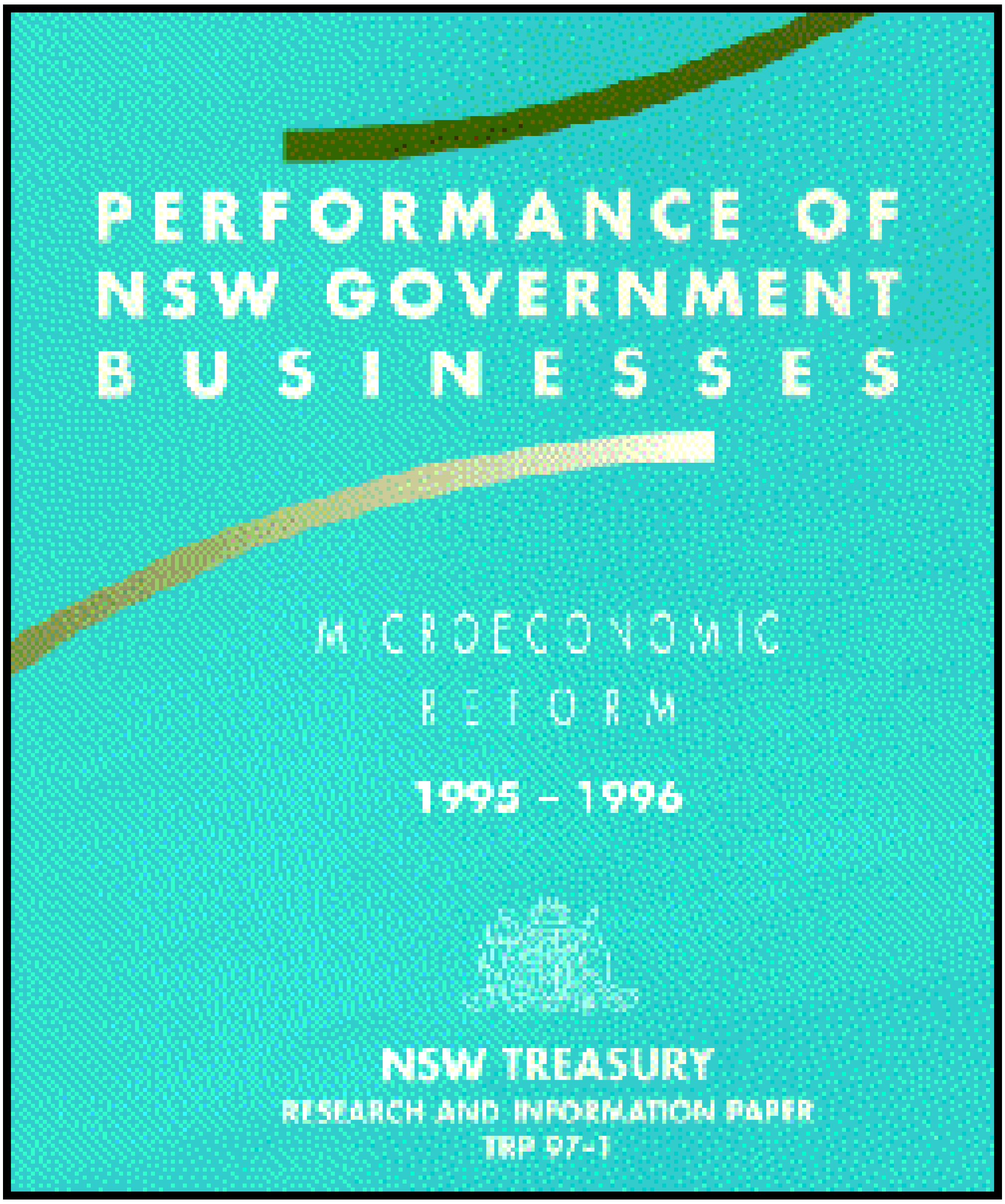


TRP97-1 **February, 1997**

New South Wales Treasury
Research and Information Paper
TRP 97-1, February 1997

Inquiries regarding this publication should be directed to:
The Director, Economic Strategy Branch
Economics and Revenue Division
NSW Treasury
Level 25
Governor Macquarie Tower
1 Farrer Place
Sydney 2000
Telephone: 61 2 9228 4284
Fax: 61 2 9228 4041

FOREWORD

This is the seventh issue of this publication. NSW is the only state or territory to publish information every year that enables taxpayers to judge the performance of major government businesses.

During the past year NSW Government businesses have continued to increase productivity and reduce prices. We have made outstanding progress in electricity and gas.

The Government has restructured the electricity industry with the aim of providing cheaper power, better services and a cleaner environment.

We have separated all regulatory responsibilities from the commercial activities of newly created public sector electricity corporations and introduced competition into power generation and retailing.

The transmission and distribution of power remain natural monopolies, managed under competition policy principles to give power retailers and other suppliers use of the power grid at a fair price.

The responsibility of regulating the NSW gas industry has been transferred from the Gas Council to the Independent Pricing and Regulatory Tribunal (IPART).

The IPART is currently developing the terms and conditions under which new suppliers can use the Australian Gas Light Company's gas distribution networks.

As the level of competition in the gas industry increases there will be scope for the IPART to gradually withdraw from setting prices.

This publication examines the performance of 24 government businesses.

Due to introduction of competition to the electricity industry, the information provided in this publication has changed from last year.

Coverage of Pacific Power is more limited because it now competes with generators in Victoria and NSW. And four new power corporations have been added: Macquarie Generation, Delta Electricity, Energy Australia and Integral Energy.

The corporatisation of ports has led to the inclusion of the Sydney, Newcastle and Port Kembla port authorities in place of the Maritime Services Board.

The performance of NSW Government businesses continues to be characterised by rising productivity, falling prices, better returns to taxpayers and a reduction in total debt.

While much has been achieved, the task is not finished.

The citizens of NSW can look forward to improved services and better value from their government businesses.

MICHAEL EGAN MLC

Treasurer, Minister for Energy, Minister for State and Regional Development, Minister Assisting the Premier and Vice President of the Executive Council

EXECUTIVE SUMMARY

Higher living standards can only be achieved through improved productivity. International comparisons show that there is considerable scope for Australia's productivity performance to be improved.

This publication documents the improved productivity performance of NSW Government businesses and is the seventh annual publication of this type. Also included is an overview of the NSW Government's involvement in microeconomic reform.

For the six largest Government Trading Enterprise (GTE) areas, weighted labour productivity increased by 87 per cent between 1989–90 and 1995–96. These enterprises are expected to contribute around $1.35 billion in dividend and taxation equivalent revenues to the State Budget in 1996–97, compared with around $0.75 billion in 1991–92. Higher dividend payments have been achieved at the same time as an overall fall in output prices, reductions in debt and increases in output.

The real prices charged by the major GTEs fell by 16.3 per cent from 1989–90 to 1995–96. A further real decrease of 5.1 per cent is expected in 1996–97. Net debt for the non budget sector decreased in real terms from June 1992 to June 1995, but increased in the year to June 1996 because of a Government decision to restructure debt/equity for some businesses to put them on a commercial footing. Weighted total output for the biggest Government business areas increased by 12 per cent from 1989–90 to 1995–96.

Outstanding progress has been made in the electricity and gas areas. The NSW Government has restructured the electricity industry in preparation for a competitive electricity market. In April 1996, 26 distributors became six, and Pacific Power was separated into three generators. Customers are progressively gaining access to the competitive market, meaning they can choose to purchase electricity from a range of suppliers, rather than one monopoly provider. These reforms are aimed at achieving effective competition in the electricity market, delivering lower prices for business and householders.

The Government has also put in place a vigorous reform agenda for the gas industry in New South Wales, notwithstanding that the industry is owned and operated by the private sector. Gas regulation has been transferred from the Gas Council to the Independent Pricing and Regulatory Tribunal (IPART), which will oversight the terms of access to the monopoly network and progressively withdraw from price setting as distribution becomes competitive. In the interim, IPART's regulation will see cross-subsidies from industry to domestic users progressively removed and will seek competitive neutrality in the regulatory conditions affecting electricity and gas.

NSW Government businesses are increasingly being brought under the State's Financial Framework—some 40 at the end of calendar 1996. The Framework is consistent with the competitive neutrality requirements of the competition policy package. It incorporates the setting of annual financial targets with the Government shareholder in the form of Statements of Financial Performance (or Statements of Corporate Intent, depending on the business form). A Shareholder Value Added methodology is being applied to businesses within the Framework to more clearly assess the extent to which a business may, or may not be, adding value, *ie* achieving a return greater than its (risk-adjusted) cost of capital.

New South Wales, along with other Australian governments, has signed up to the National Competition Policy package. While microeconomic reform has been ongoing in NSW for the past decade, current initiatives are now largely proceeding under the aegis of National Competition Policy.

Notwithstanding significant progress with the reform and performance of NSW Government businesses, there are a number of inter-governmental impediments to continued progress that remain of concern to New South Wales. There is an imbalance of roles and responsibilities and revenue raising powers of the Commonwealth and state governments—termed vertical fiscal imbalance. To help move away from a state reliance on inefficient and inappropriate taxes in this respect, New South Wales is mounting a challenge in 1997 to the existing interpretation of Section 90 of the Constitution.

There is also general concern at the extent of reliance on indirect taxes, as noted for example in the Productivity Commission’s comments on the superiority of a goods and services tax relative to sales tax in terms of neutrality of impact on the car industry.

Section I of this Book reviews progress in microeconomic reform over the past year. Section II provides coverage of some twenty-four NSW Government businesses. Sections III, IV and V provide a Glossary of Terms, List of Agency Contacts and Bibliography, respectively.

(I) MICROECONOMIC REFORM PROGRESS

Overview

The Rationale for Microeconomic Reform

Microeconomic reform is an ongoing process of using resources more efficiently to achieve a higher level of output and higher living standards. It means establishing the right incentives for productivity growth to occur. Through boosting productivity, Australia can increase output and generate more jobs before pressing up against resource constraints. In short, microeconomic reform is about delivering better value, quality and choice to the community.

The NSW Government is committed to microeconomic reform not as an end in itself, but as a means to an end. This end is increasing the living standards of all people in New South Wales. Microeconomic reform does this by making the economy more efficient through the introduction and enhancement of competition.

The challenge of rapid global change means that the economy needs to be flexible if New South Wales is to maintain and improve its living standards. Microeconomic reform aims to provide the foundation for an adaptable economy that can progress amid the inevitable global changes ahead.

Improving the performance of the Australian economy means a continuing commitment to improving productivity. Individual reforms may not always appear significant in isolation, but taken together, they offer the prospect of substantial productivity gains, resulting in higher living standards.

Over the last 20 years, annual growth in real Gross Domestic Product (GDP) in Australia averaged just 2.9 per cent. The Bureau of Industry Economics (BIE) has made the point that the economy is not performing to its potential, for example:

- rail freight rates overseas are one third lower than Australia’s;
- labour markets are not functioning well, with persistent unemployment above 8 per cent; and
- in recent years, most overseas ports have improved productivity, while in Australian ports it has declined in important respects (*eg* stevedoring). (Bureau of Industry Economics 1995, *International Benchmarking - Waterfront* 1995, p. xviii)

Over the past 25 years, Australia’s productivity performance has been significantly below that for the rest of the OECD. The OECD itself compares poorly with the growth experienced in Asian economies in the period. With slower productivity growth, Australia’s place in the international ‘league table’ of per capita income has dropped from 10th to 20th over the same period. (Productivity Commission 1996, *Stocktake of Progress in Microeconomic Reform*, AGPS Canberra, p. 23)

Cross-country comparisons of the productivity of labour, both in manufacturing and services, suggest substantial differences between OECD countries (see Table 1). Australia performs well below world best practice in the manufacturing, retail, electricity and telecommunications sectors. The one bright spot for Australia is its relatively strong performance in the construction industry. The OECD found that open borders and favourable entry conditions for new firms appear to improve productivity growth.

Table 1: Labour productivity in selected industries

	Manufacturing	Retail trade	Construction	Electricity	Telecommunications
	(value added per hour [1])	(retail sales per employee [2])	(value added per employee [2])	(gigawatt hour per employee[3])	(revenue per employee [4])
United States	100	100	100	8.2	100
Japan	76.2	70.7	79.7	6.3	80.6
Germany	85	100.7	75.5	2.2	63.1
France	90.5	94.8	83.3	3.8	68.3
Italy	na	72.3	84.2	1.6	89.3
United Kingdom	70.1	77.6	62	2.2	68.9
Canada	77.2	na	148.2	5.5	73.9
Australia	**52**	**60.1**	**103**	**2.9**	**70.6**
Belgium	na	94.1	90.1	3.2	58.6
Denmark	na	68.6	65.8	3.3	53.4
Finland	85	85.9	94.4	3.1	48
Netherlands	108.8	54.8	69.9	3.1	88
New Zealand	na	85.8	na	3.4	65.2
Spain	67.6	45.7	86.8	3.2	74.2
Sweden	92	86.9	75.2	5.6	50.4
OECD average	**82.2**	**78.4**	**87.0**	**3.8**	**70.2**

na not available United States = 100
1. 1994 2. 1990
3. 1993 4. 1992
Source: OECD

The Productivity Commission (PC) (The Federal Government, as part of its broader microeconomic reform agenda, is merging the Bureau of Industry Economics, the Economic Planning Advisory Commission, and the Industry Commission to form the Productivity Commission.) documented a number of important opportunities for reform that had been passed up recently:

- In October 1994 the previous Commonwealth Government revoked an earlier agreement to allow Air New Zealand access to the Australian domestic market;
- Regulations prohibiting parallel import of legitimate copyright sound recordings, books and computer software have been retained. The Prices Surveillance Authority (PSA) found that, largely as a result of these restrictions, average CD prices in Australia, excluding sales tax, were one third higher than in the United States; and

- Coastal shipping policy still restricts entry of foreign vessels despite numerous inquiries pointing to the costs for Australian industry. (Productivity Commission, op cit, p 28.)

There is increasing recognition that further progress in removing structural rigidities in the economy will do most to increase Australia's growth potential. Productivity improvements are required through investments in technological development, by innovating to meet market demand and by allocating capital and human resources to uses where they make the greatest contribution.

While there are limits to what governments can do to improve productivity performance, governments nevertheless have an important role to play in establishing institutional, regulatory and policy frameworks to sustain growth.

Microeconomic reform needs to be pursued on a broad front, not only in areas such as product markets, economic infrastructure and industrial relations, but through extending the search for better performance into other areas such as education, health and community services. Well performing social infrastructure is important in its own right, and because it underpins efforts to raise productivity elsewhere in the economy.

The performance of Australia's economic infrastructure in areas such as electricity, gas, water, and railways is particularly important. Many of these areas have been characterised by government ownership of service providers and regulation limiting private sector participation. Improving performance has involved a mixture of reforms designed to:

- increase competition;
- remove barriers to trade across State borders;
- improve accountability;
- implement pricing practices which encourage more efficient consumption and investment; and
- address issues of ownership, monopoly power and access to networks.

Benefits of Microeconomic Reform

Microeconomic reform has benefits both for New South Wales and the national economy.

Direct benefits from some microeconomic reforms are readily observable, such as reduced prices and increased dividend payments from Government Trading Enterprises (GTEs). In addition to these direct benefits are significant indirect benefits that flow through to the broader economy.

Increased GTE productivity resulting from microeconomic reform has direct benefits to consumers, industry and governments. These direct benefits come either in the form of lower prices to consumers and industry due to reduced input requirements, or increased dividend payments to governments as a result of greater profitability, or a combination of the two.

Significant indirect benefits occur when reduced prices for government provided goods and services represent lower input prices to industry, for example electricity, water and transport services. These lower input prices make industry more competitive, stimulating demand and economic activity and creating wealth and jobs.

Increased dividend revenue can lead to further economy wide benefits. Larger dividends increase State revenue, which allows for lower State taxes, increased provision of services or the retirement of debt. Economy wide benefits include the increased economic activity resulting from lower taxes or the additional services that can be provided by the dividend revenue.

NSW Treasury estimates that reforms in the electricity industry are expected to significantly increase the productivity of NSW electricity GTEs over the next five years. The estimated long-run benefits from this expected productivity increase are additional real Gross State Product (GSP) of almost $1 billion and additional employment in New South Wales in excess of 14,000 jobs. The economic benefits are expected to be realised over an 8 to 10 year period from the time of the productivity improvement. (All NSW Treasury estimates are based on application of the MONASH Multiregional Forecasting Model. Economic activity and employment estimates are additional to that which would have occurred in the absence of any changes in productivity.)

NSW Treasury estimates that GTE productivity gains observed between 1988–89 and 1993–94 in the NSW electricity, water and transport industries will ultimately result in over $2.4 billion in additional GSP each year. Net NSW job creation is estimated at over 25,000 jobs.

An indication of the magnitude of what the benefits of proceeding with broad based reforms are was provided by the Industry Commission (IC). In a report produced for the Council of Australian Governments (COAG), the IC estimated the revenue and economy-wide effects of implementing reforms recommended in the Hilmer Report, (*Report by the Independent Committee of Inquiry on National Competition Policy* (the 'Hilmer Report') along with a set of related reforms. Specifically, the IC modelled the impact of reforms in the transport, communications and utilities sectors, and to statutory marketing arrangements, government services, unincorporated enterprises and anticompetitive legislation.

The estimated economy wide benefits of the reforms considered were:

- a $23 billion (5.5 per cent) increase in real GDP, with around half attributable to reforms improving GTE performance. Major contributors to the GDP increase included the electricity, gas, telecommunications and rail sectors; and
- a $9 billion gain to consumers, equivalent to $1,500 for each Australian household; an increase in real wages of 3 per cent; and 30,000 extra jobs.

