer suburban areas while 30 Endeavour diesel cars provide most services in the non-electrified regional areas of the Hunter Valley, Illawarra/South Coast and Southern Highlands.

Countrylink provides long distance passenger rail services, supported by an extensive coach network throughout regional New South Wales. Countrylink services are a direct transport link to the capital cities of the Australian Capital Territory, Queensland and Victoria. Countrylink provides 162 rail services and 578 coach services per week.

Countrylink also operates 34 Travel Centres and eight Booking Offices across the network. These sell and promote point-to-point travel, Countrylink Holiday packages, city and regional day tours and attractions.

Major achievements and strategic developments during 1999-00 included:

- the Airport Link opened on 21 May 2000, linking the existing CityRail network to five new stations including the Domestic and International Terminal stations. Passengers can now reach the Domestic Terminal Station in only 11 minutes from Central Station.

- CityRail trains are cleaner than ever. The frequency of major internal train cleans doubled from every 60 days to every 30 days. Mobile on-train delittering teams were introduced in November 1999 and the trial has been extended to include the Illawarra Line at Hurstville, the Western Line at Blacktown, the Southern Line at Glenfield and the North Shore Line at Hornsby. Pre-peak fleet preparation teams were introduced in March 2000.

- Some 80 per cent of Intercity carriages have been refurbished. The installation of locking door motors and public announcement systems on non-Tangara Intercity and Suburban carriages is 80 per cent complete. The replacement of Tangara seat trims is 85 per cent complete. These projects are scheduled for completion by the end of August 2001.

- CityRail delivered successful timetabled services to cater for special events including New Years Eve, Australia Day, Mardi Gras and the 2000 Royal Easter Show. Each of these events attracted hundreds of thousands of additional people into the City, many of whom chose to use the rail network as their preferred mode of transport.

STATE RAIL AUTHORITY

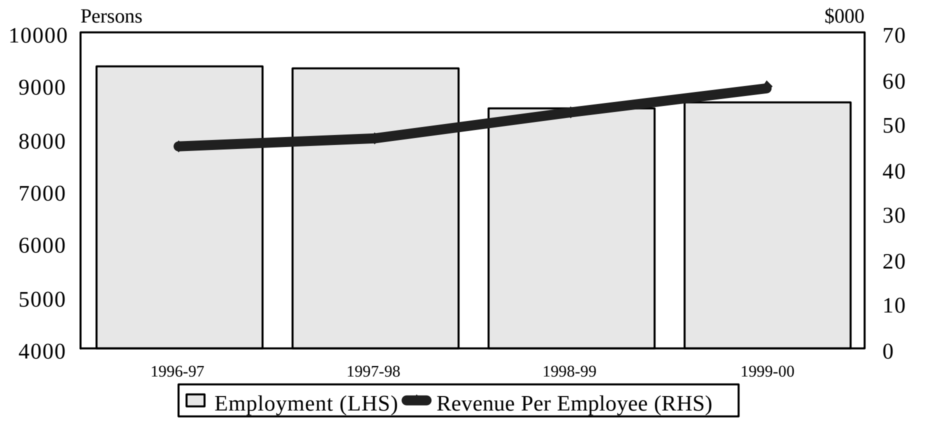
	(1)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment	(2)	21,270	20,186	19,742	9,344	9,317	8,544	8,660
Passenger revenue per employee ($000)	(3)	16.4	18.6	19.9	46.5	48.3	53.6	57.8
Passenger journeys per employee (000)	(3)	10.8	12.1	13.0	29.0	28.8	31.2	31.4
Operating cost per passenger journey ($)		n/a	n/a	n/a	6.29	6.22	6.15	5.64
Industrial disputes								
- total hours lost (000)		2.7	3.5	0.8	0.0	0.1	3.0	15.0
- hours lost per employee		0.1	0.2	0.0	0.0	0.0	0.3	1.7
Countrylink load factor (%)	(4)	64.0	62.0	61.0	64.0	65.0	67.0	67.0
Service								
Passenger journeys (million)								
-cityrail		234.8	249.6	256.4	264.7	266.5	270.5	278.7
-countrylink		2.1	2.2	2.4	2.5	2.5	2.4	2.4
-total		236.9	251.8	258.8	267.2	269.0	272.9	281.1
On time running (%)								
- suburban (within 3 minutes)		92.2	90.8	88.7	86.4	91.4	92.5	85.4
- intercity (within 5 minutes)		93.1	92.2	91.9	90.1	94.0	93.0	90.3
- country (within 10 minutes)		84.8	86.3	89.0	87.0	85.0	77.3	59.2
Real price index (fares based)		111.7	110.6	111.7	115.8	118.6	120.4	133.4
Finances								
Passenger revenue ($m)	(5) (8)	362.1	386.0	397.0	428.3	451.6	468.0	517.8
Operating cost ($m)	(6) (8)	n/a	n/a	n/a	1,679.8	1,672.0	1,679.1	1,585.3
Social program payments ($m)	(7) (8)	302.2	314.1	317.1	528.6	515.6	495.2	478.9
Borrowings ($m)		352.9	629.4	704.3	197.4	197.2	193.8	198.5

Notes:

n/a Not available
f Forecast

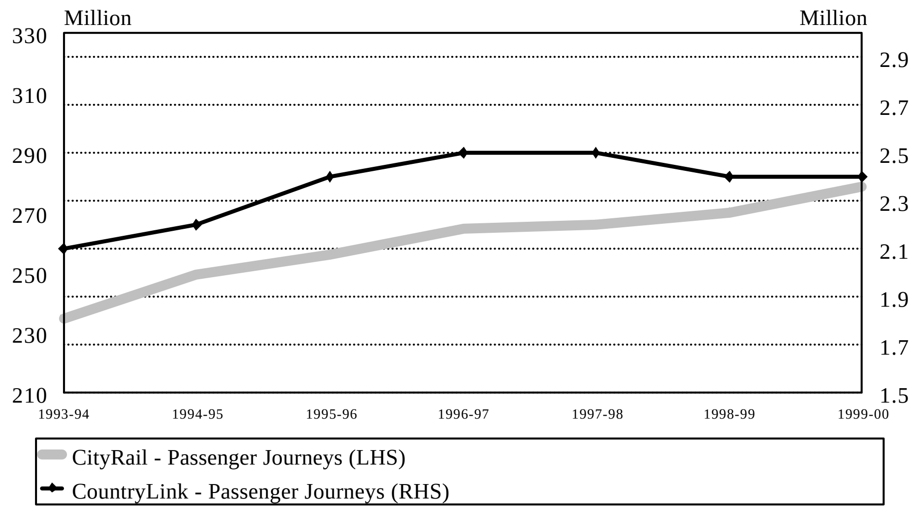
(1) All dollar amounts, including forecasts, are expressed in 1999-00 dollars.
(2) Employees as at 30 June of each financial year. The change in employment between 1995-96 and 1996-97 reflects the creation of FreightCorp, the Rail Access Corporation and the Rail Services Authority.
(3) Based on average number of employees for the financial year.
(4) Passenger Kms divided by Seat Kms including rail, intercity and feeder coaches.
(5) Includes catering revenue.
(6) Due to SRA restructure on 1 July 1996, comparable figures for earlier years are not available.
(7) Passenger services only. Excludes redundancy program and pre 1996 liabilities.
(8) 1999/00 and 2000/01 include revenue and expenditure associated with the Olympic Games