Of the reforms the Commission modelled, those at the State, Territory and local government levels were estimated to contribute $19 billion (or 4.5 per cent of GDP) and reforms by the Commonwealth were estimated to contribute $4 billion (or 1 per cent of GDP).

The Economic Planning Advisory Commission (EPAC) (Filmer and Dao (Economic Planning Advisory Council) 1994, *Economic Effects of Microeconomic Reform*, EPAC Background Paper no. 38, AGPS, Canberra.) analysed the effects of:

- the reduction in tariffs and subsidies;
- labour market reform;
- facilitation of the operation of markets;
- transport and communications reforms;
- GTE reform;
- gains from international trade negotiations;
- support for emerging exporters; and
- the efficient provision of government services.

They also assessed the benefits of reducing the sustainable unemployment rate from 7.3 to 5.0 per cent. They concluded that such reform would increase GDP by 12.7 per cent. All of the 25 industries in their model experienced growth.

Reforms modelled by the Business Council of Australia (BCA) (1994) (The BCA cited in Productivity Commission op cit, p. 31) included: the replacement of the existing indirect taxation system with a broad based consumption tax; improvements in the level and efficiency of government services; further improvements in the efficiency of GTEs; and improvements to labour productivity in the private sector that were assumed to bridge the gap between Australian productivity levels and world's best practice (except where they were due to economies of scale). It was estimated that achievement of all the above (notwithstanding difficulties in achieving some) could increase real GDP by 20.5 per cent over a 20 year period.

Implementation of Microeconomic Reform

Implementing microeconomic reform is problematic by its very nature. Losses from reform are often concentrated on a few groups and incurred upfront. Gains from reform, while larger than the losses, are often diffuse, and only apparent after a period of time elapses. Pushing the reform agenda through requires political will and public education on the benefits of reform.

The National Competition Policy (NCP) is an important development in implementing microeconomic reform, firstly by providing an agreed timetable for reform, along with financial incentives and secondly by taking the form of a broad package of measures which makes it more difficult for any one interest group to claim that it is being singled out for attention. The NCP package should be one of the key drivers of microeconomic reform over the coming years.

The Environment for Reform

Following the election of a new Federal Government in March 1996, a number of studies were commissioned to help develop a microeconomic reform agenda for the next few years. These studies included:

- Productivity Commission—Stocktake of Progress in Microeconomic Reform;
- National Commission of Audit—Report to the Commonwealth Government; and
- Mr Stan Wallis (Chairman)—Financial System Inquiry.

Additionally, the Commonwealth Government has pursued labour market reform through the enactment of its *Workplace Relations Bill*.

Productivity Commission—Stocktake of Progress in Microeconomic Reform

The scope of this particular study was set broadly to cover all sectors of the economy and all forms of government intervention. With just three months of preparation (and the participation of State, Territory and Commonwealth Governments, industry and other special interest groups), the PC published the Stocktake in June 1996.

The Stocktake surveyed the reform landscape and identified broad directions for action and further investigation in nine major areas:

- labour markets and industrial relations;
- competition policy;
- economic infrastructure;
- education, health and community services;
- taxation;
- trade and industry assistance;

- resources and the environment;
- regulatory reform; and
- performance of governments.

The Stocktake did not seek to provide a level of detail that would come from individual reviews of particular reform areas. In addition, it sought to avoid duplication with the separate reviews conducted by the National Commission of Audit and the Committee of Inquiry into the financial system. For this reason, it did not deal with financial policy concerns.

An indication of the scope of the reform program, key actions and the level of government responsible is provided in Table 2. The immediate priority areas identified by the PC are in bold type.

Table 2: The PC's key reform actions (Productivity Commission, op cit. p 5-6)

Area	Key actions	Responsibility
HUMAN RESOURCES		
Industrial Relations	**Facilitate workplace agreements.**	Cwlth & States
	Ensure enactment of key provisions of Workplace Relations Bill.	Cwlth
	Review and further consolidate safety net provisions.	Cwlth
Other labour market	Rationalise employment programs.	Cwlth
	Implement workers compensation and Occupational Health & Safety reforms.	Cwlth & States
COMPETITION POLICY		
National Competition Policy	**Resolve outstanding issues in framework and implement.**	Cwlth & States
	Bring transparency to exemptions.	Cwlth & States
	Ensure legislative reviews are independent.	Cwlth & States
	Review operation of framework.	Cwlth to initiate
Trade Practices Act	Review elements such as merger policy.	Cwlth to initiate

ECONOMIC INFRASTRUCTURE		
General	**Implement National Competition Policy.**	Cwlth & States
	Review ownership, contracting out.	Cwlth & States
	Institute rolling reviews of progress.	Cwlth to initiate
Specific areas	**Reform in transport, especially waterfront, rail and roads.**	Cwlth & States
	Progress electricity, gas, water and communications reforms.	Cwlth & States
SOCIAL INFRASTRUCTURE		
Education	**Review level and form of government support and institutional arrangements.**	Cwlth & States
Training	Review vocational education and training.	Cwlth to initiate
Health	**Review financing and delivery.**	Cwlth & States
	Extend casemix funding.	States
	Apply competitive neutrality principles between public and private providers of hospital services.	States
	Review Pharmaceuticals Benefit Scheme.	Cwlth
	Enhance performance monitoring.	Cwlth & States
Social welfare system	Review effectiveness, including labour and tax interactions.	Cwlth
OTHER KEY REFORM AREAS		
Taxation	Comprehensive reform of taxation system a longer term goal.	Cwlth & States
Trade and assistance	Continue tariff phasedown.	Cwlth
	Review Passenger Motor Vehicle	Cwlth to initiate

	and Textile Clothing and Footwear.	
	Review/reform Statutory Marketing Authorities.	Cwlth & States
	Rationalise budgetary programs.	Cwlth & States
	Review/reform non-tariff measures.	Cwlth
	Implement Research and Development reforms.	Cwlth
Resources and the environment	Clarify access.	Cwlth & States
	Improve efficiency of environmental protection measures.	Cwlth, States, local
	Review land management.	Cwlth to initiate
Regulatory review	Extend mutual recognition.	Cwlth & States
	Ensure rigorous processes for implementation and review.	Cwlth & States
Public administration	Extend administrative reforms and performance monitoring.	Cwlth, States, local
Commonwealth–State financial relations	**Reduce reliance on tied grants.**	Cwlth
	Review revenue arrangements.	Cwlth & States

National Commission of Audit—Report to the Commonwealth Government

The National Commission of Audit's *Report to the Commonwealth Government* was released in June 1996.

The Commission sought to assess the Commonwealth Government's priorities using a rigorous and consistent set of principles across the broad spectrum of government activity. The Commission's report looked at the following questions: (National Commission of Audit 1996, *Report to the Commonwealth Government*, AGPS, Canberra, p vi.)

- Are particular activities best handled by Government? If so, by which level of Government?
- Are Commonwealth Government services being provided in the best way?
- Will changes in the population structure put pressure on Commonwealth finances?
- Is there enough Government investment in infrastructure: that is, transport, communications and the like?
- Is there a better way to record Commonwealth Government activities?

- What is the financial position of the Commonwealth Government as a whole on the basis of the latest complete set of financial statements?
- Can present arrangements for the setting and reporting of fiscal policy (that is, government spending and revenue decisions and their effect on the economy) be improved?

The Commission found that the main areas of service delivery interface between the Commonwealth and the States were those involving Specific Purpose Payments (SPPs) in education ($7.2 billion), health ($5.7 billion), housing ($1 billion) and transport ($0.9 billion).

Of particular interest to New South Wales were the following recommendations: (National Commission of Audit, op cit., p31-32.)

- A number of programs should be transferred to the States;
- Where programs were transferred to the States and funded by way of untied Financial Assistance Grants (FAGs):
- the Commonwealth should seek the States' agreement to provide appropriate data for the collection and publication of national aggregate statistics on program output and outcome;
- the funds transferred should be at a level of no more than 90 per cent of their total value reflecting the scope for rationalisation and savings by the States in reduced administration; and
- any national policy bodies that were retained should limit their activity to joint work on national coordination and strategic directions and the development of standards, benchmarks and performance measures. They should not be involved in service delivery or approval of projects.

Wallis Inquiry

On 30 May 1996 the Commonwealth Treasurer announced the establishment of a Financial System Inquiry. It is to report by 31 March 1997, and is chaired by Mr Stan Wallis.

The mission of the inquiry, as stated in its terms of reference, is to provide "a stocktake of the results arising from the financial deregulation of the Australian financial system since the early 1980s. Recommendations will be made on the nature of regulatory arrangements that will ensure an efficient, responsive, competitive and flexible financial system to underpin stronger economic performance, consistent with financial stability, prudence, integrity and fairness." (*Financial Systems Inquiry* 1996, - Terms of Reference)

The NSW Government submission to the inquiry concentrated largely on taxation and regulatory issues.

Taxation

The NSW Government submission noted that whilst financial taxes adversely impact on the efficiency, effectiveness and competitiveness of the financial system, the problems associated with the use of these taxes is a symptom of the fundamental problem within the current Commonwealth-State financial relations and the individual tax systems generally. The NSW Government has recognised the need for taxation reform and the reassignment of tax powers between the Commonwealth and the States.

Reform of this system is necessary as the simple solution of abolishing financial taxes is not feasible. New South Wales, or any other State or Territory cannot, due to the lack of alternative taxation instruments, bear such revenue loss and still provide essential services.

Financial taxation is one area where reform and the reassignment of powers would greatly improve the efficiency and effectiveness of these taxes especially in light of the high degree of mobility of funds and the impact of technological change.

Regulation

The NSW Government submission supported a review of the full spectrum of regulatory options including that of a single national prudential supervisor of deposit-taking financial institutions. It was stated that conditional upon the demonstration of net benefits, the NSW Government would be prepared to consider the transfer of existing supervisory responsibilities to a single national regulator.

The NSW Government supported prudential regulatory regimes which were institution-focussed, as this reduces insolvency and systemic risks.

It was argued that product regulation should seek to ensure comparable treatment of like products on offer by different financial institutions. This was particularly important in view of the growing range of financial products and services being offered by financial institutions. New South Wales supported the Inquiry examining the role and performance of the Council of Financial Supervisors in facilitating information exchange which assists in:

- better coordinating the various regulatory requirements;
- identifying legal and other constraints impinging on competitive neutrality; and
- minimising the compliance costs of the financial sector.

It was also noted in the submission that to date, State legislation has been used to facilitate bank mergers. Efficiency gains could be achieved if the Commonwealth were to legislate to facilitate bank mergers on a national basis rather than the current approach of requiring the banks to approach each State and Territory individually.

Workplace Relations Bill

The main provisions in the *Workplace Relations Bill* were: (Productivity Commission, op cit., p47)

- simplifying awards to provide an enforceable safety net of minimum wages and conditions, matters beyond these being for determination by workplace parties;
- removing paid rates awards and restrictions on the use of particular types of labour and hours for regular part time work;
- ending monopoly rights and compulsory membership of industrial organisation, facilitating greater choice for workers in selecting their bargaining agent and ending uninvited third party intervention;
- facilitating agreement-making by employers and employees by providing the choice of informal over-award arrangements, formalised individual arrangements (Australian Workplace Agreements) or formalised collective agreements (Certified Agreements) and facilitating access to agreements in a State jurisdiction where the parties so consent;
- restoring secondary boycott provisions to the *Trade Practices Act*; and
- implementing a new unfair dismissal scheme.

After negotiation with the minor parties in the Senate, an amended version of the *Workplace Relations Bill* was passed and the *Workplace Relations Act* came into force on 1 January 1997.

Performance of NSW Government Businesses

Aggregate performance

Government businesses in New South Wales supply basic services to the community, including electricity, water, sewerage, rail and metropolitan bus and ferry services. The performance of these businesses has a significant impact on the NSW economy.

The six largest businesses are the electricity generators (Pacific Power, Delta Electricity, and Macquarie Generation), the electricity distributors, the State Rail Authority, the State Transit Authority, Sydney Water Corporation and Hunter Water Corporation. Between them they account for around 84 per cent of non budget sector employment.

Updated results are summarised for these major businesses, covering the period from 1989–90 to 1995–96 in Table 3 and Figure 1.

Table 3: Employment, productivity and output performance of the six largest New South Wales Government business areas, 1989–90 to 1995–96

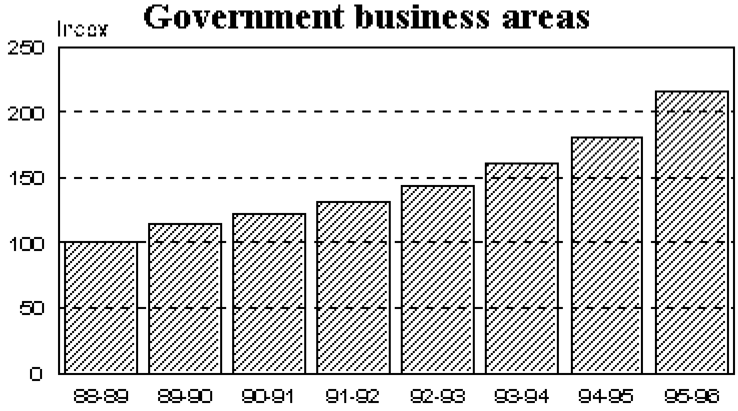
(1)	1989–90	1990–91	1991–92	1992–93	1993–94	1994–95	1995–96	(%) change
NSW ELECTRICITY GENERATORS								
INDEX OF OUTPUT	100	102	103	108	109	112	118	18%
EMPLOYMENT (2)	7,283	6,710	6,482	5,870	5,757	5,595	3,503	-52%
PRODUCTIVITY	6.5	7.2	7.6	8.8	9	9.6	16.1	146%
NSW ELECTRICITY DISTRIBUTORS								
INDEX OF OUTPUT	100	105	106	109	111	115	118	18%
EMPLOYMENT	15,395	15,008	13,661	12,752	11,666	11,396	8,746	-43%
PRODUCTIVITY	2.3	2.5	2.8	3.1	3.4	3.6	4.8	107%
HUNTER WATER CORPORATION								
INDEX OF OUTPUT	100	102	104	105	108	111	107	7%
EMPLOYMENT	1,128	1,082	995	934	799	740	715	-37%
PRODUCTIVITY	145	154	171	185	222	246	246	69%
STATE RAIL AUTHORITY								
INDEX OF OUTPUT	100	101	98	93	95	100	104	4%
EMPLOYMENT	28,842	26,602	24,467	22,803	21,270	20,186	19,742	-32%

PRODUCTIVITY								
— CityRail (000 pj/emp)	21	22	23	23	23	30	31	49%
— Countrylink (000 pks/emp)	970	980	776	820	930	844	866	-11%
— FreightCorp (000 NTKM/emp)	1,067	1,140	1,220	1,472	1,777	2,071	2,335	119%
STATE TRANSIT AUTHORITY								
INDEX OF OUTPUT	100	101	98	97	97	93	97	-3%
EMPLOYMENT	5,428	4,916	4,423	3,897	3,740	3,795	4,101	-24%
PRODUCTIVITY	38.6	43.0	46.2	52.0	54.4	51.4	49.6	28%
SYDNEY WATER CORPORATION								
INDEX OF OUTPUT	100	101	102	104	106	108	109	9%
EMPLOYMENT	9,582	9,357	9,142	8,629	7,326	5,965	5,099	-47%
PRODUCTIVITY	145.1	149.6	155.3	166.9	200.7	251.5	296.1	104%
WEIGHTED TOTAL OUTPUT CHANGE (%) (3)								12%
TOTAL EMPLOYMENT CHANGE (%)								-38%
WEIGHTED PRODUCTIVITY CHANGE (4)								87%

NOTES
1 All employment is equivalent full time as at 30 June.
2 Figures revised from 1990–91 due to change in treatment of Snowy Mountains Hydroelectricity Authority employees.
3 Output weighted by the 1993–93 dollar value of output from each agency.
4 Average productivity of each agency weighted by final year employment.

Figure 1

Labour Productivity for the six largest NSW Government business areas



Comprises Pacific Power (Incl. Transgrid for 1994-95 and 1995-96), the 25 NSW electricity distributors combined, Sydney Water Corporation, Hunter Water Corporation, the State Rail Authority and the State Transit Authority.

Table 3 and Figure 1 show that, in aggregate, there has been an 87 per cent (weighted by employment) improvement in labour productivity over the period 1989–90 to 1995–96.

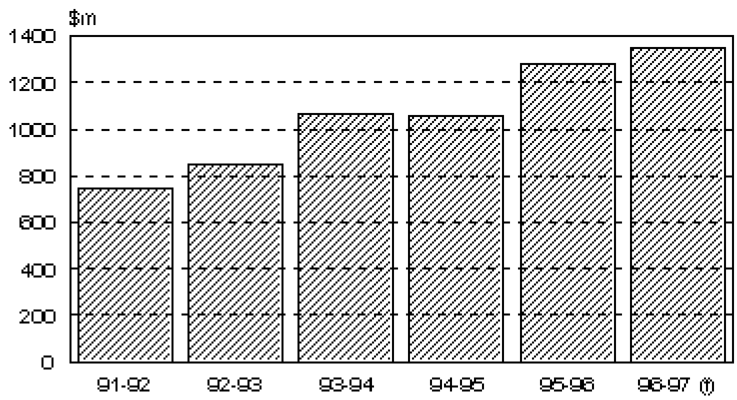
Capital productivity measures are not available for most GTEs.