Employment and Revenue



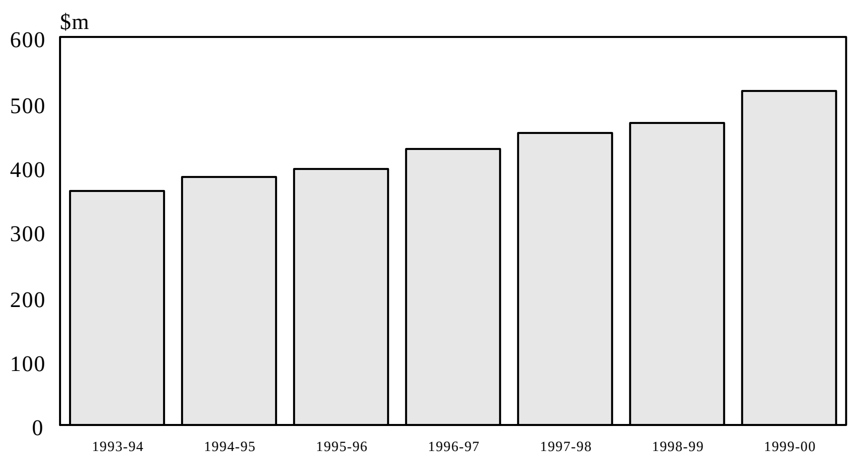
Note: Due to SRA restructure, revenue per employee figures prior to 1996-97 are not comparable

Service



Passenger Revenue

1999-00Dollars



State Transit

Mr Carl Davison
Manager Business Analysis and Planning
STATE TRANSIT AUTHORITY
Level 29, Northpoint
100 Miller Street
NORTH SYDNEY NSW 2060
(02) 9245 5722

STATE TRANSIT AUTHORITY

State Transit is the largest operator of buses and ferries in Australia. Its services cover much of metropolitan Sydney and Newcastle. Its vision is to achieve a quality urban environment underpinned by an efficient, attractive public transport network.

State Transit was established under the *Transport Administration Act 1988*. Like privately-owned bus and ferry operators in New South Wales, it works within the regulatory framework of the *Passenger Transport Act 1990.*

State Transit's Sydney bus operations extend from Palm Beach in the north, Miranda and Hurstville in the south and, following the acquisition in 1999-00 of two private bus companies, Parramatta in the west. Over 191 million passenger journeys were completed in 1999-00. State Transit's Sydney ferry services cover the Inner Harbour, Parramatta River and Manly. In 1999-00, 13.3 million passengers were carried.

The Newcastle services extend from Caves Beach in the south, north to the Hunter River and from Newcastle CBD in the east to Sandgate in the west. Two ferries operate a link across the Hunter River between Newcastle CBD and Stockton. In Newcastle, State Transit carried 12.7 million passengers in 1999-00.

State Transit operates in the same commercial environment as private sector transport operators. Its objectives, each of equal importance, are defined in its enabling legislation as:

- to provide safe, efficient, reliable bus and ferry services;
- to operate as efficiently as any comparable business;
- to maximise the net worth of the State's investment in the business;
- to exhibit a sense of social responsibility towards the community in which it operates;
- to conform to the principles of ecologically sustainable development; and
- to exhibit a sense of responsibility towards regional development and decentralisation.

The *Passenger Transport Act 1990* was amended in May 1997 to allow for existing service contracts held by operators, including State Transit, to become more competitive. A performance assessment and contestability regime for commercial service contract holders will replace the current system of perpetual rights. Current contracts will be renewed for one further five year term. To obtain the next renewal, operators will have to meet a series of best practice benchmarks covering service levels, costs to Government (if any), fare and ticketing and service quality. These reforms are designed to improve the service provided by public transport in NSW.

State Transit's end of year result for 1999-00 was a surplus of $0.7 million. This result was achieved notwithstanding the acquisition of the North and Western and Riverside bus companies and the loss of revenue from rental properties, but was assisted by the writeback of superannuation provisions following the triennial review of State Transit's liabilities.

The value of State Transit's net asset position at 30 June 2000 ($143.8m) was held at a similar level to the previous year ($143.3m).

Due to the high level of capital expenditure required for the bus replacement program and the purchase of North and Western and Riverside, additional debt of $68 million was incurred in 1999-00. This increases the debt equity ratio from 27 per cent in 1998-99 to 44 per cent in 1999-00.

Wage rate increases continued to run ahead of CPI and exceeded the levels provided by IPART in its determination of fares.

STATE TRANSIT AUTHORITY

		1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
	(1)							
Efficiency								
Employment		3,740	3,818	4,101	4,303	4,305	4,369	4,690
Passenger trips (000) per employee		50.6	50.7	49.5	48.2	48.8	48.5	46.4
Passenger revenue ($000) per employee	*(2)*	77.7	75.9	72.9	74.1	77.3	77.8	80.8
Working hours lost to industrial disputes		0	0	0	62	6,702	3,300	2,665
Service								
Kilometres travelled (000)		71,036	72,517	76,690	78,992	80,379	81,962	85,431
Total passengers carried (000)		189,404	193,480	203,155	207,340	210,143	211,839	217,825
Bus service								
Average age (years)		10.0	10.4	11.2	11.5	11.3	12.0	12.0
buses in service		1,462	1,494	1,534	1,627	1,705	1,719	1,906
Bus passengers carried (000)		177,788	181,106	190,201	193,894	196,627	198,332	204,159
Ferry service								
Average age (years)		8.0	9.0	10.0	10.3	11.3	11.6	12.6
Ferry passengers carried (000)		11,616	12,374	12,954	13,446	13,516	13,507	13,666
Real fare index	*(3)*	108.3	106.3	104.3	106.5	108.7	109.4	114.4
Finances								
Operating result ($m)		4.5	22.0	11.1	1.1	(4.7)	(9.0)	0.7
Gross external debt ($m)		70.7	53.2	44.2	35.0	52.4	56.3	123.1
Total assets ($m)		439.3	403.1	422.9	394.2	400.6	380.2	434.1
Asset sales ($m)		26.0	13.1	3.1	5.3	0.9	17.6	22.2
Return on total assets (%)		1.0	5.5	2.6	0.3	(0.8)	(2.6)	0.2
Government contributions ($m)								
- travel concessions		116.3	112.3	108.5	116.2	124.3	125.7	129.4
- operating loss		0.0	0.0	0.0	0.0	0.0	0.0	0.0
- finance charges		0.0	0.0	0.0	0.0	0.0	0.0	0.0
- social programs		70.3	56.7	38.5	40.7	43.9	46.1	50.2
- total		186.6	169.0	147.0	156.8	168.2	171.8	179.6
Dividend payment ($m)		0.0	1.7	9.4	0.0	0.0	0.0	0.0
Net govt contribution ($m)		186.6	167.3	137.6	156.8	168.2	171.8	179.6

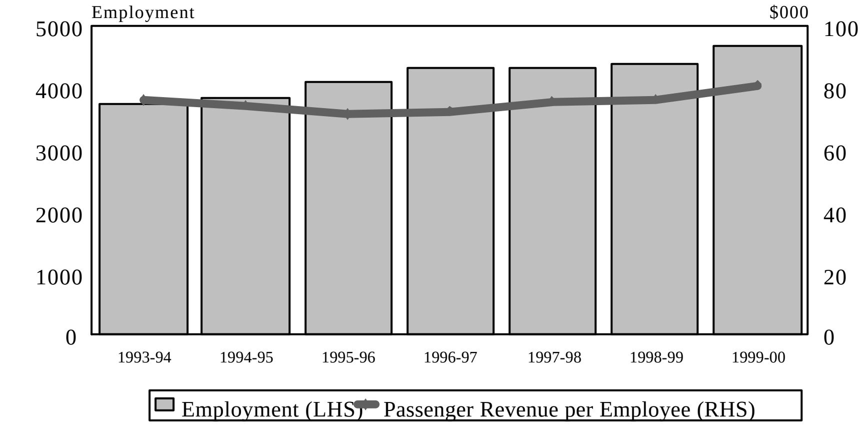
Notes:

n/a *Not available*
e *Estimate*
f *Forecast*

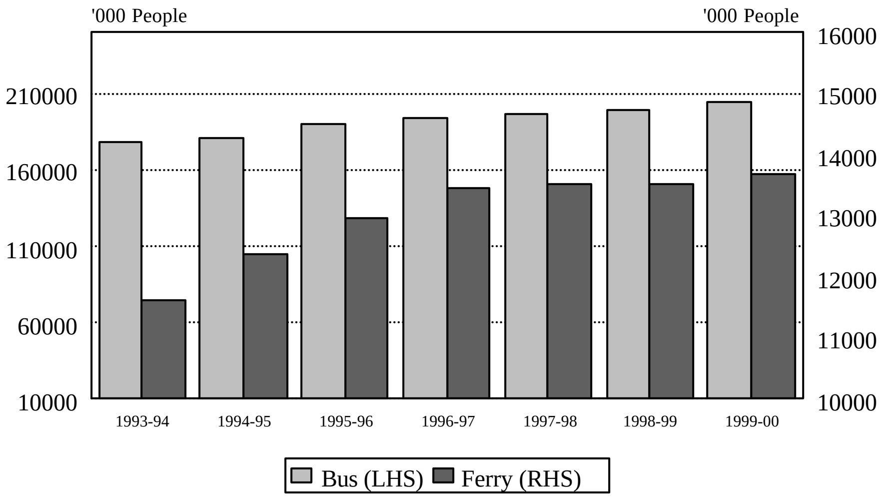
(1) *All dollar amounts reported in 1999-00 prices. All revenue based forecasts are based on assumptions outlined in the latest IPART determinations.*
(2) *Passenger revenue comprises farebox, charters, hirings and concessions.*
(3) *Derived from information supplied for the Government Charges Index.*

Employment and Passenger Revenue per Employee

1999-00 Dollars

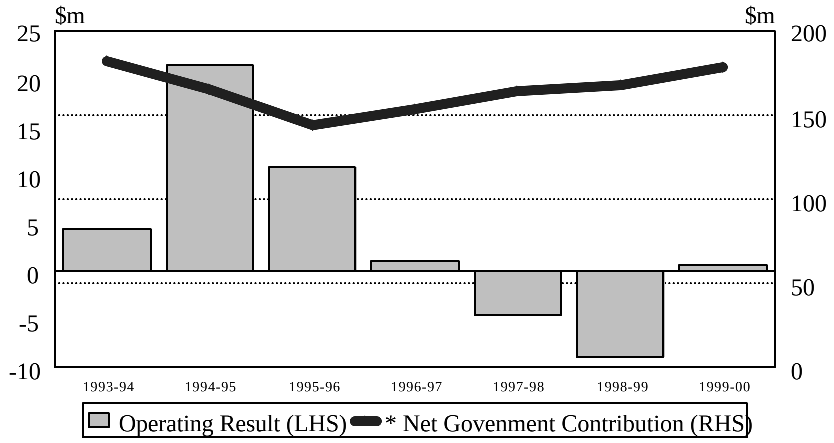


Passengers Carried



Financial Performance

1999-00 Dollars



* Contributions are made up of reimbursements for travel concessions and community service obligations.

Mr Simon Barney
General Manager, Commerce and Logistics
SYDNEY PORTS CORPORATION
PO Box 25
MILLERS POINT NSW 2000
(02) 9296 4999

SYDNEY PORTS CORPORATION

Sydney Ports' *Vision* is to be an internationally respected commercial port manager in all operational and environmental aspects, and to provide facilities to promote and support trade growth for the benefit of the NSW economy.

Sydney Ports Corporation was established on 1 July 1995 to manage, operate, promote and develop the commercial ports of Sydney Harbour and Botany Bay. The Corporation is responsible for providing safe navigation to ocean-going commercial vessels and facilitating the efficient movement of cargo and passengers on these vessels.

The NSW Government licenses the Corporation to undertake port safety functions to a required standard and to act as a protector of the marine environment within the ports.

The Corporation's key roles are to:

- manage and develop port facilities and services to cater for existing and future trade needs;
- facilitate trade by providing competitive advantage to importers, exporters and the port related supply chain;
- manage the navigational and operational safety needs of commercial shipping;
- protect the environment and have regard to the interests of the community; and
- deliver profitable business growth.

The key indicator of performance is the substantial growth in trade through Sydney's ports. Volumes in all trade commodity groupings have improved. Growth is most evident, however, in the container trade. A fifty percent increase in container throughput in the five years of the Corporation's existence, moving from 670 thousand twenty foot equivalent units (TEUs) in 1994-95 to one million TEUs in 1999-00, has occurred.

The major strategic issue for the Corporation is the need to grow the port to meet the future needs of the importers and exporters of New South Wales. Sydney Ports is working with Government to develop the port. Planning is being undertaken to reclaim wetland at Port Botany for a third container terminal and multi-purpose berth. Concurrently, a strategy to create an intermodal facility at Enfield in Sydney's western suburbs is being pursued. This will enable the efficient transfer of goods by rail between Sydney's major manufacturing and distribution centres and the ports of Sydney Harbour and Botany Bay.

SYDNEY PORTS CORPORATION

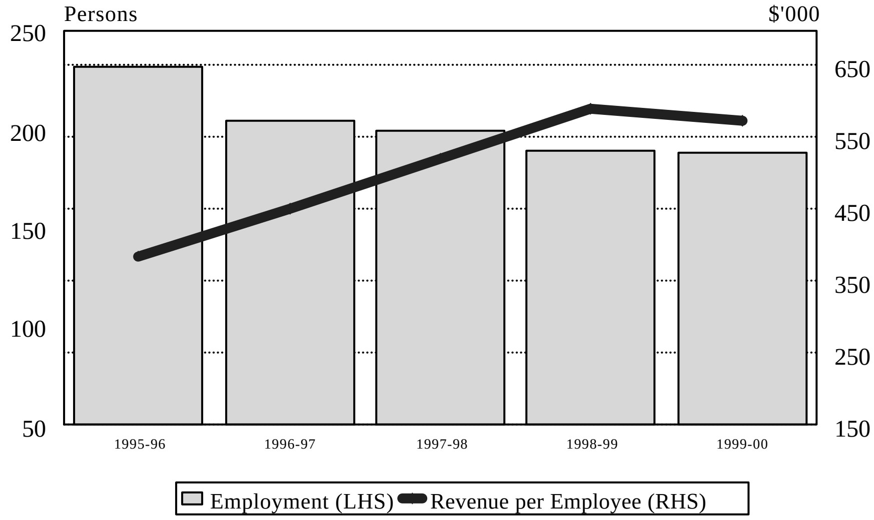
	(1)	**1995-96**	**1996-97**	**1997-98**	**1998-99**	**1999-00**
Efficiency						
Employment	*(2)*	231	204	199	189	188
Revenue per employee ($000)	*(3)*	385	451	521	590	573
Industrial disputation						
- total hours lost		0	0	0	0	0
- hours lost per employee		0	0	0	0	0
Contract labour ($m)		1.31	1.02	0.85	0.45	0.82
Service						
Total trade (million tonnes)	*(4)*	31.6	32.8	36.3	39.3	45.0
Vessel arrivals		2,166	2,267	2,330	2,334	2,443
Vessel turnaround time (hrs)		40.6	40.2	39.6	39.4	42.3
Berth occupancy (%)		n/a	n/a	n/a	n/a	n/a
Berth queueing time (hrs)		n/a	n/a	n/a	n/a	n/a
Average time at berth		38.6	36.5	37.8	37.3	40.3
Avg port management charge per tonne of cargo ($)		2.07	1.97	1.91	1.79	1.63
Avg port management charge per vessel ($)		30,242	28,465	29,791	30,187	30,077
Container Volumes ('000 TEU's)	*(5)*	699	730	801	878	1,016
Finances						
Operating result ($m)	*(3)*	45.4	40.0	42.6	50.7	44.1
Contribution to govt ($m)		33.0	30.4	29.2	31.5	32.0
Asset sales ($m)		0.6	0.6	0.5	0.4	0.3
Return on total assets (%)	*(6)*	14.9	15.4	7.6	8.9	7.6
Return on equity (%)	*(6)*	31.3	26.2	12.0	13.8	11.9
Gross external debt ($m)		158.6	157.0	156.6	154.3	151.6
Debt to equity (%)		109.3	102.7	44.4	42.1	40.9
Times interest earned		7.2	3.8	3.0	4.0	3.5