Non budget sector agencies are expected to contribute a total of $1,349 million in dividends and tax equivalent payments to the NSW Government in 1996–97 (see Figure 2). This represents 6 per cent of total budget receipts and has increased significantly since 1991–92, when these payments were $744 million.

The main contribution to the increase has been the growth of tax equivalent payments. Tax equivalent payments, which were $62 million in 1991–92, are expected to reach $492 million in 1996–97.

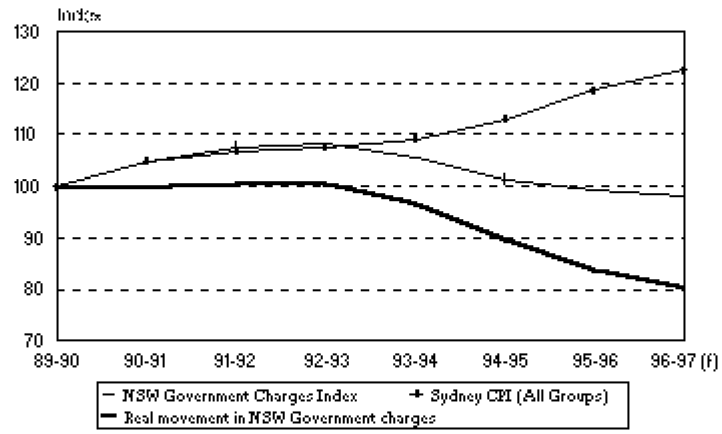
Figure 2

Income for Non-Budget Sector Enterprises



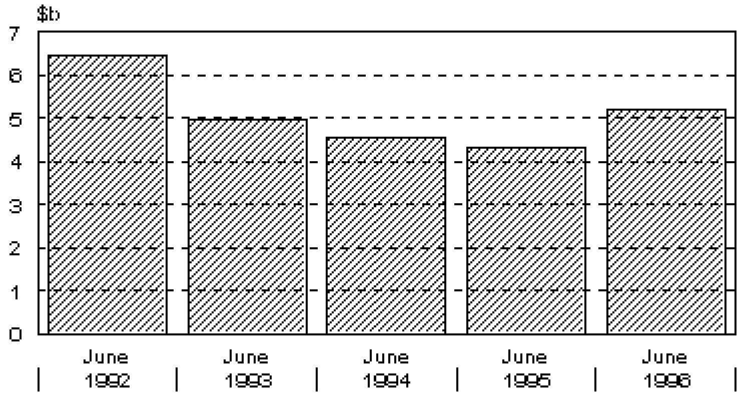
The increase in payments to the Government in 1995–96 was achieved without real increases in GTE prices or debt. On the contrary, GTE prices, as measured by NSW Treasury's Index of NSW Government Charges, fell in real terms by 16.3 per cent in the period 1989–90 to 1995–96 (see Figure 3). In 1996–97, the index is expected to fall by 5.1 per cent in real terms.

Figure 3
NSW Government Charges Index



Non budget sector net debt declined in real terms up until 1994–95, but increased in 1995–96 (see Figure 4).

Figure 4
Net Non Budget Sector Debt



The increase was due to assumption of debt by electricity and other corporatised bodies to conform with "commercial" debt/equity structures determined by the Government.

Performance Measurement of NSW Government Businesses

Importance of Performance Measurement

Performance measurement is necessary to complement the financial and structural reform of government agencies. Performance indicators provide information that makes government agencies more accountable to the Parliament and to the people of New South Wales. They also promote yardstick competition in the provision of government services that face little competition, acting as a powerful internal management tool to examine reasons for poor performance.

Changes in the market price of internationally traded goods and services provide benchmarks about the quality and service demanded by customers and provide a ready test for local industries to meet world-best standards. However, this test does not exist for government services, like health, law and order and education, that are not traded in markets. Accordingly, it is necessary to develop an alternative regime to measure improvements in performance for these government services.

There are currently a number of government initiatives aimed at developing consistent national indicators for the performance of government agencies (*Steering Committee on National Performance Monitoring of Government Trading Enterprises 1996; Steering Committee for the Review of Commonwealth/State Service Provision 1995*). The BIE has additionally been developing performance indicators to compare government infrastructure services, such as electricity and gas, against international counterparts.

Such exercises provide useful information for comparing the performance of NSW government agencies with similar agencies in other States and overseas. However, the main indicators of efficiency are usually unit cost per unit of service or partial productivity measures, such as service per employee. These indicators can vary for reasons other than inefficiency; for example, government agencies may deliver services in different environments, have a different mix of clients or use different input mixes. Consequently, governments are turning to more sophisticated techniques to report on the efficiency of government agencies. The techniques combine information on the major services (outputs) and inputs of government agencies to provide global measures of productivity and the financial performance of government agencies.

Treasury uses three broad empirical approaches for global performance measurement: index number methods; data envelopment analysis (DEA); and shareholder value added (SVA).

Index number methods

A performance index is constructed from the ratio of output relative to either a single input (partial factor productivity) or to all inputs (total factor productivity (TFP)) used in the production process. These methods are generally used to track the change in productivity of one or more enterprises through time.

TFP measures relate a weighted index of outputs (weighted by revenue shares) to an aggregate measure of its inputs (weighted by cost shares). TFP measurement in New South Wales to date has been undertaken for the State Transit Authority, Freight Rail Corporation, CityRail, the ‘old’ Pacific Power, TransGrid and the former metropolitan distributors.

TFP measurement is being considered for a number of other GTEs as an internal management tool.

To complement SVA analysis, Treasury has developed a TFP financial model to determine the relative contribution of productivity and price recovery changes to changes in a GTE’s profitability. This model can be used to provide input into the setting of GTEs’ financial targets and IPART pricing determinations.

Data Envelopment Analysis (DEA)

Performance data for a large group of comparable organisations (or units within an organisation) is used to calculate an ‘efficient’ frontier, which identifies best practice. The performance of a particular organisation (or a unit within an organisation) is then compared to the efficient frontier, measuring the productive efficiency of the unit.

To date it has been applied in New South Wales to police patrols, minimum security corrective centres and motor registries. It is also being applied to TAFE colleges, local courts and district courts and has potential application in many other budget sector areas where there are many service providing units.

Shareholder Value Added (SVA)

SVA is an estimate of an entity's true economic profit from employing capital. SVA is usually calculated as net operating profit after taxes (NOPAT) less the capital employed to produce that profit. The latter is evaluated by multiplying the cost of capital by the total value of capital (K). The cost of capital is the minimum rate of return on capital invested required to compensate debt and equity investors for bearing risk. It is calculated using the weighted average cost of capital (WACC) methodology, which takes into account the mix and cost of debt and equity used to fund the entity.

SVA is calculated as follows:

$$SVA = NOPAT - WACC \times K$$

The net present value (NPV) of future SVAs is equal to Market Value Added (MVA). MVA in turn is that amount of an entity's market value (or NPV of future cash flows) which is above the capital invested. Thus, wealth is created where the overall cash flow or NOPAT exceeds the cost of capital invested and wealth is destroyed where the opposite is true.

These approaches provide useful diagnostic tools for identifying areas of potential efficiency improvement within an enterprise.

A number of NSW Government businesses started to provide SVA data in their quarterly reports from September 1996:

-
- **electricity:**
- Advance Energy;
- Australian Inland Energy;
- EnergyAustralia;
- Delta Electricity;
- Great Southern Energy;
- Integral Energy;
- Macquarie Generation;
- North Power;
- Pacific Power; and
- TransGrid;
- **water:**
- Hunter Water Corporation; and
- Sydney Water Corporation;
- **ports:**
- Newcastle Port Corporation;
- Port Kembla Port Corporation; and
- Sydney Port Corporation;
- **transport:**
- FreightCorp; and
- Rail Access Corporation (RAC);
- State Forests; and
- Waste Service NSW.

From 1997–98, these NSW Government businesses will state their SVA targets in their Statements of Financial Performance/Statements of Corporate Intent (SFPs/SCIs). The remaining Government businesses will begin stating their SVA targets in their SFPs/SCIs and providing SVA data from 1998–99.

National Competition Policy

The process of microeconomic reform in New South Wales is increasingly being undertaken within the framework of National Competition Policy (NCP). NCP has its roots in the *Report by the Independent Committee of Inquiry on National Competition Policy* (the ‘Hilmer Report’). It consists of a series of intergovernmental agreements and initiatives which COAG endorsed at its April 1995 meeting.

The framework for NCP is the same for all jurisdictions. However, differences will arise because NCP:

- gives jurisdictions some discretion on timing and the way in which they meet their obligations; and
- is neutral with respect to the nature and form of ownership of business enterprises and is not intended to promote public or private ownership.

The three *Inter-Governmental Agreements* between the Commonwealth and the States and Territories are:

- the *Conduct Code Agreement;*
- the *Competition Principles Agreement*; and
- the *Agreement to Implement the National Competition Policy and Related Reforms*.

The *Conduct Code Agreement* (*CCA*):

- requires the States and Territories to apply *Part IV*, and related provisions and regulations, of the Federal *Trade Practices Act 1974* (Cwth), known as the "Competition Code", within their respective jurisdictions;
- provides a mechanism for exemptions under State and Territory legislation;
- sets out the procedures and processes for the application and modification of the Competition Code; and
- provides for the involvement of the States and Territories in appointments to the Australian Competition and Consumer Commission (ACCC).

The *Competition Principles Agreement* (*CPA*) requires:

- independent prices oversight of public monopolies;
- competitive neutrality between public and private businesses;
- structural reform of public monopolies to facilitate competition;
- review and reform of anti-competitive legislation;
- third party access to significant infrastructure facilities; and
- application of the above principles to local councils' business activities.

The *CPA* also deals with procedures for appointments to the National Competition Council (NCC).

The *Agreement to Implement the National Competition Policy and Related Reforms* (hereafter referred to as the *RRA*) brings under the umbrella of NCP a package of microeconomic reforms of key sectors of the economy which have already been the subject of separate COAG agreements. The *RRA* requires the effective implementation of all COAG agreements regarding:

- electricity;
- gas;
- water; and
- road transport.

Under the *RRA*, the Commonwealth will provide States and Territories with financial assistance of approximately $4,200 million (NSW's share is around $1,400 million) over 9 years starting in 1997–98. This is provided as an incentive for States and Territories to follow through with NCP reforms and is intended to help offset any financial losses to the States and Territories as a result of implementing NCP.

The competition payments will be indexed annually to maintain their real value in 1994–95 dollars and will be distributed to States and Territories on a per capita basis. The amount and timing of the aggregate payments are:

- $200 million per annum in 1997–98 and 1998–99;
- $400 million per annum in 1999–2000 and 2000–01; and
- $600 million per annum from 2001–02 to 2005–06.

The Commonwealth has the capacity to retain a State or Territory's share of the Competition Payments if it has not undertaken the required action within the specified time. The NCC will advise the Commonwealth Government on compliance.

While New South Wales stands to gain from the competition payments, the real and most substantial benefits will accrue as a result of greater efficiency and growth. The diversified economy of New South Wales is expected to share in around 35 per cent of the NCP induced growth over the next decade, worth an estimated 5.5 per cent (or $23 billion) of GDP in total. Benefits are likely to be spread across the economy with agriculture, mining, manufacturing and services all expected to expand. Of the 128 industries studied by the Industry Commission, 121 are expected to be better off (in terms of increased output) as a result of NCP reforms. (Industry Commission 1995, *The Growth and Revenue Implications of Hilmer and Related Reforms: A report by the Industry Commission to the Council of Australian Governments, Final Report*, AGPS, Canberra) This is the greatest incentive for New South Wales to follow through with NCP reforms.

Electricity and gas reforms are predicted to produce the greatest economic benefits with additional GDP of $5,850 million and 9,500 additional jobs, mostly created in the industries that are significant energy users.

The NSW taxpayer will be the ultimate beneficiary of NCP reforms. The taxpayer will benefit directly from lower output prices of NSW Government businesses both as a consumer of those outputs and indirectly as a consumer of the goods and services which use these outputs in production and delivery. The taxpayer will also benefit on the employment side from the greater economic growth and jobs induced by NCP reforms. The taxpayer will benefit still more as the shareholder in NSW Government businesses, which will deliver greater returns and require less financial assistance overall.

Substantial progress has been made in New South Wales in the past year and a half in all areas of NCP reform, particularly in the areas of electricity and gas which are major microeconomic reform priority areas for the Government. Approximately 25 per cent of the total estimated benefits of microeconomic reform will flow from reforms to these two sectors. New South Wales' progress is discussed below.

Conduct Code Agreement (CCA)

The object of the *TPA*, as stated in *s 2*, is to enhance the welfare of Australians through the promotion of competition and fair trading and provision for consumer protection. Because New South Wales already has comprehensive fair trading and consumer protection coverage through the *Fair Trading (NSW) Act 1987*, only *Part IV* of the *TPA*, known as the "Competition Code", is required to be applied.

States and Territories agreed to apply the Competition Code by way of application legislation to all persons within the legislative competence of their jurisdictions [*clause 5.(1)* and *(2)* of the *CCA*]. New South Wales was the first jurisdiction to enact the necessary complementary application legislation entitled the *Competition Policy Reform (NSW) Act 1995*. It received Royal Assent on 9 June 1995. The Competition Code has been applied since 21 July 1996 to 'persons' previously not covered in New South Wales, including:

- unincorporated entities such as the professions; and
- State Crown business activities (Government businesses).

The ACCC has given a 'grace' period to all State/Territory Government businesses, however, until 1 July 1997.

A State or Territory may exempt an act, entity or industry from the Competition Code through State legislation or regulation which references *s 51* of the *TPA*. However, a State or Territory can only do this to the extent that the NCC is satisfied that:

- the benefits to the community outweigh the costs; and
- the objectives of the legislation or regulation can only be achieved by restricting competition.

Competition Principles Agreement (CPA)

Independent Prices Oversight

'Economic rents' or monopoly profits arise when prices are higher and levels of output are lower than warranted by the real cost of service provision and consumer demand. This result is not only inefficient, in terms of resource allocation, but is also inequitable. The aim of independent prices oversight is, therefore, to price monopoly services so as to approximate a competitive market outcome and thus eliminate such rents.

Under *clause 2.(3)* of the *CPA*, States and Territories agreed to establish an independent source of price oversight where one did not exist. As stated in *clause 2.(4)*, an independent source of price oversight advice should have the following characteristics:

- it should be independent from the Government business whose prices are being assessed [*clause 2.(4)(a)*];

- its prime objective should be one of efficient resource allocation but with regard to any explicitly identified and defined Community Service Obligations ("Social Programs" or CSOs) imposed on a Government business by the Government [*clause 2.(4)(b)*];
- it should apply to all significant Government businesses that are monopoly, or near monopoly, suppliers [*clause 2.(4)(c)*];
- it should permit submissions by interested persons [*clause 2.(4)(d)*]; and
- its pricing determinations, and the reasons for them, should be published [*clause 2.(4)(e)*].

New South Wales established the Independent Pricing and Regulatory Tribunal (IPART) (formerly known as the Government Pricing Tribunal) three years ahead of this agreement in 1992. IPART complies with the important characteristics discussed above.

Under the *Independent Pricing and Regulatory Tribunal (NSW) Act 1992,* the Tribunal fixes maximum prices for government monopoly services that are subjected to a standing reference [*s 11*] or referenced from the Premier [*s 12*]. Those under standing reference are:

- electricity;
- public transport; and
- urban water.

Those under Premier's reference are:

- bulk water;
- local water;
- Valuer-General; and
- waste.

IPART made the following maximum price determinations in 1995–96:

- **electricity:**
- TransGrid—annual revenue capped at $355 million.
- Distributors—average retail electricity prices reduced by 5 per cent.
- **public transport:**
- CityRail—a range of different fares were increased with rail weeklies and weekly TravelPasses, for example, limited to a $1 increase.
- State Transit Authority—a range of different bus and ferry fares were increased.
- **urban water:**
- Gosford City Council—6 per cent and 12.5 per cent nominal reductions in periodic water and sewerage charges in 1996–97 and a 5 per cent and 1.5 per cent real reduction in each of the subsequent two years.
- Hunter Water Corporation—overall reduction in periodic water, sewerage and drainage charges of 2 per cent per annum in real terms from 1996–97 to 1999–2000.
- Sydney Water Corporation—overall reduction in periodic water, sewerage and drainage charges of 2.3 per cent in real terms in 1996–97 and an average of 0.8 per cent per annum in the subsequent three years.
- Wyong Shire Council—overall reduction in periodic water and sewerage charges of 5 per cent in nominal terms in 1996–97 and by 1.5 per cent per annum in the subsequent two years.

The benefits of these determinations is highlighted in Figure 3 in the preceding section with electricity, water and public transport charges accounting for the bulk of NSW Treasury's Index of NSW Government charges. IPART has approved minor increases in public transport fares mainly in an attempt to rebalance high multi-trip discounts and distance anomalies. With respect to electricity prices, IPART has calculated that non-residential consumers have benefitted from a cumulative reduction of $560 million in charges since 1 July 1993 as a result of Tribunal determinations. Reductions in NSW electricity and water prices for non-residential consumers in the four years to 1996–97 has been estimated by IPART to be equivalent to a 26 per cent reduction in payroll tax payments for businesses. (Independent Pricing and Regulatory Tribunal, *IPART 1995-96 Annual Report*, Sydney.)