Notes:

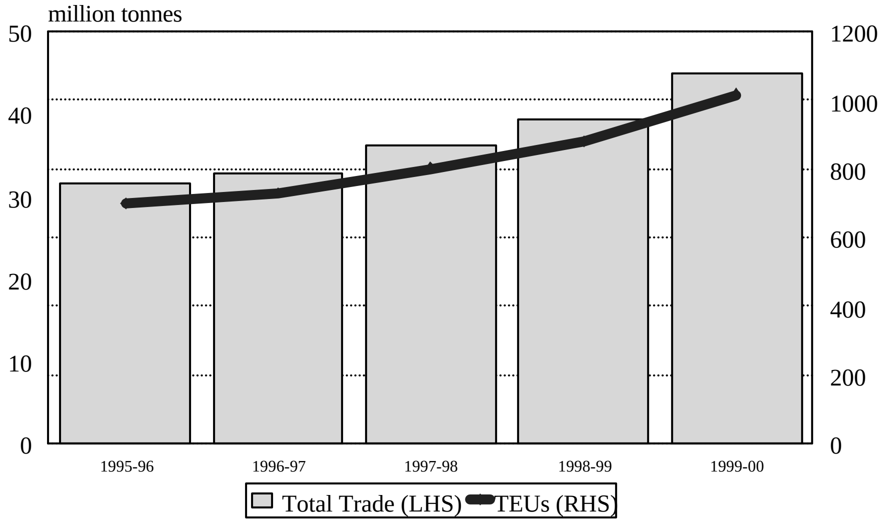
n/a Not available
f Forecast

(1) All values are reported in 1999-00 dollars.
(2) Excludes labour employed by consultancy.
(3) 1998-99 Revenue includes $7m Capital Grant from Government for contruction of 'Wharf 8 Passenger Terminal.
(4) Total trade for SPC berths only (excludes cargo at privately owned berths).
(5) Twenty foot equivalent units
(6) Revaluation of assets undertaken in 1997-98.

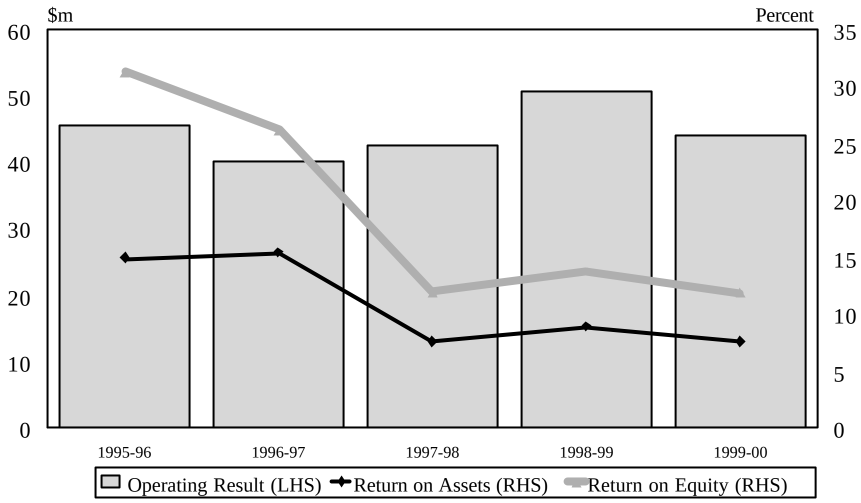
Employment and Revenue per Employee



Total Trade and TEUs



Financial Performance



Sydney WATER

Mr Paul Scully
Senior Economist, Pricing Branch
SYDNEY WATER CORPORATION
Level 11, 115-123 Bathurst Street
SYDNEY NSW 2000
(02) 9350 6401

SYDNEY WATER CORPORATION

1999-00 was a year of change for Sydney Water. The newly created Sydney Catchment Authority took over responsibility for the operation of the catchments, water storage dams and major water pipelines, the icons of Sydney Water since its formation in 1888. It was also a year of renewed focus on responsible asset management of Sydney Water's infrastructure and of some significant internal reforms.

The most significant change during 1999-00 was the commencement of the operations of the Sydney Catchment Authority (SCA), which was formed in response to the recommendations of the 1998 McClellan Inquiry. The Authority has become a partner in efforts to provide clean, safe water supplies.

There have also been major developments in Sydney Water's regulatory environment. Of considerable importance was the granting of the new Operating Licence in April 2000, allowing Sydney Water to continue to provide water, wastewater and stormwater services. The Licence seeks to improve Sydney Water's accountability to the community and customers by increasing the transparency of activities, increasing stakeholder participation in decision-making, initiating a review of performance standards and the Customer Contract, and providing explicit consumer rights.

Pricing reform continues. In December 1999, pricing proposals for the period commencing 1 July 2000 were submitted to IPART. IPART's determination sets prices for the period 1 October 2000 to 30 June 2003. A further $29 million in property taxes are to be removed from the pricing system by 2002-03, resulting in real reductions in bills to most non-residential customers.

Other regulatory developments include the issuing by the EPA of 27 licences for sewerage systems; the development of ESD indicators; and the initiation of a review of the 5 year Environment Plan. Sydney Water has also been active in the development of protocols with regulators and key stakeholders, such as the Drinking Water Quality Incident Plan developed in conjunction with NSW Health and the Environmental Protection Agency.

Last year Sydney Water commenced a review of costs and operations to improve efficiency and deliver value to customers. This review has resulted in a Voluntary Exit Program and an organisational restructure. The restructure included the implementation of shared services to avoid duplication of support services; a restructure of the operating divisions to reflect core processes; and redesign of the capital program and business processes. To date Sydney Water has achieved substantial progress towards its targeted operating cost savings.

Sydney Water has also commenced a $2 billion capital works program to provide integrated and sustainable water, wastewater and stormwater management for the entire Sydney region. The program includes substantial expenditures on the maintenance and renewal of existing assets to ensure service reliability. It also comprises investments to increase service levels in the areas of public health, environmental and customer service standards.

1999-00 was a year of financial consolidation following the previous challenging year. All financial targets, agreed with the shareholders, were met, and overall performance targets exceeded expectations. Consolidated operating profit before abnormals and capital contributions was $131.8 million and return on net operating assets increased to 2.1 per cent.

SYDNEY WATER CORPORATION

	(*)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment	(1)	7,326	5,965	5,099	4,763	4,629	4,470	3,766
Operating cost per property ($)	(2)	494.4	484.2	448.6	445.4	428.7	457.5	497.7
Employees per thousand Properties		5.1	4.1	3.4	3.2	3.0	2.9	2.4
Revenue collection as a percentage of revenue billed (%)		99.0	99.0	98.0	98.0	98.5	98.3	98.2
Capital works expenditure:								
actual / estimated (%)		68.3	65.0	84.3	68.7	89.0	101.5	100.7
Time lost to unplanned absences (%)		3.7	4.0	3.4	3.2	2.8	2.8	3.0
Injury incidence rate	(3)	6.6	5.3	4.9	4.4	3.7	3.8	3.3
Injury frequency rate	(3)	33.0	28.2	28.5	25.5	21.4	21.8	18.2
Service								
Million properties served	(4)	1.4	1.5	1.5	1.5	1.5	1.6	1.6
New properties served (000)		22.2	27.2	25.0	22.9	23.1	28.1	30.5
Megalitres supplied (000)		625.0	569.0	551.0	588.0	620.0	600.0	602.0
Capital works contracted out		100.0	100.0	100.0	100.0	100.0	100.0	100.0
System reliability:								
Mainbreaks per 100 km		35.3	26.5	20.3	23.1	25.0	24.7	23.8
Sewer chokes per 100 km		75.4	87.6	72.3	70.2	87.1	76.3	58.1
Water resource management:	(5)							
Quality guidance compliance (1980)	(6)							
- health (%)		95.0	95.0	96.9	99.1	99.8	97.0	99.7
- aesthetics (%)		94.0	98.0	98.8	98.7	99.5	99.5	98.9
Waste water management:								
Solids removed (%)		50.0	45.0	55.0	60.0	60.0	60.0	60.0
dry tonnes of sludge per day								
- disposed to ocean		9.0	0.0	0.0	0.0	0.0	0.0	0.0
- recycled		81.0	89.0	104.0	113.0	102.0	108.0	99.0
Pollutants discharged to								
Nepean/Hawkesbury system (kg/day)	(7)							
- nitrogen		2,389.0	1,726.0	1,898.0	1,708.0	1,684.0	1,689.0	1,481.9
- phosphorus		147.0	93.0	93.0	59.0	65.0	47.0	38.1
- ammonia		506.0	151.0	137.0	50.0	57.0	76.0	56.7
Real price index	(8)	97.3	87.1	75.2	75.3	76.4	73.1	73.2
Finances								
Operating result ($m)		217.2	126.5	162.8	217.9	252.9	129.0	131.8
Return on total assets (%)								
total		2.0	2.0	2.0	2.5	2.6	1.8	2.1
core		2.0	2.0	2.2	2.5	2.6	1.8	2.1
Return on shareholders funds (%)		1.0	1.0	1.1	1.1	1.4	1.4	1.3
Asset sales ($m)		21.8	92.1	48.6	30.2	7.3	21.0	26.4
Gross external debt ($m)		2,012.6	1,947.6	1,856.7	1,817.9	1,812.8	1,739.0	1,731.0
Debt / equity		20.0	16.0	16.0	16.0	16.0	16.0	18.0
Times interest earned		2.0	1.6	1.8	1.9	2.1	1.4	1.9
Financial distribution ($m)	(9)	120.7	116.5	139.6	163.7	337.5	162.0	210.3
Community service obligations ($m) (social programs)	(10)	72.4	75.5	86.7	98.0	93.3	105.2	87.7

Notes:

n/a Not Available

f Forecast

(*) All dollar values are reported in 1999-00 prices.

(1) Employment figures reflect Full Time Equivalents (FTE) and do not include contractors.

(2) Operating costs for 1999/00 include the cost of bulk water purchases from the Sydney Catchment Authority which commenced operations this year.

(3) The definitions for these two indicators are as follows:

Injury Incidence Rate = the number of occurrences of injury or disease for each one hundred workers employed.

Injury Frequency Rate = the number of occurrences of injury or disease for each one million hours worked.

(4) The definition of serviced properties was amended to focus on customers instead of rateable properties in 1994/95. The most significant change involves the acknowledgment of individual flats as one property instead of just the whole block of flats as one customer.

(5) The figures represent the percentage of samples that have physical characteristics within parameters stated in the 1980 NHMRC guidelines. Sydney Wa meets those guidelines if in excess of 90% of samples fall within those parameters. With regard to Fluoride - substantial increases in the No. of fluoride faliures was due to Prospects' Water Filtration Plant closing down during the Water Quality Incident August 1998. To track water supply - agreed by DoH and expert Panel. From 1/7/1999, Sydney Water's Operating Licence will be measured against the 1996 DWQ guidlelines.

(6) National Health and Medical Research Council's (NHMRC) 1980 Australian Drinking Water Guidelines. As noted above, from 1/7/1999, Sydney Water's Operating Licence will be measured against the 1996 Drinking Water Quality Guidelines, as such Sydney Water no longer collects data on the basis of 1980 Guidelines. Thus data from 1999/00 onwards will not be directly comparable with previously reported data.

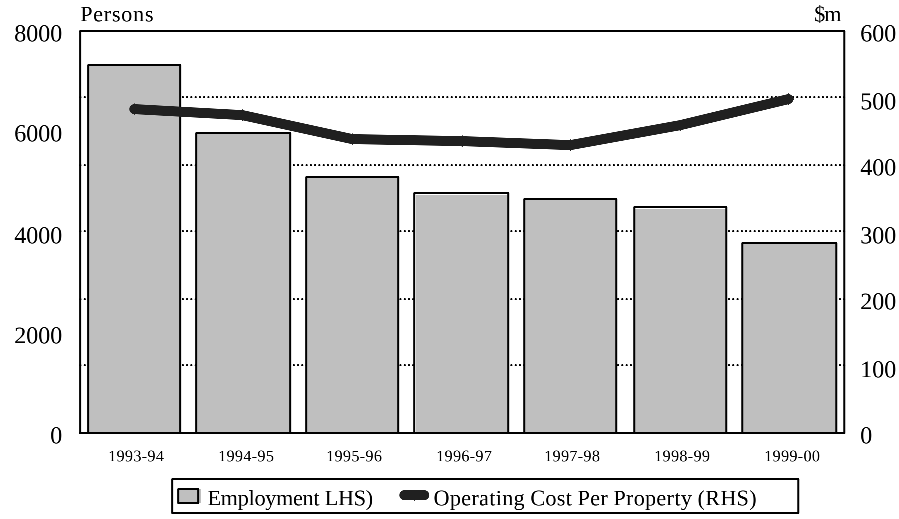
(7) The parameters used to calculate the sewage discharge figures prior to 1993/94 differ from those applied since, making it impossible to draw valid conclusions based on comparisons with current years.

(8) Derived from information supplied for the Government Charges Index. Only relevant for residential charges.

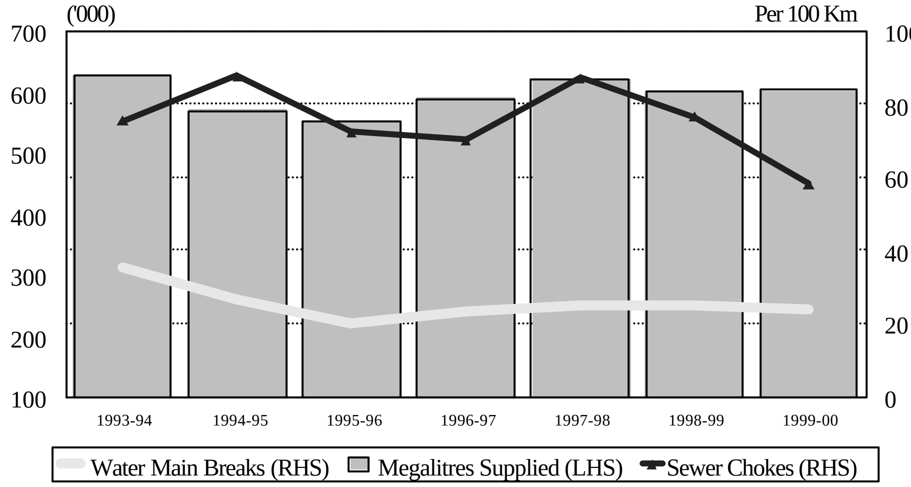
(9) Since 1993/94 Financial Distribution includes tax equivalent payments.

(10) Forecasts excluding any potential reimbursement for sewer backlogs.