IPART's role and functions were widened in January 1996 to include references from the Premier on issues affecting competition, industry or pricing [*s 12A*]. These industry reviews are not restricted to consideration of Government monopoly services and can cover the private sector. These reviews are akin to those carried out by the PC in that the public's views are solicited through submissions, public hearings and visits. The first two industry reviews are:

- intra-state air services; and
- CountryLink passenger rail services.

Competitive Neutrality

The objective of competitive neutrality, as stated in *clause 3.(1)* of the *CPA*, is the elimination of resource allocation distortions. It is aimed at removing any net competitive advantages of Government business activities that arise simply as a result of their public sector ownership where they (actually or potentially) compete with other private or public sector businesses. Put more simply, Government businesses should compete on a 'level playing field' with other businesses.

State and Territory Government obligations are to:

- adopt a corporatisation model for significant Public Trading Enterprises (PTEs) (as defined by the ABS in *Government Finance Statistics Australia: Concepts, Sources and Methods*) that includes:
- the payment of State taxes and Commonwealth tax equivalents;
- the payment of risk related borrowing fees; and
- subjection to private sector equivalent regulations (especially *Part IV* of the *TPA*) [*clause 3.(4)*].
- ensuring that General Government Enterprises (GGEs) (as also defined by the ABS) which undertake significant business activities as part of a broader range of functions price their goods and services in a manner that reflects full cost attribution [*clause 3.(5)*].

There is also a requirement to:

- publish a policy statement in June 1996 [*clause 3.(8)*] and annual reports from June 1997 [*clause 3.(10)*]; and
- put a mechanism in place for dealing with complaints and non-compliance [*clause 3.(8)* and *(10)*].

Under the *RRA*, the first tranche of Competition Payments, in part, depends on publishing a policy statement by June 1996 and an annual report by June 1997 as well as imposing:

- tax equivalent payment,
- risk related borrowing fees, and
- private sector equivalent regulations,

when adopting a corporatisation model for significant Government businesses.

The second and third tranche payments will also depend, in part, on the meeting of all obligations and complying with the principles of competitive neutrality.

A policy statement and implementation timetable on the application of competitive neutrality principles to NSW Government business activities was published at the end of June 1996. (NSW Government 1996, *NSW Government Policy Statement on the Application of Competitive Neutrality*, Sydney.)

A competitive neutrality complaints mechanism will be in place before the end of 1996–97. It is intended that complaints will be directed, in the first instance, to the relevant Government enterprise as a first filter to remove simple misunderstandings and help identify minor complaints. Recourse will be available, for those complaints that have not been resolved to the complainant’s satisfaction, to IPART. IPART may investigate these complaints and convey its findings and recommendations to the relevant Government Minister for action. Complaints relating to tendering issues, however, will be dealt with separately by the State Contracts Control Board.

Most of the required actions to achieve competitive neutrality will take place as part of the corporatisation of Government businesses. Corporatisation reforms are based on a new corporatisation model, the State Owned Corporation (SOC), which retains Ministerial and Parliamentary accountability, and are progressing through a Financial Policy Framework.

The NSW approach is different from most in that corporatisation is not regarded as a path to privatisation. The intention is to retain Government ownership for the benefit of the community on whose behalf the Government has shareholder responsibilities. This will provide benefits to the taxpayers of New South Wales as both consumers and shareholders. This is consistent with the *CPA* which "is neutral with respect to the nature and form of ownership of business enterprises and does not intend to promote public or private ownership" [*clause 1.(5)*].

The Financial Policy Framework has been guided by the corporatisation principles set out in 1988 by the NSW Steering Committee on Government Trading Enterprises in *A Policy Framework for Improving Performance of GTEs*. These principles, which are intended to mimic those faced by a private sector firm in a competitive market, are:

- the establishment of clear and non-conflicting objectives;
- the granting of managerial responsibility, authority and autonomy in pursuit of such objectives;
- performance evaluation and accountability;
- provision of rewards and sanctions commensurate with performance; and
- the establishment of competition and competitive neutrality.

All of the major NSW Government businesses (presently 40) are subject to the Financial Policy Framework. The rest will be subject to it by 1997–98. The Framework encompasses:

- the application of a SVA framework of performance targets;
- regular performance monitoring (including, in some cases, TFP);
- the payment of State taxes and Commonwealth tax equivalents;
- the payment of risk related borrowing fees;
- private sector equivalent regulations; and
- explicitly funded ‘Social Programs’.

The *State Owned Corporations (NSW) Act 1989* (as amended in 1995) provides a comprehensive framework for the corporatisation of Government businesses as proxy public companies. There are two classes of SOC: the company SOC; and the statutory SOC. Both classes of SOC have a Board of Directors, share capital and a memorandum and articles of association like a public company limited by shares. Unlike a public company, however, the shareholders consist of the Treasurer and other Ministers as representatives of the taxpayers of New South Wales. The full extent of the Federal *Corporations Law* applies to company SOCs but only those provisions expressly provided for (such as those dealing with officers' duties and liabilities) apply to statutory SOCs, which are exempt public authorities for the purposes of the *Corporations Law*.

The SOC model was applied to:

- three, newly established, subsidiary port authorities on 1 July 1995:
    - Sydney Ports Corporation;
    - Newcastle Port Corporation; and
    - Port Kembla Port Corporation.
- two new electricity generators on 1 March 1996:
    - Macquarie Generation; and
    - Delta Electricity.
- six new electricity distributors on 1 March 1996:
    - Advance Energy;
    - Australian Inland Energy;
    - EnergyAustralia;
    - Great Southern Energy;
    - Integral Energy; and
    - NorthPower.
- the following miscellaneous GTEs on 1 July 1996:
    - Freight Rail;
    - Public Trustee;
    - Rail Access Corporation;
    - Rail Services Authority; and
    - Snowy Mountains Corporation.

The SOC model may also be applied over the next two years to:

- Coleambally Irrigation Areas & Districts;
- Eastern Creek Raceway;
- Murrumbidgee Region Irrigation Areas & Districts;
- NSW Lotteries;
- Pacific Power;
- Power Coal;
- State Forests' commercial pine tree operations;
- Sydney Market Authority;
- Waste Service NSW;
- TransGrid; and
- Totalizator Agency Board (TAB).

The other significant action required to achieve competitive neutrality is full cost charging by budget sector agencies undertaking significant business activities as part of a broader range of functions. General Charging Principles (GCPs) will be in place before the end of the financial year to guide agencies that impose user charges to charge in a manner that reflects full cost attribution. They will be applied, by no later than 1997–98, to:

- all budget sector agencies that impose ‘user charges’ (see *Appendix 2* of *GFS Australia: Concepts, Sources and Methods*) on private and public sector businesses, as distinct from taxes, regulatory fees and fines; and
- those Government businesses that are:
- yet to come within the Financial Policy Framework; or
- not currently subject to prices oversight by IPART.

Where the application of this imposes hardship on customers, a transparent CSO may be paid to the Government enterprise to ameliorate the impact of full cost charging.

Structural Reform of Public Monopolies

Structural reform goes further than merely mimicking competition through price regulation and providing a right to compete through third party access.

The guiding principles on the structural reform of public monopolies can be found in *clause 4* of the *CPA*. The aim of structural reform is to separate operating from industry regulation functions [*clause 4.(2)*] as well as separating out the potentially competitive elements from any natural monopoly elements [*clause 4.(3)(b)*]. Separating operating from regulatory functions avoids a conflict of objectives and prevents the former monopolist enjoying a regulatory advantage over its (existing and potential) rivals. The latter will eliminate monopoly rents for those potentially competitive elements in the most effective and efficient way, through actual competition. The remaining monopoly elements will be price regulated by IPART.

Under the *RRA*, the first tranche of Competition Payments will, in part, depend on taking all measures necessary to implement the COAG agreements to structurally reform the following four industries:

- electricity;
- gas;
- road transport; and
- water.

Progress in structurally reforming electricity, gas, road transport and water industries is discussed in the section entitled "Agreement to Implement the National Competition Policy and Related Reforms" below.

The main sector not covered by a previous COAG agreement to be reformed is public transport, particularly rail. The ownership, provision of access, and maintenance of State Rail Authority railway track was separated from the operation of train services on 1 July 1996 as a result of the *Transport Administration Amendment (Rail Corporatisation and Restructuring) Act 1996*. The roles and responsibilities have been allocated as follows:

- Rail Access Corporation—ownership of infrastructure, except rolling stock and stations;
- Railway Services Authority—track maintenance and construction;
- State Rail Authority—rail passenger business in the form of CityRail and CountryLink;
- FreightRail—separated from State Rail Authority and corporatised; and
- Public Transport Authority—coordination of all passenger transport services.

Legislation Review and Reform

Legislative restrictions on competitive conduct by businesses exist throughout the economy, ranging from government sanctioned monopolies to licensing regimes and various restrictions on business conduct. Governments have, in the past, chosen to intervene in particular markets to rectify some perceived market failure. In many of these cases there was wide community support for such regulation, because perceptions were that it protected consumers, public health and safety, the environment and other specific interests.

However, many legislative restrictions were imposed without an explicit analysis of their impact on the economy and, in particular, their effect on the workings of markets. Furthermore, once legislative restrictions on competition had been established, many were not subject to regular review to ensure that the original reasons for their establishment remained. When such legislative restrictions were reviewed, the beneficiaries of regulation often resisted reform.

To address these matters, *clause 5* of the *CPA* requires each participating jurisdiction by the year 2000 to review and, where appropriate, reform all legislation unjustifiably restricting competition. The guiding principle is that legislation and regulations should not restrict competition unless it can be demonstrated that:

- the benefits to the community as a whole outweigh the costs [*sub-clause (1)(b)*]; and
- the objectives of the legislation can only be achieved by restricting competition [*sub-clause (1)(b)*].

Under the *RRA*, the first tranche of Competition Payments will, in part, depend on publishing a timetable by June 1996 for this review and reform.

The strength of the legislation review component of NCP is the emphasis on transparency and the public benefit.

In June 1996, the NSW Government published its policy statement on legislation review which identifies potentially anti-competitive legislation and sets out a schedule of reviews. This fulfills the requirement in *clause 5.(3)* of the *CPA*.

The Cabinet Office is coordinating the prioritisation and examination of all NSW legislation to determine whether it is, or is potentially, anti-competitive and therefore required to be reviewed.

The June 1996 statement identifies 191 pieces of legislation in total for review, including 53 for review in 1995–96. To date more than 30 reviews have either been completed or dealt with under the Government’s Licence Reduction Program.

Most portfolios are scheduled to carry out reviews. For example in the Agriculture portfolio, the Government will review 44 pieces of legislation by the year 2000. The Government has already conducted a review of the legislation establishing the Rice Marketing Board and concluded that there was a net public benefit from current arrangements. Reviews covering the meat, banana, wine grapes and citrus industries are currently underway.

Once a particular piece of anti-competitive legislation has been reviewed in accordance with this principle, and legislation or part of it is retained, further reviews must occur at least every 10 years.

Third Party Rights to Negotiate Access

The aim of providing rights for third parties to negotiate access to significant infrastructure facilities is to enhance or inject competition in downstream or upstream markets which would otherwise be influenced or controlled by the monopoly owner of the infrastructure [*clause 6.(1)(b)*]. The intention is to prevent a monopolist enjoying an advantage over its (existing and potential) rivals in downstream or upstream markets to the detriment of the public's interest.

Third party access arrangements will be administered at both the Commonwealth and State levels. Although there are some significant differences between jurisdictions, all regimes will only be applied to infrastructure facilities where:

- it would not be economically feasible to duplicate the facility;
- access is necessary in order to permit effective competition in a downstream or upstream market; and
- safety can be ensured at an economically feasible cost.

(See *clause 6.(1)* & *(3)* of the *CPA* and *s 44G.(2)* of the *Competition Policy Reform Act 1995* (Cth))

The Commonwealth access regime commenced on 6 October 1995 with the insertion of *Part IIIA* of the *TPA* through the passage of the *Competition Policy Reform Act 1995* (Cth). It will extend to State infrastructure where:

- it is of national significance;
- interstate trade or commerce is involved; or
- it fails to comply with the *CPA* and the NCC substitutes the Commonwealth regime for a State-based one by declaration.

Under the *CPA*, States can set up their own regimes. They would override the Commonwealth regime provided they qualify as being "effective". An advance, generalised ruling on whether a regime is deemed effective can be obtained from the NCC. Where accreditation is granted by the NCC, usually for a number of years, no declaration may be sought from the Commonwealth in respect of the particular facilities or services.

In August 1995, the NSW Government released a framework for the establishment of State access regimes. The essential features of the framework include the following:

- the NSW third party access regime will apply to infrastructure of less than national significance, but considered important to the NSW economy, *ie* of 'State significance';
- third party requests for access should, in the first instance, be resolved 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 *CPA*;
- in all areas where such regimes are established, IPART will handle dispute resolution matters and will advise where necessary on pricing and related access issues; and
- there will be a right of appeal on an IPART decision to a court, but only on matters of law and not on the grounds of deficient economic analysis.

In accordance with the above framework New South Wales has introduced access regimes in:

- electricity (May 1996);

- rail (July 1996); and
- gas (August 1996).

The electricity and gas regimes are interim and will be replaced by national regimes when their respective national markets are in place.

Electricity

The third party access provisions apply equally to the high voltage transmission network operated by TransGrid and the various distribution networks in New South Wales. Third party access provisions were incorporated in the State Electricity Market Code, effective from May 1996. The Code, which governs the operation of the interim State wholesale market, provides for IPART to arbitrate on any disputes arising from third party access negotiations. The Code received interim authorisation from the NCC and will eventually be replaced by a National Code when authorised by the NCC.

Rail

The NSW rail access regime to be established covers the former State Rail Authority's rail network. Third party access provisions will permit new rail operators to enter the market and compete with public operators in such areas as coal and grain haulage. Agreement in principle has been reached between the NSW Government and the NSW Minerals Council on the phase-out of the monopoly rent component in the Hunter Valley rail freight charges for coal and transparent charging arrangements in the future.

The third party access regime applicable to the NSW rail network was introduced in August 1996. As with the Gas regime, it will require NCC approval for accreditation as an effective State regime. This approval has been sought but it has not yet been obtained.

The track and other fixed rail infrastructure are vested in a new entity, Rail Access Corporation (RAC), which will set terms for access to private and public operators. This arrangement is well in advance of any requirements at the national level. The separation is designed to drive efficiencies in network asset management and represents a first step in progressing towards an open access policy for private train operators.

Gas

The *Gas Supply (NSW) Act 1996* established a third party access regime for the gas distribution network in August 1996 that is consistent with the national regime being developed by the Gas Reform Task Force. The access provisions will require NCC approval as an effective State regime. The NCC received NSW's application for approval on 9 October 1996. The NCC is currently in the process of assessing this application.

Local Government

All the principles of NCP, as set out in the *CPA*, are required to be applied to local government business activities and functions. The States and the Northern Territory were assigned the ultimate responsibility for their application given that local government is subject to their legislation [*clause 7(1)*].

The rationale behind applying NCP principles to local government business activities is the same as that behind the application of competitive neutrality to State Government business activities.

The intention is to have local government businesses compete on a level playing field with other private and public sector businesses. This will not only enhance the efficiency of resource allocation in the economy, but it will help to increase the transparency of local government as a whole. NSW ratepayers will thus be better able to assess where their money is being spent and to what degree.

The application of the *CPA* to local councils' business activities will focus on:

- the application of competitive neutrality principles including the need for the establishment of a reciprocal charging regime between State and local government businesses [*clause 3*];
- review and reform, by the year 2000, of local government regulations which unjustifiably restrict competition [*clause 5*]; and
- the potential for structural reform of various local government monopolies (*eg* where councils are monopoly suppliers of local water and sewerage services) [*clause 4*].

Under the *RRA*, the first tranche of Competition Payments will, in part, depend on publishing a policy statement by June 1996 on the application of the *CPA* to local government business activities and functions. The second and third tranche payments will also depend, in part, on meeting all the obligations and complying with the application of the *CPA*.

A NSW policy statement was prepared in consultation with local government and published at the end of June 1996, in accordance with the requirement in *clause 7.(2)*. In addition, a stocktake on reciprocal charges is being compiled and Department of Local Government guidelines are being prepared on the application of competitive neutrality for distribution to local councils.

Agreement to Implement the National Competition Policy and Related Reforms (RRA)

The NCP package also includes microeconomic reform of key sectors of the NSW economy which have separately been the subject of inter-governmental COAG agreements, namely:

- electricity;
- gas;
- water; and
- road transport.

Electricity

From 1 July 1995, the *RRA* required relevant jurisdictions, including New South Wales, to:

- undertake all measures necessary to implement an interim competitive National Electricity Market (NEM); and
- agree to subscribe to the National Electricity Management Company and National Electricity Code Administrator.

This was agreed to at the July 1991 Special Premier’s Conference and in subsequent COAG agreements.

These requirements are also one of the conditions for receipt of the first tranche of competition payments commencing in 1997–98. One of the conditions for payment of the second tranche, commencing in 1999–2000, is to complete the transition to a fully competitive NEM by 1 July 1999. Payment of the third, and final tranche, will in part depend on the continued effective observance of reforms in electricity. Payment of this tranche will begin in 2001–02.

Reform of the NSW electricity industry has been proceeding since 1991 in the context of a commitment to establish a competitive market on the eastern seaboard for electricity generation and distribution.

The pace of reform accelerated with the release of the Government's *Electricity Reform Statement* in May 1995. The *Statement* laid out a detailed program for the introduction of competition into the State's electricity industry. There are four major streams to the reform program:

- the creation of a competitive industry structure;
- the establishment of a supporting legislative framework;
- the commencement of a NSW wholesale electricity market; and
- the development of a program for the introduction of competition into retail electricity supply.