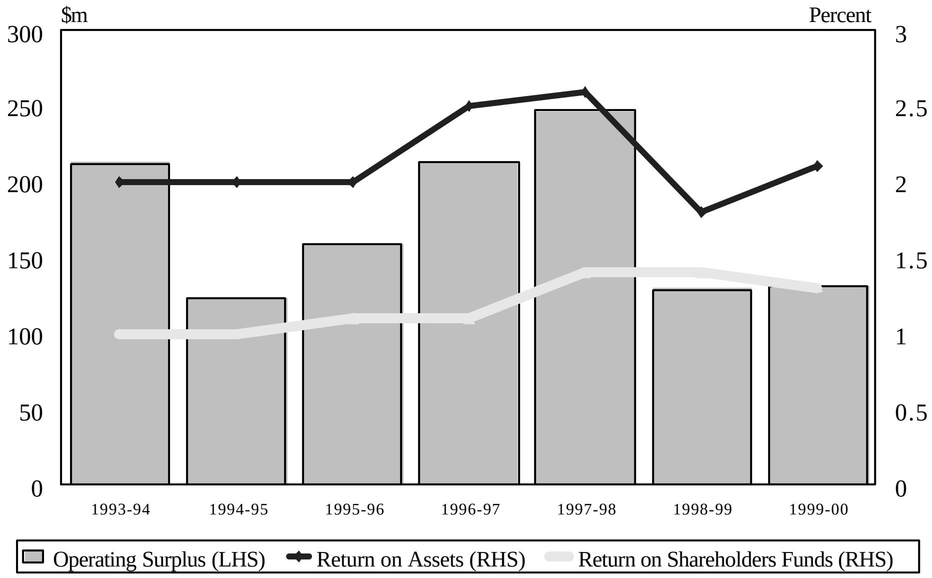
Employment and Operating Costs



Service



Financial Performance



Mr John Byrne
General Manger Commercial and Financial Services
TRANSGRID
PO Box A1000
SYDNEY SOUTH NSW 2000
(02) 9284 3516

TRANSGRID

TransGrid manages the State's high voltage electricity transmission network. The transition into the Year 2000 (Y2K) was successfully handled by TransGrid with no effects from date compliance issues, thereby ensuring the State's electricity supply remained secure. 2000 was also TransGrid's first full year of operation as a statutory State owned corporation.

TransGrid was established on 1 February 1995 under the *Electricity Transmission Authority Act 1994.* It was established as part of the restructure of the State's electricity supply industry, to promote greater competition. On 14 December 1998, TransGrid was corporatised under *the Energy Services Corporations Amendment (TransGrid Corporatisation) Act 1998*. At this time, the responsibilities for the market operation and system control activities were transferred to the National Electricity Market Management Company (NEMMCO). TransGrid is responsible for:

- operating, and maintaining the State's high voltage transmission network;
- planning new transmission network investments; and
- coordinating the transmission of electricity between transmission networks.

TransGrid manages assets of $2 billion. As at the 30th June 2000, it had a debt of $834 million, 969 staff and an annual turnover of $361 million. TransGrid achieved a pre-tax operating profit for 1999-00 of $87.1 million. This was equivalent to a rate of return on assets of 6.8 per cent. Debt levels and returns fluctuate around these levels depending on the organisation's position in its capital investment cycles.

A target rate of 4 per cent reduction per annum in TransGrid's controllable costs has been set until June 2001. TransGrid has achieved a 6.5 per cent reduction for the 1999-00 financial year, bringing the total real controllable cost reduction since 1995 to 40 per cent.

TransGrid completed its main phases of GST implementation by 30 June 2000 to ensure its systems and procedures complied with the GST legislative requirements.

TransGrid has a significant network enhancement program in progress. This includes the Queensland Interconnector, which is due for commissioning in the 2000-01 financial year; Coffs Harbour-Kempsey 132 kV lines; reinforcement of the Armidale-Liddell transmission system; and reinforcement of supply to the Sydney CBD.

TransGrid seeks to manage its existing business efficiently by adopting best practice operations and maintenance procedures, identified through participation in international benchmarking studies. TransGrid's future direction will be defined by:

- a strong commercial focus;
- the seeking of opportunities to develop partnerships with customers and suppliers; and
- the active development of its business in a number of new arenas, such as telecommunications, contestable network extensions, provision of metering services, provision of consultative and training services, and participation in interstate and international engineering projects.

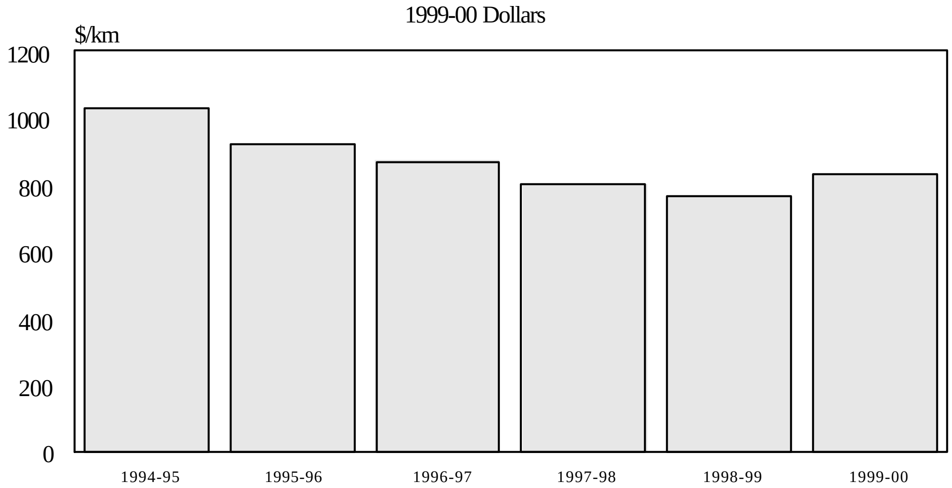
TRANSGRID

	(1)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment		n/a	1,295	1,265	1,083	1,043	1,023	969
Average Lost Time		n/a	9.0	21.1	8.9	14.2	7.0	6.9
Lost Time Injury Frequency Rate		n/a	6.0	8.0	6.9	6.7	5.4	8.3
Service								
Supply Reliability (min)		3.70	4.36	0.56	1.59	1.21	0.97	4.23
Finances	(2)							
Operating Profit ($m)		n/a	42.9	95.8	68.8	87.0	89.9	152.8
Return on Assets (%)		n/a	8.7	9.2	8.7	9.0	7.9	6.8
Return on equity (%)		n/a	6.8	8.9	7.3	8.7	6.9	6.9
Gross external debt ($m)		n/a	1,051.7	944.0	888.5	820.5	781.5	833.6
Debt to equity (%)		n/a	99.8	83.3	79.8	71.4	60.8	66.3
Times Interest Earned		n/a	1.8	1.9	1.7	2.0	2.0	2.2
Financial Distribution ($m)								
Dividend payment	(3)	n/a	18.1	63.2	57.2	51.6	55.4	54.6
Corporate Tax equivalent		n/a	7.7	22.8	12.1	22.5	20.6	18.8
Payment of Capital from Equity		n/a	0	0	0	0	0	0

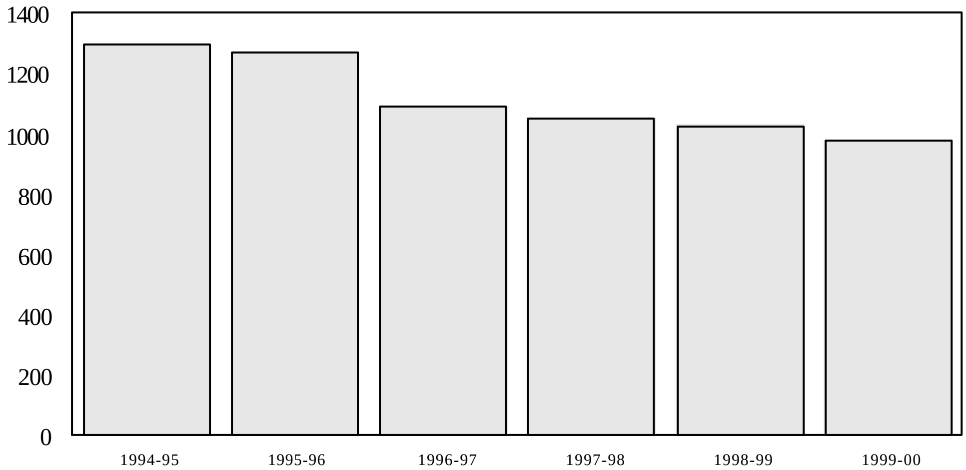
Notes:

(1) All figures are reported in 1999-00 dollars
(2) 1994-95 figures are annualised and based on 5 months of data.
(3) Dividend payout ratio excludes tax equivalents.