This program was successfully implemented during 1995–96.

Industry Structure

Following independent reviews of generation and distribution structure, the electricity industry bodies have been substantially restructured and the legislative framework completely revised.

The NSW electricity industry has been separated into its regulatory and operating parts (generation, transmission, distribution and retail) and the latter then separated into its natural monopoly (transmission and distribution) and potentially competitive parts (generation and retail).

On 1 March 1996, a substantial portion of Pacific Power's electricity generating capacity was disaggregated into two new generator entities: Delta Electricity and Macquarie Generation. Pacific Power continues to be responsible for the Eraring power station and the State's entitlement from the Snowy Scheme.

A program of amalgamations reduced the number of electricity distributors from 25 to 6, two of which are metropolitan based. While the restructure has involved implementation costs of around $80 million, the scale economies arising from the revised structure are estimated to generate recurrent savings in excess of $130 million per annum.

Excluding Pacific Power, the 8 new businesses (2 generators and 6 distributors) were established as State-owned energy services corporations under the *Energy Services Corporation Act (NSW) 1995*. Administered by independent boards with a strong commercial focus, they are accountable to the Government as their shareholder, and each year must formulate a statement of corporate intent.

The transmission network was transferred from Pacific Power and vested with the Electricity Transmission Authority, trading as TransGrid. TransGrid, as a monopoly, is subject to IPART monopoly prices oversight.

IPART will continue to regulate electricity tariffs applying to the non-contestable tariff sector until effective competition and choice is in place for small consumers.

Legislative framework

Financial year 1995–96 saw the establishment of a unified legislative framework for the industry—involving the repeal or replacement of most existing legislation and the drafting and passage through Parliament of the *Electricity Supply (NSW) Act 1995*, which provided for the establishment and regulation of a wholesale electricity market, competitive retail electricity supply and transmission and distribution network service provision.

Within this legislative framework, TransGrid was nominated as the Market and System Operator with responsibility for the operation of a State wholesale electricity market. A key component of this market, required under the legislation, is an access regime for connection to and use of the transmission and distribution systems.

Wholesale Electricity Market

The substantial reform program introduced in New South Wales has established a competitive structure and framework for the State electricity sector and has created the basis for the early introduction of interstate trade.

A competitive market in wholesale electricity commenced on 10 May 1996. It involved the development by TransGrid, and interim authorisation by the NCC, of a State Market Code. Participation in the market was initially limited to NSW generators and distributors and the ACTEW Corporation, with trades subject to 85 per cent vesting contract cover.

The competitive wholesale market is a major step in the reform program and is already providing real competition in the supply of wholesale electricity, with generators actively competing to supply the 6 new distributors.

National Electricity Market

In addition to the extensive reforms applied within the State, substantial progress was made during the year on preparations for the introduction of the NEM. New South Wales, in consultation with other jurisdictions and industry, has so far:

- established NEM institutions;
- reviewed the draft National Electricity Code (NEC), which sets down the rules and procedures for NEM participants;
- drafted and approved the *National Electricity Law*, which is required in each participating jurisdiction to legally enforce the NEC; and
- developed a proposal for interstate trade in generation through the harmonisation of the NSW and Victorian electricity markets.

The NEM was approved by the NCC.

New South Wales is using the progress made in its wholesale market to bring forward the operation of a competitive interstate market. In the transition to a national market, the NSW, Victorian and Australian Capital Territory markets will be harmonised from 1 July 1997. In addition, TransGrid has entered a joint venture with the Victorian Power Exchange to develop NEM trading systems.

Retail Competition

The development of a policy for retail competition involved a program of industry, customer and community consultation and the preparation of detailed recommendations for the timing, progressive introduction and management of customer choice in retail electricity supply. The policy was announced by the Minister for Energy in June 1996. (*Retail Competition in Electricity Supply, Treasury Policy Paper TPP 96-1*)

Competition will be introduced in the retail market over the next four years. The phased introduction of retail competition will allow time to establish suitable metering and financial settlement systems and to increase customers' awareness of the opportunities which will arise. Substantial benefits will arise as franchises are progressively removed and customer choice of electricity supplier becomes available. Stage 1 commenced on 1 October 1996 and applied to the largest consumers with site thresholds in excess of 40 GWh per annum. This stage is expected to account for around 14 per cent of the distributors' energy market.

Consumer Protection

The most effective and efficient form of consumer protection is *prima facie* competition itself. However, circumstances can arise where market mechanisms do not adequately deliver appropriate consumer protection. In these circumstances, consumer protection will be provided within a framework which includes:

- customer contract regulations developed in conjunction with the Department of Fair Trading;
- the operation of Customer Consultative Groups required to be formed by the distributors;
- IPART; and
- application of the Minister for Energy's powers provided under the *Electricity Supply (NSW) Act 1995*.

Average retail electricity prices in New South Wales were already among the lowest in Australia in March 1995. However, since then electricity charges have been reduced by a further 8.4 per cent (in real terms), as a result of reduced cross-subsidies and improved cost-reflectivity of prices, and are projected to fall a further 11.4 per cent in the next four years. This projected reduction will enable cross-subsidies to be further unwound, without the need for real price increases for any class of customers.

Business customers who currently pay higher electricity prices relative to households, will continue to be the major beneficiaries from the reform process. Businesses will save 25 per cent (in real terms) on average over the next four years in addition to the $170 million they have already saved. Households, which have had their electricity prices largely frozen during the four year period between 1992 and 1996, can also expect real savings of around 7 per cent.

Gas

The *RRA* requires relevant jurisdictions, including New South Wales, to implement any arrangements agreed between parties as necessary to introduce free and fair trading in gas between and within the States by 1 July 1996, or such other date as is agreed between the parties.

This requirement is in keeping with the February 1994 COAG agreement on gas and is one of the conditions of the first tranche of competition payments commencing in 1997–98. One of the conditions for payment of the second tranche, commencing in 1999–2000, is to fully implement free and fair trading in gas between and within the States, including the phasing out of transitional arrangements in accordance with agreed schedules. Payment of the third tranche will, in part, depend on the continued effective observance of reforms in gas. This tranche will begin in 2001–02.

The NSW Government has initiated gas reforms, notwithstanding that production, transmission and distribution reside in the private sector.

Structural Reform

In a bid to accelerate the development of a competitive gas market by the end of the decade, a range of legislative and structural reforms applying to gas distribution networks in New South Wales has commenced in the past 12 months involving:

- the transfer of the regulation of domestic gas tariffs (*ie* household and small commercial consumers) from the Gas Council to IPART;
- the progressive removal of cross-subsidies from the industrial to domestic markets; and
- addressing the need for competitive neutrality between the gas and electricity sectors as part of a strategy to stimulate the development of an overall energy market.

The NSW Government is according high priority to the coordination of planning requirements with the objective of streamlining the approvals process for strategic new transmission pipelines. There are also proposals to connect the NSW market with alternative gas suppliers in Victoria by around 1998.

Third Party Access

In accordance with the new regime, the Australian Gas Light Company (AGL) has lodged its proposed undertaking for third party access with IPART (the designated regulator). IPART has in turn released its draft determination on the terms and conditions offered by AGL in its undertaking. Key features of the draft determination include:

- average transport tariffs for use of the AGL distribution system (*ie* charges for moving gas) will fall by almost 30 per cent in real terms over the next 3 years; and
- the cross-subsidy from business customers to households is expected to be largely eliminated over the next 3 years, while still keeping the household price capped well within the Consumer Price Index (CPI).

Since the release of the draft determination, end users and potential gas suppliers have raised concerns that the proposed AGL undertaking may see higher prices than necessary and discourage competition in the supply of gas. IPART, on the basis of comment received, has indicated that the proposed undertaking does not provide a basis for access that acceptably balances the interests of customers, potential gas suppliers and the network operator. IPART has requested that AGL submit a revised undertaking for consideration.

Subject to public comment, IPART is scheduled to issue its final determination by the end of March 1997.

Road Transport

The Special Premier's Conferences in 1991 and 1992 made decisions on a number of national uniformity initiatives including road transport. The Heads of Governments entered into the

Agreements for Road Transport in July 1991 and May 1992, comprising of a *Heavy Vehicles Agreement* and *Light Vehicles Agreement* respectively.

Payment of the first, second and third tranche of Competition Payments will in part depend on the effective observance of the agreed package of road transport reforms.

The objectives of the *Road Transport Agreements* were to develop uniform or consistent road transport law throughout Australia in order to:

- improve road safety;
- increase transport efficiency; and
- reduce the costs of administration of road transport.

A National Road Transport Commission (NRTC) was established by the *National Road Transport Commission Act 1991* (Cth) to implement the *Agreements* and develop a national approach for road transport regulation and heavy vehicle charging. The *Heavy* and *Light Vehicles Agreements* are schedules to this *Act*.

The *Agreements* are being implemented through the application of template legislation in a manner similar to that of the *Corporations Law*. Commonwealth additions or amendments will automatically operate in each jurisdiction after being supported by a majority vote of the Ministerial Council for Road Transport, comprising Ministers from each jurisdiction. The intent of this is for State and Territory Parliaments to relinquish their abilities to depart from the national code once it has adopted the *National Road Transport Law*.

The *National Road Transport Law* is divided into 6 modules, each covering a particular aspect of road transport. The modular approach is more manageable, given the size and complexity of the areas to be covered. The 6 modules agreed to by the Ministerial Council are:

- Heavy Vehicle Charges;
- Vehicle Operations;
- Vehicle Registration;
- Driver Licensing;
- Dangerous Goods; and
- Compliance and Enforcement.

The Heavy Vehicle Charges Module sets nationally uniform registration charges for heavy vehicles throughout Australia. This module is the only one to be completed and adopted by all jurisdictions. New South Wales adopted this on 1 July 1996.

The Vehicle Operations Module covers the mass, loading, access, standards, driving hour requirements and basic road rules in terms of heavy vehicles.

- New South Wales adopted the vast majority of the *Heavy Vehicle Standards Regulations* in October 1995.
- New South Wales is the only jurisdiction, to date, to combine and adopt the *Mass and Loading, Oversize and Overmass, and Restricted Access Vehicles Regulations*. It did so on 1 July 1996.
- New South Wales has already amended its *Bus Driving Hours Regulations* to adopt elements of the national ones, including two-up driving conditions which commenced on 30 September 1996.

- New South Wales is awaiting the development of draft national *Truck Driving Hours Policy*, which has been agreed upon in principle.
- Australian *Traffic Regulations* are currently with road authorities for comment by 23 December 1996. They are expected to be presented to the Ministerial Council in mid-1997.

The Vehicle Registration Module sets the rules for the administration of registration. This was approved by the Ministerial Council in October 1996 and is expected to be adopted in New South Wales by the first quarter of 1998.

The Driver Licensing Module establishes nationally consistent classes for, and sanctions against, drivers, except in respect of learners and provisional drivers. This is currently under development and is expected to be presented to the Ministerial Council by mid-1997.

The Dangerous Goods Module specifies all the requirements for the transport of dangerous goods by road. Relevant legislation is likely to be presented to the NSW Parliament in the second half of 1997.

The Compliance and Enforcement Module deals with a range of legal principles including powers of enforcement, monetary sanctions and production of records. This module is still in the early stages of development.

Water

One of the conditions for payment of the second tranche of Competition Payments, commencing in 1999–2000, is to implement the strategic framework for the efficient and sustainable reform of the Australian water industry by 1 July 1999. This includes adopting the processes endorsed at the February 1994 COAG meeting and embodied in the February 1995 *Report of the Expert Group on Asset Valuation Methods and Cost-Recovery Definitions*. The third tranche of Competition Payments will also, in part, depend on the continued effective observance of reforms in water. This tranche will begin in 2001–02.

At the February 1994 meeting mentioned above, COAG agreed to a strategic framework for reforming the water industry over a 7 year period, covering both urban and rural water supply. Water pricing is the focus of reform.

The Water Agreement generally requires all NSW water services to:

- adopt pricing regimes based on the principles of consumption-based pricing and full-cost recovery;
- remove cross-subsidies which are not consistent with efficient and effective service, use and provision; and
- fully disclose and pay for water services provided to classes of customers at less than full cost as a CSO.

Urban Water

New South Wales is well advanced in meeting the COAG requirements of introducing consumption-based pricing structures.

The Sydney Water Corporation has progressively adjusted charges since 1993 with the intent of placing much greater reliance on water use charges as opposed to fixed (including property value-based) ones. Non-residential property-value based charges have been reduced by around 60 per cent (or $217 million) since 1992–93 and will be reduced by $20 million per annum in each of the four years, 1996–2000. The removal of property-value based charges for households commenced from 1 October 1995. In addition, water charges were increased in 1995–96 to reflect the costs associated with higher drinking water quality.

In the case of the Hunter Water Corporation, the latest IPART determination incorporates further pricing reforms including the removal of water and sewerage charges for unconnected land. The determination also provides for lower service charges for water and increased water usage charges as well as increased service charges for residential sewerage but reduced usage charges. These changes are in line with the costs of these services.

Rural/Bulk Water

The COAG *Water Agreement* specifically requires States and Territories to:

- progressively review rural water charges and costs so that they comply with the principle of full-cost recovery by no later than 2001 with any subsidies being fully disclosed and paid to the service deliverer as a CSO; and
- attain commercial rates of return on the written-down replacement costs of rural water assets by 2001.

In its bulk water pricing determination, IPART froze bulk water charges for 1996–97 to allow it time to properly evaluate bulk water services, costs and prices over the next 12 months. More importantly IPART signaled a change in approach more consistent with the State's commitments under NCP and the COAG *Water Agreement* by:

- acknowledging (despite the current lack of detailed information) that bulk water significantly under-recovers costs;
- strongly supporting the pricing of bulk water services at a level that recovers the cost of provision; and
- alluding to a program of revising prices for the 1997–98 season and beyond to achieve this goal.

Currently, the Standing Committee on Agriculture and Resource Management (SCRAM) is investigating for COAG an acceptable approach to asset valuation. Arriving at an acceptable approach is a pre-requisite for attaining commercial rates of return. New South Wales and other States and Territories have provided input to this work, and an agreed approach is expected in 1997.

Other Related Reforms

Infrastructure

The infrastructure programs of the NSW Government play a key role in the growth and development of the NSW economy by providing the basic infrastructure required by industry and taxpayers.

State Governments dominate public infrastructure, owning about two-thirds and are responsible for providing the greatest range of infrastructure services such as:

- transport and communications (35 per cent of NSW capital outlays);
- housing and community services (27 per cent);
- health and education (18 per cent); and
- energy services (13 per cent).

The direct responsibility for the provision and management of the majority of State infrastructure assets has mainly rested with Government businesses.

The significance of private sector investment in infrastructure is gradually increasing. This is reflected in the fact that the private sector's share of new gross infrastructure investment is higher than its share of the stock of infrastructure. Private sector involvement, generally, reduces the funding burden for the State and improves the efficiency of infrastructure investment and operation through:

- equitable sharing of risks between 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.

Much of the increased private sector involvement in New South Wales has involved Build, Own, Operate and Transfer (BOOT) type arrangements. BOOT type arrangements are schemes where the private sector builds, owns, operates and then transfers the infrastructure, usually after 20 to 30 years, to the public sector. They are a form of structured financing with many complex contractual relations based on equitable risk sharing. In New South Wales thus far, they have been used to provide transport, electricity, water and sewerage infrastructure.

A BOOT usually involves the interaction of the following parties:

- the Government, through an agency such as the Roads and Traffic Authority;
- the ownership vehicle comprising of a concession company and a trust;
- debt financiers, usually a major trading bank; and
- equity investors in shares in a concession company and units in a trust (in the case of the M2 Motorway).

The private sector ownership vehicle usually obtains its revenue stream directly through charges to the users of those facilities. The main examples are the toll road contracts. The private sector in these cases has come to assume the full market risk as well as all the construction and operational risks. Generally the toll road company is issued with a franchise to levy tolls on traffic using the road for a period of about 30 years. The normal commercial default conditions apply to these contracts. That is, there is no Government obligation to step-in if the company encounters financial difficulties.

The Government has increasingly encouraged the private sector to assist in the provision of infrastructure as evidenced by its issuing of *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 needs to be clearly defined.

Under the *Public Authorities (Financial Arrangements) (NSW) Act 1987* (*PAFA*) the Treasurer has responsibility for approving agencies entering into joint financing arrangements. Treasury advises the Treasurer on the joint financing obligations proposed by the sponsoring agency and agrees the terms and conditions for contract negotiations.

New South Wales had contracted nearly $5,000 million of BOOTs up to 30 June 1996, covering over 20 projects. The majority of this expenditure has been associated with the provision of tolled motorways. There has also been sizable investment in the development of rail projects and water treatment plants for metropolitan Sydney.

Industry Assistance and Interstate Competition

The States and Territories provide specific assistance to attract new investment, or help in its expansion, relocation or retention in their particular jurisdictions. Frequently they engage in competitive bidding.

While this appears reasonable from their perspectives because of the perceived economic and employment benefits, any assistance given to projects that were going to locate in Australia anyway represents an unnecessary transfer from Australian taxpayers to company shareholders. There is an opportunity cost, which is rarely brought to light, both in terms of the potential alternative use of whatever assistance is given and in terms of the resource cost of any non-optimal location of the investment.

An inquiry into industry assistance is currently being undertaken by the PC.