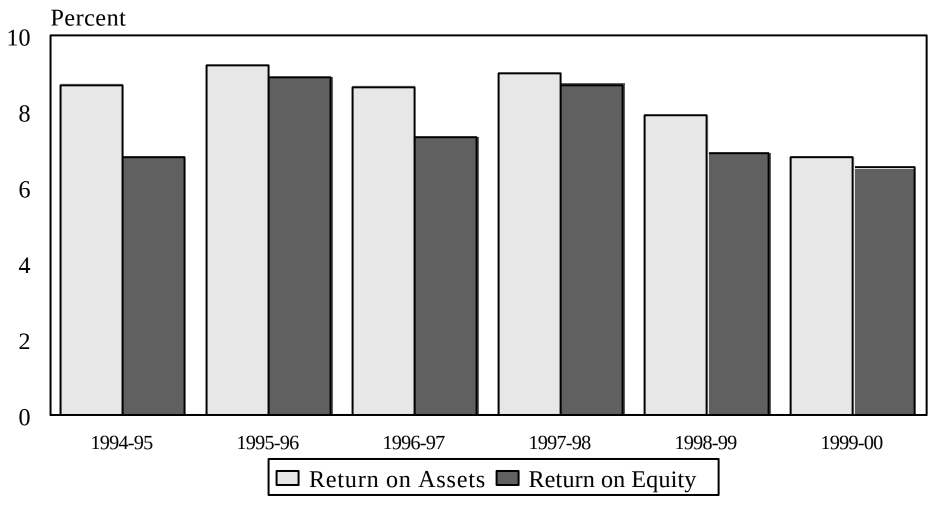
Gross External Debt



Employment



Financial Performance



Mr Ray Moran
Manager Finance
WASTE SERVICE NSW
Level 4, Zenith Centre
821 Pacific Highway
CHATSWOOD NSW 2067
(02) 9934 7014

WASTE SERVICE NSW

1999-00 was a demanding year for Waste Service NSW. It faced the challenge of addressing its deteriorating financial performance of the past two years. Through increased sales of $159 million, up $22 million on last year, and reducing costs, Waste Services delivered an EBIT of $15.0 million (before abnormal items), up 139 per cent on 1998-99.

Waste Service NSW is the trading name of Waste Recycling Service of NSW, the successor to the Metropolitan Disposal Authority and the Waste Management Authority.

Waste Service is the major liquid and solid waste service provider to the Sydney metropolitan region. It has a network of five state of the art engineered landfills, seven transfer stations, two Materials Recycling Facilities and a Liquid Waste Plant. A wide range of industrial liquid wastes are treated at the Liquid Waste Plant, ensuring safe and environmentally acceptable disposal of these wastes. Waste Service's customers include commercial generators, collectors and transporters of waste and all Sydney residents via their Councils.

For the last eight years Waste Service NSW has been the project manager of the Homebush Bay Rehabilitation Project that transformed a 760 hectare site, including 220 hectares of polluted wasteland, into a secure development site and open space with an integrated land and river transport system. It also houses the world's newest and most ecologically sustainable Olympic precinct.

Overview of the year

During the year, the organisation was thoroughly reviewed by KPMG. The review report made recommendations for the strategic direction, organisational structure, sustainable profitability and the most appropriate form of governance. Placements in the new structure will be complete by the end of 2000.

By August 2000, the Government's Microeconomic Reform Committee endorsed Treasury's recommendation that Waste Service should be corporatised. An Implementation Committee was formed to oversee the final process.

In regard to service performance, Waste Service NSW served more than 1.6 million customers at its waste management centres in 1999-00. It received 367 feedback forms with compliments and complaints, up 31 per cent from 1998-99. Whilst 12 days of service were lost because of mechanical breakdowns at Chullora Waste Management Centre and half a day was lost at Ryde Waste Management Centre due to a power failure, the customer satisfaction survey across all customer groups indicated a satisfaction rating of 84.8 per cent. No environmental prosecutions against Waste Services were recorded.

Outlook

The coming year will see the complete implementation of the restructure and likely withdrawal from the remediation business line. A new corporate identity will be unveiled as greater effort is paid to acquiring alternative waste management technologies.

WASTE SERVICE NSW

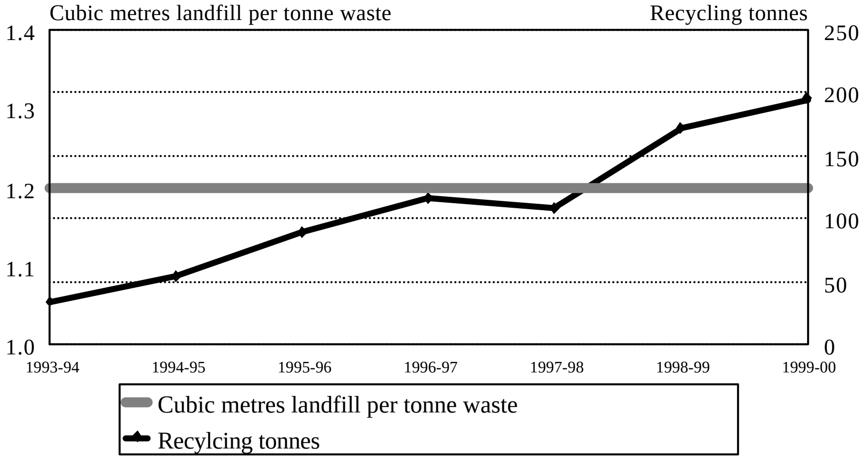
	(1)	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00
Efficiency								
Employment	(2)	121	125	129	139	156	154	144
Output per employee	(3)	592	608	729	803	763	1,163	1,105
Landfill utilisation								
(cubic metres per tonne)	(4)	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Recycling tonnes (000)	(5)	34.2	54.2	89.0	116.0	108.0	172.0	195.0
Tonnes to landfill (mt)	(6)	1.7	1.7	1.7	1.7	1.8	1.9	2.1
Service								
Availability of service								
days lost at facilities		2	1	0	0	2	0	2
Ave waste charge Increase								
solid	(7)	8.5	8.1	23.2	7.2	3.8	8.4	6.5
liquid		3.4	6.8	8.0	4.2	3.8	4.0	4.5
Real price index								
solid waste	(8)	119.7	125.2	147.9	156.5	162.2	173.2	180.3
liquid waste	(8)	111.2	114.9	118.3	121.6	126.1	129.0	131.8
Finances								
Operating surplus ($m)	(9)	9.2	9.9	17.7	15.8	11.6	3.6	15.0
Return on								
assets (%)	(10)	8.7	9.4	16.3	15.2	8.7	4.6	9.7
equity (%)	(11)	8.6	9.4	17.6	16.8	9.1	2.9	9.1
Gross external debt ($m)	(12)	9.8	17.6	14.9	24.0	35.2	46.9	45.8
Debt to equity (%)		10.0	21.7	18.0	22.4	34.0	52.5	42.5
Distribution to government								
dividend payment ($m)	(13)	8.2	2.8	5.7	5.7	4.4	4.8	5.0
tax payment		n/a	3.9	6.7	8.7	4.2	1.6	1.0
Credit management - days o/s		28.0	35.0	28.0	33.0	33.0	34.0	0.0
Proportion of costs contracted out								
solid waste system (%)	(14)	91	91	93	93	91	90	90
liquid waste system (%)		62	73	81	84	86	86	86

Notes:

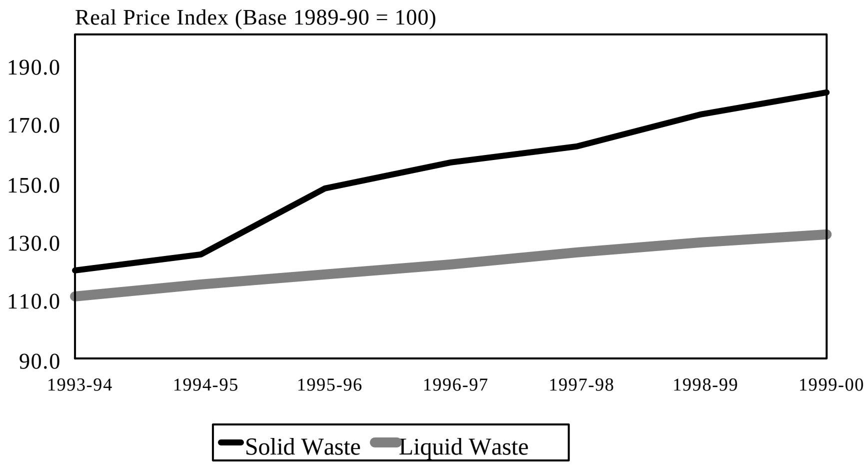
n/a *Not available*
f *Forecast*
(1) *All dollar amounts are reported in 1999-00 prices.*
(2) *Permanent and full-time equivalent staff at 30 June.*
(3) *Output per employee is based on revenue and staff employed in solid and liquid waste business lines.*
(4) *Measures the volume of landfill required to accommodate a tonne of waste.*
(5) *In addition to tonnes recycled, Waste Service introduced a Council Recycling Rebate Scheme in January 1991 and Differential Pricing Policies to encourage source separation and diversion of recyclable material in January 1992.*
(6) *Waste Service NSW sites only.*
(7) *Increase for 1995-96 determined by the Minister to discourage wasteful disposal and use of scarce landfill resources and funding of Government's waste initiatives.*
(8) *Derived from information supplied for the Government Charges Index.*
(9) *The 1995-96 increase in profit is mainly attributable to increased input of solid waste and lower interest expense due to timing of capital works projects, coupled with improved cashflow from trading.*
(10) *Average operating assets.*

(11) *Average equity*
(12) *The 1994-95 and 1996-97 increases in debt reflect the higher than average capital works program which is funded by borrowing.*
(13) *The 1992-93 financial distribution included a special dividend of $20 million. From 1994-95 on the dividend figures are separate from tax.*
(14) *Costs paid to private sector including operating and capital expenditure, and includes section 72 statutory charge.*

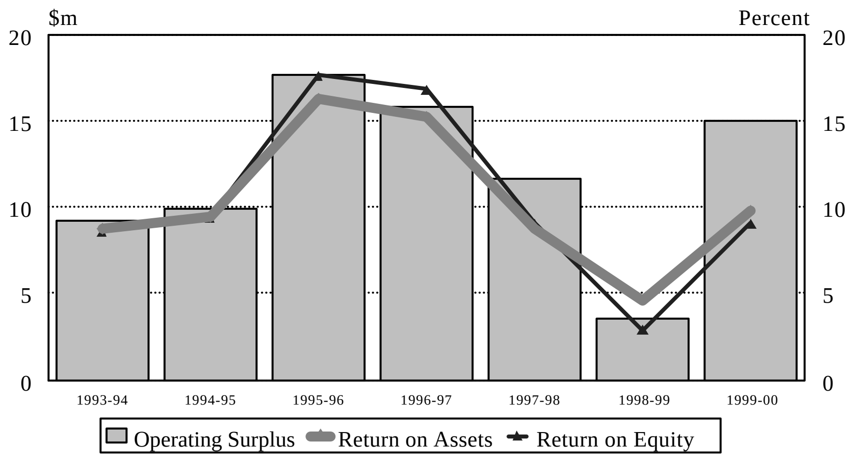
Management of Landfill Capacity



Solid and Liquid Waste Charges



Financial Performance



7. GLOSSARY

The performance of each business is measured by a number of unique indicators, as well as more generic indicators, which are defined below.

All dollar amounts have been converted to 1999-00 dollars, using the Sydney year-average Consumer Price Index. For forecast years, the 1999-00 indexation has been applied. Removing the impact of inflation assists analysis of the underlying trends in the indicators.

7.1 EFFICIENCY INDICATORS

Employment:

Effective Full Time Staff, derived by adding full-time staff to the full-time equivalent of any part-time staff.

Output per Employee:

Where appropriate, physical output divided by employment. In other cases, real revenue per employee is reported. Annual changes in this indicator are one measure of efficient utilisation of labour resources in the enterprise.

Staff hours lost to industrial disputes:

Reported as an aggregate number of hours lost to industrial disputation or as an average figure per employee.

7.2 CUSTOMER SERVICE INDICATORS

Market share:

An indicator of the agency's performance within its industry. This indicator is not relevant for all agencies. Shifts in market share are indicative of competitive strategies within the agency and of external changes, including market deregulation, to the operating environment.

Real price index:

A single index constructed for each agency to identify how customer charges have moved in relation to the Sydney Consumer Price Index. The index commences at 100 in 1989-90.

An increase in the index reflects a real increase in charges; an unchanged figure indicates that the movement in charges equals the change in the CPI; while an index trending downward means real decrease in charges to consumers.

The 1994-95 *NSW Government Performance Book* saw the introduction of a new method of reporting on the Real Price Index. For those agencies appearing both in the Government Charges Index (GCI) and the *NSW Government Performance Book*, a series constructed from the movement in charges reported in the GCI is used.

This approach ensures consistency between the GCI and the data reported by agencies in the rest of the *NSW Government Performance Book*.

The Government Charges Index does not contain separate price movements for each of the electricity agencies. Therefore, the indices supplied by the various electricity agencies are utilised.

7.3 FINANCIAL INDICATORS

Asset sales:

Total revenue from the extraordinary sale of enterprise assets in the financial year. Where asset sales are used to renew asset stock in the enterprise the overall rate of return on assets may be lifted. Proceeds from asset sales may also be used to retire external debt.

Contribution to government:

Contributions of the agency to the Consolidated Fund. Ideally, enterprises pay to the NSW Government the equivalent of corporate tax, plus a dividend, equal to a reasonable rate of return on capital (less earnings retained to meet endorsed enterprise objectives). The amounts are separately identified, where appropriate.

Debt to equity ratio:

Gross external debt as a percentage of equity. A declining ratio is generally desirable when interest rates are high or uncertain. A lower ratio indicates a higher rate of internal funding and less vulnerability to adverse interest rate movements.

Gross external debt:

The gross amount owed to parties external to the agency, including that amount repayable to the NSW Government.

Trends in external debt are an indicator of longer term enterprise performance and future financial viability. A priority of the present NSW Government is the reduction of external debt.

Operating cost:

Operating expenditure including depreciation but excluding interest expenses.

Operating result:

Unless otherwise stated, an above-the-line pre-tax profit. It consists of operating income (including investment income but excluding extraordinary items such as asset sales) less operating expenses (including interest but excluding corporate taxes and dividends).

Pre tax return on net assets:

Earnings before interest and tax and after abnormals (EBIT) as a percentage of average total net assets (equity).

Return on (total) assets:

Operating result before interest and tax as a percentage of total revalued assets. In some cases, historic cost valuations have been used (as footnoted). Return on assets is a fundamental indicator of performance in Government enterprises and enables economic comparisons between industries and sectors.

Return on equity:

Operating result before tax but after interest, as a percentage of equity. Equity is defined as total assets less total liabilities. Although an imperfect indicator for non-corporatised Government enterprises, return on equity measures the rate of return on public capital invested in an agency.

Return on operating (core) assets:

Operating EBIT from core assets plus Government funded Social Programs, as a percentage of operating assets. This indicator measures the performance of the operating asset base.

Social programs:

The value of NSW Government payments to the business in return for meeting the provision of Social Programs (otherwise known as 'Community Service Obligations'). It is intended that all Social Programs be fully identified and financed in transfers between the State and the agency.

The elimination of implicit concessions assists in creating a level playing field for the agency in its industry and allows the agency to provide services in a commercial environment.

Times interest earned:

Earnings before interest and tax (EBIT) divided by the total interest expense measures gearing in the income stream, that is, the ability of the enterprise to meet its interest charges from its earnings.

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