New South Wales is supportive of the inquiry and has argued that jurisdictions should compete for investment on the basis of fundamentals *ie*:

- efficient and cost-reflectively priced utility and other infrastructure services;
- sensible regulations to meet necessary health, safety, environmental and other regulatory objectives in a way that minimises compliance costs;
- infrastructure provision complementary to sources of regional advantage;
- competitive tax regimes with low compliance costs;
- education and training; and
- industrial relations.

The Commission’s Draft Report released in late 1996 contained the view that competition between states was an essential feature of a federation and would normally be beneficial, but that competitive use of industry assistance, particularly firm- and project-specific assistance, was administratively costly and against the spirit of the Constitution. It was argued that the gains from assistance were small at best and may be adverse from a national perspective.

New South Wales is hopeful that jurisdictions could agree to make assistance more transparent and accountable and improve evaluation of proposals. The Commission’s Final Report is awaited with interest.

(II) NSW GOVERNMENT BUSINESS MICROECONOMIC REFORM PROGRESS

This year's Performance Book is somewhat different in content to the previous six.

It has some 24 businesses, including the Land Titles Office for the first time in its own right, but excluding the Roads and Traffic Authority and Corrective Services Industries. Because of the large number of businesses, a decision has been made to omit the fourth page of coverage dealing with a case study.

A number of businesses have been recently restructured and lack previous years of performance for comparison. In some cases, businesses are in newly competitive markets, so forecast information has been omitted because of its commercial sensitivity.

Overall, for unavoidable reasons, there are more gaps than in previous editions for both past and future years.

ELECTRICITY GENERATORS

PACIFIC POWER

Pacific Power has made a successful transition into the competitive electricity market in New South Wales. In October 1995, Cabinet adopted a plan to restructure Pacific Power with the creation of two additional generating entities named Macquarie Generation and Delta Electricity which started operation on 1 March 1996.

Pacific Power's business is the provision of integrated energy services in Australia and internationally. Four key separate but inter-related businesses form the core of Pacific Power's future: domestic and international coal business through Powercoal, domestic and international engineering services through Pacific Power International (PPI), Eraring Generation, which operates a modern power station on the Central Coast, and an important grouping of alternative sources of energy which encompasses gas, hydro, solar and other renewable forms of generation.

As a competitor in the energy services market in Australia and internationally, Pacific Power's purpose is to achieve outstanding improvements in business and employee performance, deliver excellent products and services to its customers, increase shareholder value and develop organisational strength and flexibility.

Pacific Power intends to build on existing achievements interstate and overseas. It intends to increase participation in projects in Asia, establish a significant participation nationally in the power industry services business and develop environmentally friendly generation in New South Wales.

The business environment in which Pacific Power operates is continues to evolve. The NSW Government appointed merchant bankers Fay, Richwhite in August 1996, to consider the future role and structure of Pacific Power. The recommendations of this review have yet to be announced.

Pacific Power has achieved impressive rates of return while delivering price reductions to its customers. The Pacific Power entity achieved an operating profit result of $521.8 million in 1995–96, and will make a $127.8 million income tax equivalent payment and a $315.7 million dividend payment to the NSW Government. Return on assets and return on equity during 1995–96 were 11.3 per cent and 18 per cent respectively. These achievements occurred while Pacific Power funded all capital expenditure internally and reduced its nominal debt from $2.3 billion in 1994–95 to $0.5 billion in 1995–96 ($1.8 billion of debt was transferred to the new generating entities).

DELTA ELECTRICITY

In March 1996, Delta Electricity commenced business as a new State Owned Corporation, operating as a generator in the new competitive State Electricity Market. Its legislative objective is to be a successful generator and provide competitively priced electricity in a safe, efficient and environmentally responsible manner.

Delta Electricity comprises four power stations with a total capacity of 4,240 MW and has a workforce of nearly 1,250 people. Mt Piper, the newest coal fired power station in the state, and the recently established Wallerawang, are located in the central West region of NSW near Lithgow. Vales Point and Munmorah Power Stations are located on the Central Coast. The Corporation's portfolio of generators produced approximately 30 per cent of the NSW electricity supply in 1995–96.

Delta Electricity has embraced the competitive environment for the electricity industry and has established a vision to be the supplier of first choice in the electricity market. The commencement of a National Electricity Market in 1997 is regarded as an opportunity to realise this vision, to be achieved through strategic alliances with customers and major suppliers plus sound financial and risk management strategies.

Improved productivity and reduced cost of production have been Delta Electricity's initial focus of activity. To achieve these outcomes the Corporation has:

- participated in an international benchmarking study of electricity generators;
- restructured in accordance with the recommendations of an independent organisation review;
- undertaken an inaugural employee attitude survey;
- negotiated a new enterprise award; and
- conducted an information systems strategy study.

Delta Electricity is committed to the development of the regions it operates in and will contribute to regional development through its high standard of environmental performance and enhanced economic activity through its commercial success.

MACQUARIE GENERATION

Macquarie Generation owns and operates two major coal-fired power stations. Bayswater and Liddell Power Stations are located in the Upper Hunter Valley, between the towns of Muswellbrook and Singleton in NSW. The two stations have a combined generating capacity of 4640 MW and contribute 32 per cent of the State's electricity supply.

Macquarie Generation has total assets exceeding $2 billion and has a workforce of 826 employees. Its operating profit for the four month period March–June 1996 was $50.6 million.

In its first four months of operation, Macquarie Generation began to establish a strong identity and market position. Its main priorities will be on continuous improvement, operating efficiency and cost management.

Bayswater and Liddell Power Stations both operated effectively in 1995–96. Bayswater achieved record energy output and reliability in the last year and, with its high thermal efficiency, operated at base load in comparison to Liddell which operated in a planned intermediate role. Their combined operation ensure the most cost effective and reliable electricity supply to customers.

Health, safety and environment have been priorities for Macquarie Generation. The Board has approved an environmental policy promoting very high standards of leadership. An Executive Safety Committee and local safety committees have been established and safety outcomes are regularly reviewed at all levels.

The national electricity market due to commence in early 1997, is likely to be an aggressive one. Macquarie Generation realises that its future success will be dependent on reliable and cost-effective fuel supplies and a flexible and skilled workforce.

PACIFIC POWER

	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
FINANCES								
OPERATING RESULT ($m)	(2)	171.7	360.7	667.4	763.7	845.9	591.4	521.8
RETURN ON ASSETS (%)	(3)	9.7	11.8	14.2	12.5	11.8	9.1	11.3
RETURN ON OPERATING ASSETS (%)	(3)	8.8	11.0	13.7	12.6	12.3	9.3	14.7
RETURN ON EQUITY (%)	(3)	10.8	18.0	20.8	10.1	9.9	7.4	18.0
ASSET SALES ($m)		686.7	32.8	31.1	37.4	48.9	23.1	22.3
GROSS EXTERNAL DEBT ($m)		6107.9	5458.5	5207.5	4731.9	4080.4	2443.4	528.0
DEBT TO EQUITY (%)		291.4	271.1	117.3	99.1	61.5	55.0	59.2
TIMES INTEREST EARNED		1.2	1.5	1.9	2.2	2.5	2.6	3.2
INTERNAL FUNDING RATIO (%)	(4)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
DIVIDEND PAYMENTS ($m)	(5)	189.8	344.8	529.1	329.3	370.4	432.7	315.7
CORPORATE TAX EQUIVALENT ($m)		0.0	0.0	0.0	260.0	198.0	98.4	127.8
SOCIAL PROGRAMS ($m)		16.6	12.4	2.2	5.5	2.2	8.4	1.6

NOTES

1 *All dollar amounts reported in 1995-96 prices.*

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

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

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

5 *Excludes tax equivalent payments from 1992-93 onwards.*

DELTA ELECTRICITY AND MACQUARIE GENERATION

		Delta Electricity (1 March 1996 to 30 June 1996)	Macquarie Generation (1 March 1996 to 30 June 1996)
FINANCES			
OPERATING RESULT ($m)	*(1)*	29.3	50.6
RETURN ON ASSETS (%)	*(2)*	NA	NA
RETURN ON OPERATING ASSETS (%)	*(2)*	NA	NA
RETURN ON EQUITY (%)	*(2)*	NA	NA
ASSET SALES ($m)		0.2	0.1
GROSS EXTERNAL DEBT ($m)		663.3	1170.9
DEBT TO EQUITY (%)		0.0	56.7
TIMES INTEREST EARNED		2.5	2.2
INTERNAL FUNDING RATIO (%)	*(3)*	4.4	100.0
DIVIDEND PAYMENTS ($m)		14.4	24.8
CORPORATE TAX EQUIVALENT ($m)		10.6	18.2

NOTES

NA Not applicable

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

2 *Not appropriate to calculate an annual rate of return from 4 months data.*

3 *The proportion of funds for capital works internally sourced.*

ENERGYAUSTRALIA

EnergyAustralia was formed by the merger of the former Sydney Electricity and Orion Energy. It is the largest electricity retailer in Australia supplying nearly half of all NSW customers. The organisation is on a concerted drive to achieve best practice performance and to fulfil its purpose of being the supplier of choice for its customers, the investment choice for its shareholder and a company committed to integrity and excellence.

EnergyAustralia was constituted as a state owned corporation on 1 March 1996 under the *Energy Services Corporations Act 1995* and the *Electricity Supply Act 1995*. It is responsible to the Minister for Energy for the performance of all functions relating to energy distribution and the supply of competitive energy services that satisfy customers' requirements. Covering over 22,000 square kilometres, EnergyAustralia serves a community of 3 million people, has annual revenue of $2 billion and assets valued at $3.5 billion.

Since commencing operations as a merged, corporatised body the organisation has continued on a rapid path of transformation. A corporate plan, structure and identity focussing on success in the new competitive energy markets has resulted from the historical transformation process.

EnergyAustralia's performance in the last financial year has realised substantial gains (in comparison with the combined performance of Sydney Electricity and Orion Energy);

- operating cost per customer reduced by 21 per cent in the past four years;
- power supply system reliability improved by 24 per cent since 1991–92;
- safety performance improved by 70 per cent since 1991–92;
- labour productivity improved by 73 per cent in the past four years;
- an amount of $423 million has been distributed back to the community in the past five years, including tax equivalent payments, dividends and rebates on pensioner power bills; and
- a 20 per cent real reduction in average prices since 1991–92.

Restructuring the NSW electricity distribution sector and reducing the number of electricity distributors has significantly altered the conditions under which NSW electricity suppliers operate. Coupled with imminent national competition the challenge for achieving world class efficiencies and business growth is well laid down. As a large corporate player EnergyAustralia is firmly placed to meet the new challenges and provide NSW customers with competitive, value added energy services and solutions.

ENERGYAUSTRALIA.

EFFICIENCY	*(1)*	1989-90		1990-91		1991-92		1992-93		1993-94		1994-95		1995-96
		Sydney El	Orion	Sydney El	Orion	Sydney El	Orion	Sydney El	Orion	Sydney El	Orion	Sydney El	Orion	Energy Aus
EMPLOYMENT	*(2)*	5,992.0	1,283.0	5,767.0	1,259.0	4,742.0	1,171.0	4,331.0	1,121.0	3,705.0	1,054.0	3,509.0	1,040.0	3,817.0
OUTPUT (GWh) PER EMPLOYEE	*(3)*	2.4	2.5	2.7	1.0	3.0	1.2	3.5	1.3	4.1	1.5	4.7	1.7	5.5
CUSTOMERS PER EMPLOYEE	*(4)*	164.0	159.4	177.0	169.0	207.0	180.0	238.0	195.4	272.0	210.9	310.0	224.3	343.0
OPERATING COST PER UNIT SOLD ($/MWh)	*(5)*	27.9	29.2	31.1	27.4	31.5	30.3	29.1	26.2	29.1	25.4	27.2	24.1	24.7
OPERATING COST PER CUSTOMER ($)	*(6)*	306.5	358.1	312.3	347.3	264.1	334.0	249.3	304.4	241.2	287.6	221.8	285.5	217.0
SYSTEM LOSS INDEX (%)	*(7)*	3.9	4.1	3.8	4.1	4.2	4.7	4.3	4.3	4.5	5.0	4.7	5.1	4.8
DAYS SICK LEAVE PER EMPLOYEE		10.6	8.6	8.8	7.2	7.8	8.4	6.1	5.0	6.4	5.3	6.0	6.0	6.5
LOST TIME INJURY FREQUENCY RATE	*(8)*	63.7	26.9	62.5	33.8	47.9	23.7	29.6	20.4	14.7	14.0	10.3	18.6	12.8
TOTAL FACTOR PRODUCTIVITY	*(9)*	1.3	1.5	1.4	1.6	1.5	1.6	1.5	1.7	1.7	1.7	1.9	1.8	1.9
SERVICE														
OUTPUT (GWh)		15,264.0	3,334.0	15,880.0	3,477.0	15,779.0	3,520.0	16,078.0	3,616.0	16,290.0	3,667.0	16,773.0	3,888.2	21,184.0
SUPPLY RELIABILITY (Min)	*(10)*	104.0	260.7	105.0	150.8	86.0	224.9	81.0	170.9	76.0	123.0	80.0	117.6	83.0
REAL PRICE INDEX		1.00	1.00	1.00	0.98	1.01	0.97	0.96	0.96	0.96	0.92	0.88	0.81	0.81
CUSTOMER SATISFACTION INDEX														
DOMESTIC		NA	65.9	69.0	69.5	73.4	70.0	75.5	75.1	77.2	74.8	75.9	75.3	76.8
BUSINESS		NA	64.9	65.4	65.1	70.5	69.4	73.6	70.5	74.2	72.5	74.8	74.1	74.7

FINANCES	*(11)*													
OPERATING RESULT ($m)	*(12)*	142.6	22.1	115.9	23.2	61.4	-2.0	124.7	11.3	68.4	9.6	79.2	7.7	89.8
RETURN ON ASSETS (%)	*(13)*	12.8	6.9	12.7	5.9	6.6	0.6	6.1	1.5	3.9	1.8	4.6	1.4	4.6
RETURN ON EQUITY (%)	*(13)*	24.1	8.3	32.7	8.1	3.9	-0.5	4.4	1.4	2.0	1.3	2.3	1.0	6.0
GROSS EXTERNAL DEBT ($m)	*(14)*	835.8	101.1	760.8	85.7	709.7	73.4	630.2	58.4	586.6	47.8	529.3	36.2	1269.4
DEBT TO EQUITY RATIO (%)	*(13)*	229.8	36.6	211.3	29.3	40.7	16.5	26.3	13.5	25.8	9.6	23.3	6.8	84.4
TIMES INTEREST EARNED		3.7	3.0	2.4	4.7	2.2	0.6	2.5	2.8	2.4	5.3	2.1	6.4	2.5
SOCIAL PROGRAMS ($m)	*(15)*	387.8	4.6	65.9	9.2	49.8	9.7	18.1	10.0	20.1	5.5	20.3	5.6	25.5
FINANCIAL DISTRIBUTION ($m)														
CORPORATE TAX EQUIVALENT		0.0	0.0	0.0	0.0	20.1	0.0	33.4	0.0	22.6	3.2	28.2	2.5	44.4
DIVIDEND PAYMENT		0.0	0.0	38.4	0.0	15.7	0.0	26.1	0.0	25.7	9.1	24.9	2.4	28.1
CAPITAL REPAYMENT		71.2	NA	36.2	NA	0.0	NA	0.0	NA	0.0	NA	0.0	NA	750.0
ASSET SALES ($m)	*(16)*	4.7	2.4	5.5	1.0	23.8	2.0	8.9	2.4	17.4	4.2	22.1	1.9	26.1

NOTES

NA *Not available*

1 *All dollar amounts reported in 1995-96 prices.*

2 *Full time equivalent staff at 30 June.*

3 *GWh sold per average number of electricity employees.*

4 *Average customers per average number of electricity employees.*

5 *Includes depreciation and interest.*

6 *Operating expenditure excluding sales tax, depreciation and interest per average number of customers*

7 *Energy purchased less energy sold divided by energy purchased*

8 *Number of lost time accidents per million hours worked*

9 *Base year 1981-82. These are unilateral TFP results measuring TFP growth (or decline) over time. The TFP measures do not reflect absolute TFP levels, and therefore cannot be compared to the TFP results of other agencies presented in this publication.*

10 *Average minutes per customer per year without supply including planned and unplanned outages*

The effects of the January 1994 bushfires and January 1991 storms are not included

11 *All financial indicators are consolidated. The results reflect the electricity supply and non supply, energy services businesses.*

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

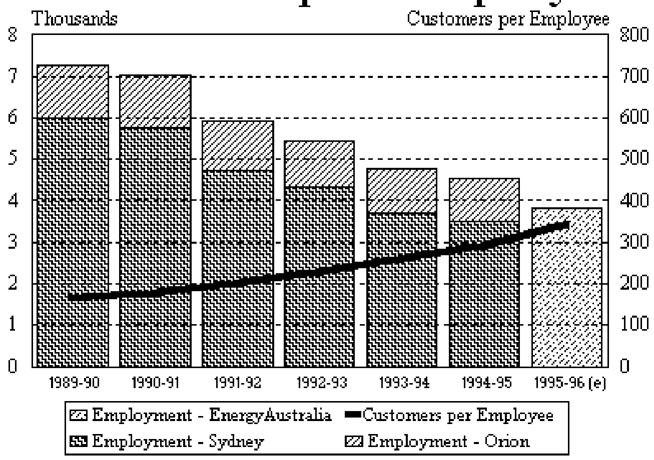
13 *Asset revaluations in 1991-92, 1992-93 and 1993-94 make comparisons of some financial ratios between years misleading.*

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

15 *Includes Pensioner Rebates, Traffic Route Lighting Subsidies, EDF contributions.*

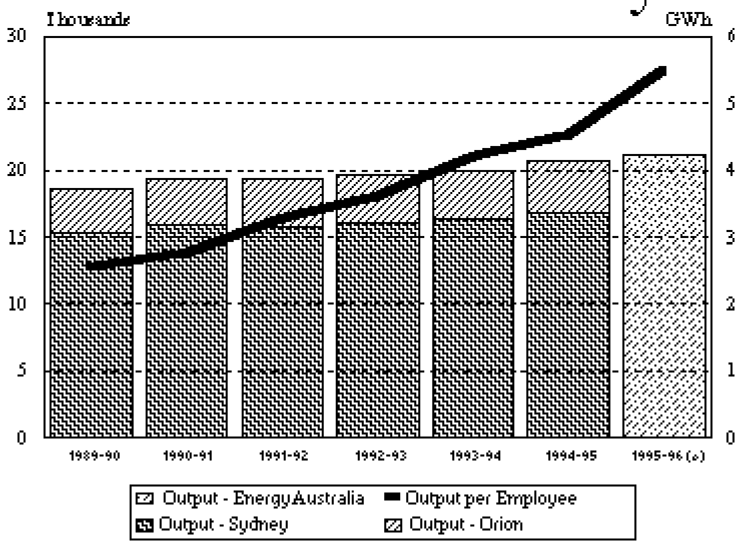
16 *Total proceeds from sales of fixed assets.*

Customers per Employee



Energy Australia was formed from the merger of the Sydney and Orion distribution zones excluding the 3 northern councils of Gloucester, Dungog and the Great Lakes.

Labour Productivity



Energy Australia was formed from the merger of the Sydney and Orion distribution zones excluding the 3 northern councils of Gloucester, Dungog and the Great Lakes.

Real Price Index

1989-90 = 100

DEPARTMENT OF HOUSING

The Department provides public rental housing and rental assistance to meet the needs of people on low to middle incomes.

The Department manages 134,529 properties through eight Regional Offices. Rents are set at market level and gross rents for these properties totalled $984 million in 1995–96. Rebates of $578 million were granted to eligible tenants during the year. About 90 per cent of tenants received a rental rebate based on household type and income. The majority of tenants pay 20 per cent of their income as rent. In 1995–96, 38,430 clients in the private market received rental assistance grants to the value of $13 million.

The Department's waiting list increased 5.6 per cent in 1995–96. Of the people who have applied for public housing, 73 per cent receive statutory benefits. Housing becomes available through vacancies and new dwellings. In 1995–96, 16,658 vacancies occurred and 2,726 new dwellings were purchased, leased or built. The number of clients housed is increasing. A growing number of existing tenants are rehoused to meet client needs and create opportunities for redevelopment. Service improvements will be funded from efficiency savings and debt reduction.

Redevelopment of existing housing stock is seen as a cost effective solution to meet the high demand for public housing. 17.8 per cent of expenditure on all programs was spent on the redevelopment of existing stock in locations close to current services. In 1995–96 the Department continued to increase funding for maintenance to $93 million to bring dwellings to industry standards and redress backlogs. The Department continued its neighbourhood improvement programs with the aim of improving the tenants' living environment, client amenity and private/public tenure mix.

The Department's improved financial performance this year was the result of a number of factors. Rental income rose due to a reduction in rental rebates resulting from a Rental Fraud Investigation program. Asset sales increased slightly. However, the profit on sales was higher due to the low historical costs for the properties sold. Debt servicing costs reduced significantly with improvements to external debt during the year. Expenditure increased because of a rise in repairs and maintenance, salaries and administration and superannuation. Depreciation expenditure rose because accounting policy for depreciation was brought into line with other State Housing Authorities.

Major changes are proposed for the Department's funding, its business operating mode and services provided to customers. The likelihood of major changes to the Commonwealth State Housing Agreement has created uncertainty for future Commonwealth capital grants. The growth of the community housing sector, and the establishment of the Office of Community Housing in July 1996, will assist in the development of an alternative supplier of social housing.

DEPARTMENT OF HOUSING

		1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96(e)	1996-97(f)
EFFICIENCY									
EMPLOYMENT	*(1)*	2,062	1,985	2,029	2,074	1,929	1,768	1,809	1,950
WORK CONTRACTED ($m)	*(2)*	598	613	592	585	628	578	589	594
DWELLINGS PER HOUSING EMPLOYEE (000)	*(3)*	71	76	76	76	67	75	74	68
ADMIN EXPENDITURE ($m)	*(4)*	131.6	133.4	143.4	134.3	121.6	123.0	138.6	142.1
ADMIN EXPENDITURE PER EMPLOYEE ($000)		64	67	71	65	63	69	77	73
SERVICE									
DWELLINGS COMPLETED (000)	*(5)*	3.8	3.2	3.4	3.6	3.1	2.8	2.7	2.7-3.2
DWELLINGS UNDER MANAGEMENT (000)	*(6)*	118.2	122.1	124.6	127.3	130.0	132.5	134.5	133.0
RENTAL REBATES ($m)		546	544	578	608	609	607	573	574
RENTAL REBATES GRANTED TO									
RENTAL ACCOUNTS (%)		85	85	89	90	90	91	91	91
RENTAL REBATES GRANTED TO RENT RAISED (%)		55	55	57	58	59	59	57	57
PUBLIC TENANT APPEALS LODGED TO TENANCIES (%)	*(7)*	0.30	0.59	0.49	0.53	0.46	NA	0.04	NA
HOUSEHOLDS ON WAITING LIST (000)		75.5	64.9	71.5	81.8	87.2	88.2	93.2	94.6

APPLICANTS HOUSED TO WAITING LIST (%)		19	22	18	16	14	13	13		11
REAL PRICE INDEX	*(8)*	100.0	94.7	91.3	87.7	85.9	84.3	86.3		90.8
FINANCIAL INDICATORS										
OPERATING RESULT ($m)	*(9)*	106.7	46.4	219.0	55.1	50.0	(62.6)	(132.0)		(7.5)
GROSS EXTERNAL DEBT ($m)	*(10)*	2,787.1	2,690.8	2,449.8	2,379.7	2,190.6	1,999.4	1,827.0		1,808.5
ASSET SALES ($m)	*(11)*	14.2	3.4	4.4	15.4	7.6	11.8	41.4		42.5
RETURN ON TOTAL ASSETS (%)	*(12)*	5.6	3.7	6.1	3.4	3.0	(0.4)	(1.0)		0.8
RETURN ON EQUITY (%)	*(13)*	3.7	1.5	6.2	1.4	1.3	(1.5)	(3.1)		(0.2)
DEBT TO EQUITY (%)	*(14)*	98.0	87.0	69.0	61.0	55.0	47.5	43.0		41.7
TIMES INTEREST EARNED	*(15)*	1.5	1.3	2.5	1.4	1.4	0.5	(0.5)		0.9
SOCIAL PROGRAMS ($m)		13.0	17.0	23.3	22.0	20.6	23.9	23.0		23.2

NOTES

NA	*Not available*
e	*Estimate*
f	*Forecast*

As from 1 July 1993 non-core functions such as Landcom and Home Purchase Authority were separated out from the Department.

Figures for forward years 1997-98 and 1998-99 have not been provided in line with Treasury requirement for only one year's Statement of Financial Performance

and the Department's current unknown position in relation to the Commonwealth State Housing Agreement funding.

1. *Represents equivalent full time basis as at 30 June for staff employed in the Department's mainstream operations. The figures do not include employment within other Statutory Authorities which report to the Minister for Housing through the Department. Figures from 1993-94 onward reflect separation of non-core functions from the Department. The 1994-95 figure is affected by a moratorium on recruitment. 1996-97 figures projected on basis of the current staff establishment.*

2 Prior to 1993-94 expenditure includes housing procurement, maintenance, upgrading and fees paid to Co-operative Housing Societies. For 1993-94 onwards, expenditure includes capital works, capital improvement and maintenance.

3 Dwellings under management per equivalent full time number of employees include those employees involved in the procurement and ongoing management of dwellings. Includes a notional allocation of corporate staffing.

4 Administrative expenditure prior to capitalisation of oncost to construction projects. 1993-94 excludes Home Purchase Assistance Authority, Rental Tenancy Tribunal and Landcom resulting in reduction in the number of staff and administration expenses.

5 Range due to uncertainty of funding within some programs.

6 Includes dwellings across all program areas, some of which are managed by community organisations on the Department's behalf. The 1995-96 figure includes 1,898 Community Housing and 725 Crisis Accommodation units which will be transferred to the Community Housing sector during 1996-97.

7 Two tiered appeals system introduced in December 1994, no data available for that year. Trends have not been established for forecasting. Anticipate increased number of appeals due to promotion of the scheme.

8 Derived from information supplied for the Government Charges Index.

9 A major sales program of surplus operating assets accounted for the significant operating surplus in 1991-92. A declining operating surplus since1992-93 is indicative of the Department being involved in core activities only. During 1995-96 the Department altered its accounting policy in relation to depreciation to reflect a useful life of 50 years, which resulted in abnormal expenditure item of $197.2 million. This change brings the Department in line with other State Housing Authorities. Adjustments to the superannuation reserve surplus increased by $14.9 million.

10 In 1995-96 the Department paid out debt to the value of $50 million and received approval to transfer $50 million of debt to Landcom.

11 Includes the net sales of surplus commercial properties (excluding land).

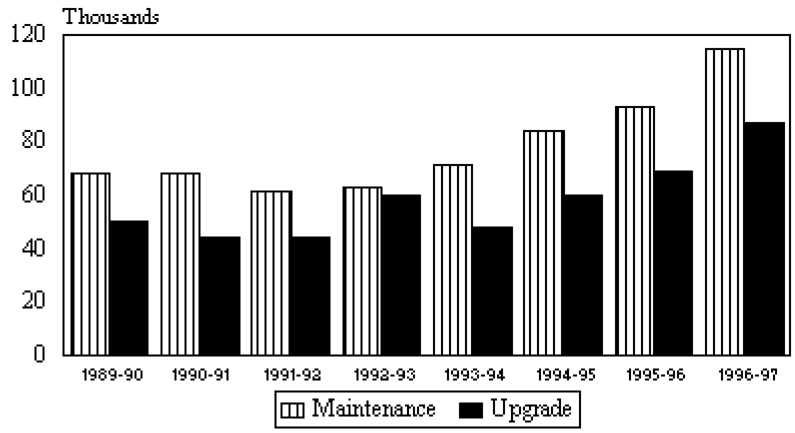
12 Return on Total Assets is calculated as operating result before interest as a percentage of total assets.

13 Calculated as Net Profit after extraordinary items divided by the shareholders funds or equity.

14 Calculated as long-term debt divided by equity.

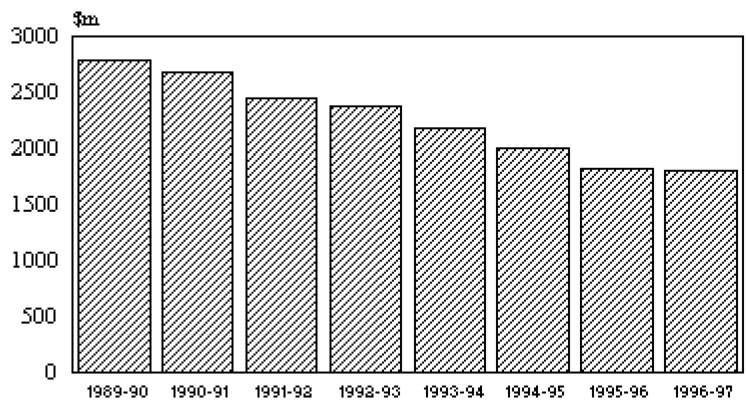
15 Calculated as net profit plus interest divided by interest.

Maintenance and Upgrading Expenditure

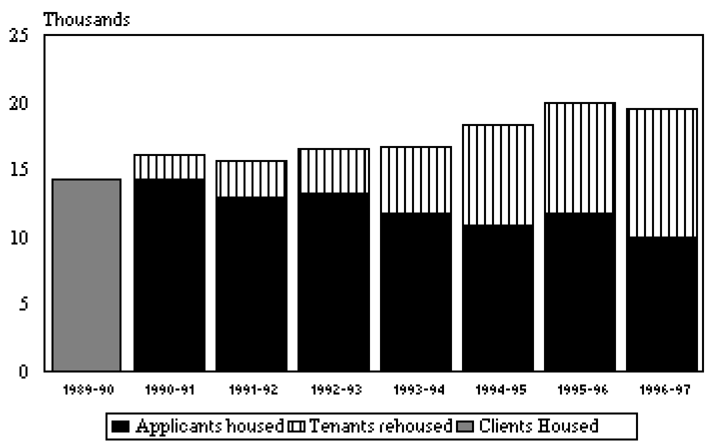


Gross External Debt

1995-96 Dollars



Applicants Housed and Existing Tenants Rehoused



HUNTER WATER CORPORATION

Corporatisation gives the Hunter Water Corporation clear lines of responsibility and empowers the organisation to pursue commercial objectives in the supply of water related services. The Corporation has continued to pursue greater efficiency through various reforms and improved effectiveness through further price restructuring. Real cost savings in supply have been passed on to customers in the form of lower average prices. Cross-subsidies from the business sector to households were eliminated during 1994–95.

The Hunter Water Corporation (HWC) supplies water, wastewater and drainage services to nearly half a million people in the Lower Hunter Valley. Corporatisation of the former Hunter Water Board on 1 January 1992 gave the organisation more transparent lines of responsibility and objectives against which performance may be assessed. The Corporation's Operating Licence and Statement of Corporate Intent also developed a framework in which the relationship between the Corporation and Government, its shareholder and regulator, is clearly defined and through which each may be held accountable for its actions.

Microeconomic reform within the HWC has been under way now for more than a decade. In 1982 the Corporation adopted a strategy of demand management through "user pays" pricing and in recent years has progressively restructured prices to eliminate cross-subsidies. Over the decade external debt has fallen in real terms, the organisation has become capital self-financing and since 1986–87 dividends have been paid to the State Government.

Workplace reform has generated significant productivity improvements with operating costs per property falling in real terms by over 30 per cent from 1990 to 1996.

Core services such as civil maintenance are provided through business units which are generally within the Corporation and compete with external companies, at market rates, for the Corporation's business. Support services are provided by external contractors or internal business units which compete for Corporation work.

The process of corporatisation has also focused on maintaining service delivery standards. Quality standards for drinking water supply and other aspects of services are now set out in the Corporation's Operating Licence and waste water discharge quality is subject to external regulation by the Environment Protection Authority.

Pricing reform has continued, with the Independent Pricing and Regulatory Tribunal's determination for 1995–96 providing an overall real reduction in prices of 6 per cent. This reduction was achieved mainly through exempting unconnected vacant lands from service charges and reducing residential sewer usage charges by almost 30 per cent.

Notwithstanding a real reduction in average revenue per property of 20 per cent in the last 6 years, the Corporation has continued to improve its underlying operating result and has returned a significantly greater dividend to the State Government.

Social Programs carried out by the HWC have now been fully costed to enable the organisation to better pursue its commercial objectives. These Social Programs were funded by the Government at a cost of $8.0 million for 1995–96.

HUNTER WATER CORPORATION

	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97(f)	1997-98(f)	1998-99(f)
EFFICIENCY											
EMPLOYMENT	*(2)*	1,128	1,082	995	934	822	767	715	680	654	644
EMPLOYEES PER THOUSAND PROPERTIES	*(3)*	7.3	6.9	6.2	5.7	4.9	4.5	4.1	3.8	3.6	3.5
LABOUR COST PER PROPERTY ($)		320.9	263.4	256.9	241.7	231.0	205.3	191.9	153.8	148.7	143.8
OPERATING COST PER PROPERTY ($)		400.3	396.7	411.0	381.6	375.7	357.6	328.6	325.4	310.4	299.9
TOTAL COST PER PROPERTY ($)	*(4)*	720.3	850.8	845.5	795.3	759.9	659.1	523.9	508.0	491.2	475.9
AVERAGE REVENUE PER PROPERTY ($)		901.5	845.8	837.3	804.7	761.7	679.8	627.6	621.5	607.3	594.9
OUTSTANDING ACCOUNTS ($m)		4.3	2.8	1.8	1.4	1.3	1.4	1.6	1.0	1.0	1.0
HOURS LOST TO INDUSTRIAL											
DISPUTES PER EMPLOYEE		1.1	0.6	10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LOST TIME FREQUENCY RATE	*(5)*	29.9	23.0	20.0	19.0	19.6	18.2	18.3	18.0	18.0	18.0
SERVICE											
PROPERTIES SERVED (000)		153.8	157.6	160.9	164.5	168.3	172.3	175.6	178.7	181.9	185.2
NEW HOUSING LOTS SERVED		2,320	3,812	3,265	3,547	3,827	3,986	3,374	3,100	3,200	3,300
MEGALITRES SUPPLIED (000)		80.2	85.9	78.6	74.4	76.0	73.9	74.9	78.5	78.5	78.5
UNSEWERED LOTS (000)		21.9	22.8	22.6	20.8	19.7	17.4	15.6	14.8	13.6	13.2
SYSTEM RELIABILITY:											
WATER MAIN BREAKS PER 100 KM	*(6)*	41.9	61.7	43.1	38.7	47.0	49.5	44.3	NA	NA	NA
SEWER MAIN CHOKES PER 100 KM	*(6)*	NA	NA	177.0	201.0	176.0	164.0	119.0	NA	NA	NA
AVERAGE RESPONSE TIME:											

- WATER MAIN BREAKS (HRS)	*(7)*	NA	NA	NA	NA	NA	NA	1.4	1.3	1.3	NA
- SEWER MAIN CHOKES (HRS)	*(7)*	1.2	1.3	1.4	1.3	1.4	1.3	1.4	1.3	1.3	1.3
WATER RESOURCE MANAGEMENT:											
COMPLIANCE WITH STANDARDS	*(8)*										
1] WATER QUALITY											
- MICROBIOLOGICAL (%)		97.0	97.0	96.2	93.5	96.1	96.9	97.9	95.0	95.0	95.0
- PHYSICAL / CHEMICAL (%)		NA	NA	94.8	97.1	98.1	97.7	99.5	95.0	95.0	95.0
2] WASTE WATER QUALITY (%)	*(9)*	77.0	78.0	78.0	98.0	98.0	98.0	100.0	100.0	100.0	100.0
REAL PRICE INDEX	*(10)*	100.0	95.1	94.5	93.5	87.3	79.5	70.7	67.0	0.0	0.0
FINANCES											
OPERATING RESULT ($m)	*(11)*	41.3	9.4	19.3	19.2	19.3	20.5	33.0	40.8	42.9	44.0
DIVIDEND PAYMENTS ($m)		14.7	5.8	9.7	13.2	13.5	18.3	29.6	36.7	38.6	39.6
ASSET SALES ($m)		2.3	3.2	2.0	2.4	2.3	5.9	4.9	1.7	1.9	1.8
RETURN ON ASSETS:	*(12)*										
- TOTAL (HISTORIC) (%)		7.7	NA	NA	NA	NA	NA	NA	NA	NA	NA
- TOTAL (REVALUED) (%)	*(13)*	NA	2.6	3.0	3.2	3.4	3.5	3.1	3.3	3.4	3.3
- CORE (HISTORIC) (%)		10.1	NA	NA	NA	NA	NA	NA	NA	NA	NA
- CORE (REVALUED) (%)	*(14)*	NA	2.8	3.4	3.4	3.6	3.6	3.2	3.5	3.5	3.5
RETURN ON EQUITY (%)		33.6	7.6	11.8	12.3	13.1	12.8	23.1	29.3	31.6	33.3
GROSS EXTERNAL DEBT ($m)		268.0	249.2	233.2	189.7	171.9	89.3	85.9	85.0	83.3	83.3
DEBT TO EQUITY (%)		88.8	80.1	60.6	43.7	36.3	17.4	17.2	16.5	15.4	14.9
TIMES INTEREST EARNED		2.1	1.3	1.6	1.7	1.9	2.8	6.0	6.8	7.4	7.9
SOCIAL PROGRAMS ($m)		NA	NA	6.2	6.2	7.1	7.7	8.0	8.2	8.5	8.6

NOTES

NA *Not available.*

f *Forecast*

1 *All dollar amounts reported in 1995-96 prices. All revenue based forecasts are dependent upon assumptions as to Independent Pricing and Regulatory Tribunal determinations.*

2 *Figures from 1993-94 include employees of Hunter Watertech (100 per cent owned subsidiary)*

3 *Figures for properties exclude unconnected vacant lands. Previous publications included unconnected vacant lands.*

4 *In 1990-91 the depreciation method changed from historic cost to replacement cost, resulting in an increased cost per property.*

5 *(Lost time injuries x 1,000,000) / number of hours worked)*

6 *Projections not available due to reassessment following 1989 Newcastle earthquake.*

7 *Response time to Category 1 jobs, excluding unconnected lands. Accurate records of water main breaks only established in 1995-96.*

8 *Compliance with standards prior to 1991-92 refers to 1980 NHMRC standards (SPCC for waste water). Figures from 1991-92 show compliance with the 1994 NHMRC standards set out in the Corporation's Operating License. The extent of past compliance with physical standards is not available.*

9 *Proportion of waste receiving secondary treatment*

10 *Derived from information supplied for the Government Charges Index. Note - excludes the special Environmental Levy which was reduced by 50 per cent for 1997.*

11 *Excludes interest on internal loans and advances.*

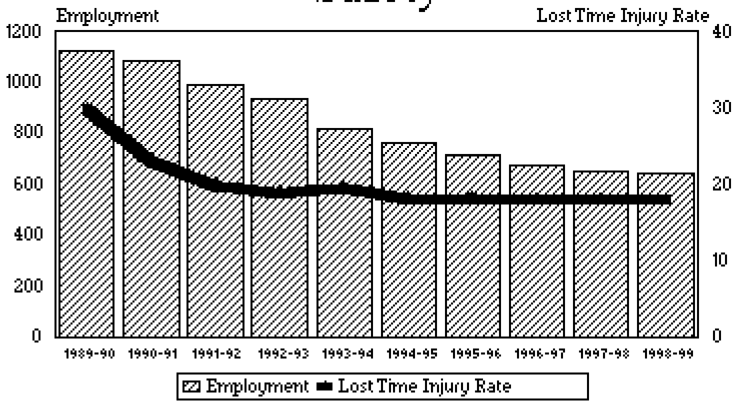
12 *A significant break in the series occurred in 1990-91 due to a revaluation of assets and an increase in depreciation charges.*

Another revaluation of assets in 1995-96 resulted in an extension of the life of the majority of assets, an increase in value and a decrease in depreciation charges .

13 *Operating result plus depreciation divided by total assets.*

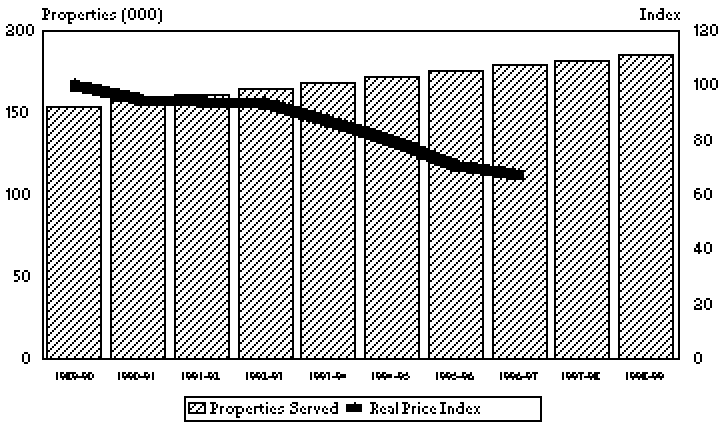
14 *Operating result plus depreciation divided by fixed assets.*

Employment and Industrial Safety



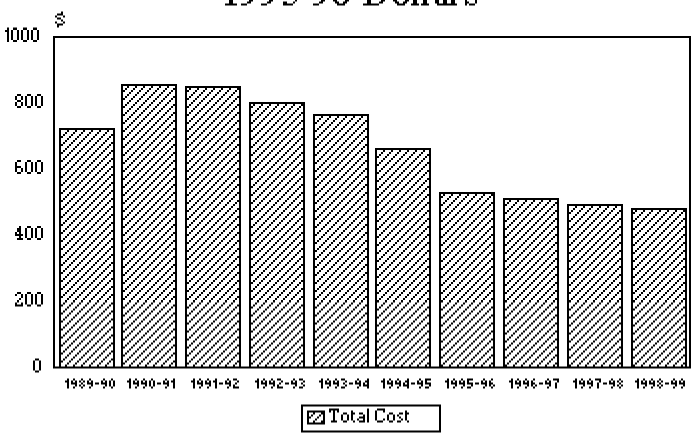
Number of Properties Served and Real Price Index

1988-89 = 100



Real Cost per Property

1995-96 Dollars



INTEGRAL ENERGY

Integral Energy Australia was established as a result of the merger of Prospect Electricity and Illawarra Electricity on 1 October 1995. Consistent with the spirit of the reforms in the New South Wales electricity supply industry, Integral Energy is committed to continuous improvement.

Integral Energy is one of six new energy companies established by the NSW Government to deliver more competitive and efficient electricity services. It was established as a result of the merger of Prospect Electricity and Illawarra Electricity on 1 October 1995. The merger cost was fully funded internally.

Integral Energy is one of the largest energy corporations in Australia. Its core businesses are energy distribution services, energy trading and value added energy products, including energy audits, appliance sales and renewable energy services.

Integral Energy's customer base consists of 1.7 million people, in 691,000 households and businesses. Although the merged company's franchise area largely covers the Greater Western Sydney and Illawarra regions—an area covering about 24,500 square kilometres—Integral Energy's plan includes pushing into new energy markets outside traditional boundaries. Integral Energy has consolidated assets of $2.1 billion, and expects to generate a revenue of $1.0 billion in its first full year of operations.

Quality management forms the cornerstone of Integral's management philosophy, promoting a culture of continuous improvement intended to help the Company achieve its corporate objectives. Integral's achievements through the use of Quality were widely recognised in November 1995, when it was the only business to win the prestigious Australian Quality Award in the large organisation category.

Integral Energy is committed to energy efficiency and environmental responsibility. Agreements are already in place to purchase power from two high technology plants using alternative energy sources which will reduce greenhouse emissions significantly.

Through its subsidiary business, Integral Energy Victoria Limited, Integral Energy became the first interstate energy supplier to win business in Victoria and holds a $1 million contract to supply the Commonwealth Bank's two major Melbourne Offices. New contracts signed in Victoria include the Reserve Bank of Australia, the Steele and Lincoln Foundry and SmithKline Beecham.

While the merger of Prospect and Illawarra had presented a large set of challenges, one of the early successes of the new organisation was the way the merger was handled. Pre-merger, more than 3,100 people were employed by the former Prospect Electricity and Illawarra Electricity. Through voluntary redundancy and natural attrition, this number had been reduced to less than 2,300 employees by 30 June 1996. The voluntary redundancy payments (which represent all payments over and above what was included as employee entitlements already provided in the books) amounted to more than $16.7 million in 1995–96. However, the reduced workforce will be a significant contributing factor in reducing operating expenditure in the future.

In conjunction with the voluntary redundancy program, management and staff have also systematically gone about the business of integrating operations, creating a united workforce and positioning the company for continued success.

INTEGRAL ENERGY

		1989-90 %		1990-91 %		1991-92 %		1992-93 %		1993-94 %		1994-95 %		1995-96(e)
	(1)	Prospect	Illawarra	Prospect	Illawarra	Prospect	Illawarra	Prospect	Illawarra	Prospect	Illawarra	Prospect	Illawarra	Integral
EFFICIENCY														
EMPLOYMENT	*(2)*	2,746.0	1,038.0	2,695.0	1,064.0	2,585.0	1,017.0	2,412.0	974.0	2,192.0	945.0	2,188.0	939.0	2,294.0
OUTPUT PER EMPLOYEE (GWh)	*(3)*	2.6	2.3	3.0	2.4	3.2	2.4	3.5	2.6	4.0	2.7	4.3	2.8	4.5
CUSTOMERS PER EMPLOYEE	*(4)*	157.0	169.1	174.0	168.5	190.0	178.0	203.0	194.2	237.0	302.2	247.0	211.9	267.2
OPERATING COST PER UNIT SOLD ($/MWh)	*(5)*	25.5	30.8	23.9	31.8	24.2	30.5	24.9	31.2	21.8	30.5	22.1	30.4	24.9
OPERATING COST PER CUSTOMER ($)	*(6)*	306.0	292.8	303.0	316.5	274.5	303.3	273.1	291.2	254.1	282.1	232.0	273.0	237.6
SYSTEM LOSS INDEX (%)	*(7)*	3.8	4.8	4.5	6.2	4.4	6.4	4.9	6.2	5.2	6.0	4.6	6.5	5.0
DAYS SICK LEAVE PER EMPLOYEE		6.0	7.3	5.1	6.4	5.3	5.9	5.4	4.9	6.0	5.4	5.2	7.2	6.3
LOST TIME INJURY FREQUENCY RATE	*(8)*	NA	32.6	263.6	42.3	261.8	34.4	145.9	29.8	181.8	21.0	144.8	18.1	20.8
TOTAL FACTOR PRODUCTIVITY	*(9)*	1.2	1.2	1.3	1.1	1.4	1.1	1.4	1.1	1.4	1.1	1.5	1.2	0.0
SERVICE														
OUTPUT (GWh)		7,400.0	2,417.0	8,265.0	2,472.0	8,460.0	2,509.0	8,733.0	2,547.0	9,103.0	2,636.0	9,497.0	2,666.0	12,092.0
SUPPLY RELIABILITY (Min)	*(10)*	159.0	324.0	143.0	409.0	122.0	381.0	113.0	300.0	84.0	242.0	85.0	315.0	132.0
REAL PRICE INDEX		100.0	100.0	98.0	100.5	98.3	102.6	98.5	102.0	93.4	98.3	84.7	89.9	87.9
CUSTOMER SATISFACTION INDEX														

DOMESTIC		71.0	69.1	69.9	67.6	71.0	66.9	75.3	70.4	74.1	70.2	75.8	73.3	75.7
BUSINESS		71.0	72.3	69.9	70.3	68.1	72.1	72.3	73.2	72.8	73.0	73.2	74.4	74.4
FINANCES	*(11)*													
OPERATING RESULT ($m)	*(12)*	96.7	5.5	94.7	20.4	-64.7	37.6	43.5	8.5	69.9	8.8	86.9	12.0	35.0
RETURN ON ASSETS (%)	*(13)*	14.2	3.5	13.5	8.2	-0.2	8.2	1.1	0.9	4.0	1.7	5.5	2.3	3.4
RETURN ON EQUITY (%)	*(13)*	21.8	4.0	20.5	15.8	-1.4	11.9	0.6	1.2	3.2	1.4	3.9	1.6	4.5
GROSS EXTERNAL DEBT ($m)	*(14)*	248.3	44.6	193.9	37.2	175.4	17.9	162.2	15.7	249.2	13.6	252.2	17.0	907.8
DEBT TO EQUITY RATIO (%)	*(13)*	46.5	58.8	32.2	41.0	13.3	9.2	9.2	8.0	21.8	4.8	21.7	4.0	115.3
TIMES INTEREST EARNED		5.8	1.9	7.4	9.3	-0.2	33.4	2.0	20.0	12.7	66.5	6.0	34.1	2.0
SOCIAL PROGRAMS ($m)	*(15)*	6.7	3.2	35.1	7.0	30.0	6.8	60.3	7.7	9.3	4.5	9.7	4.6	13.6
FINANCIAL DISTRIBUTION ($m)														
CORPORATE TAX EQUIVALENT		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.2	2.7	22.8	4.8	36.7
DIVIDEND PAYMENT		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	42.2	6.4	22.3	3.2	26.9
PAYMENT OF CAPITAL FROM EQUITY	*(16)*	0.0	NA	0.0	NA	0.0	NA	82.7	NA	108.6	NA	0.0	NA	500.0
ASSET SALES ($m)	*(17)*	4.6	1.9	5.0	1.4	6.9	2.2	5.5	2.0	7.4	5.4	8.8	2.6	17.8

NOTES

NA *Not available*

e *Estimate*

1 *All dollar amounts reported in 1995-96 prices.*

2 *Full time equivalent staff at 30 June.*

3 *GWh sold per average number of electricity employees.*

4 *Average customers per average number of electricity employees.*

5 *From 1995-96, new award conditions as a result of the merger, an increase in doubtful debt provisions and the*

adoption of Industry Repairs and Maintenance Policy which more correctly includes certain cost items previously classified as capital has resulted in higher operating costs.

6 *Operating expenditure excluding depreciation and interest per average number of customers*

7 *Energy purchased less energy sold divided by energy purchased*

8 *Number of lost time accidents per million hours worked*

9 *Base year 1981-82. These are unilateral TFP results measuring Prospect Electricity's, Illawarra's and Integral Energy's TFP growth (or decline) over time. The TFP measures do not reflect absolute TFP levels, and therefore cannot be compared to the TFP results of other agencies presented in this publication.*

10 *Average minutes per customer per year without supply including planned and unplanned outages*

11 *All financial indicators are consolidated. The results reflect the electricity supply and non supply, energy services businesses.*

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

13 *Asset revaluations in 1991-92, 1992-93 and 1993-94 make comparisons of some financial ratios between years misleading. The 1995-96 figure includes bankdraft and other loans.*

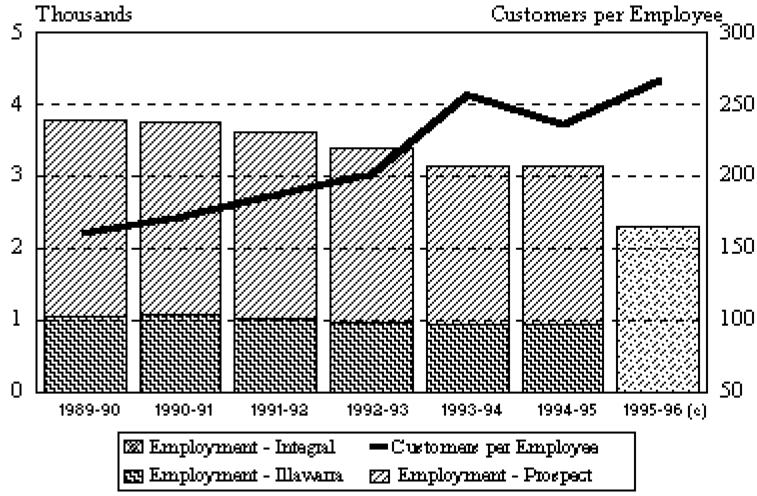
14 *Includes loans, leases, EDF loans and long term creditors.*

15 *Includes Pensioner Rebates, Traffic Route Lighting Subsidies, EDF contributions.*

16 *Involves a special payment to the Government*

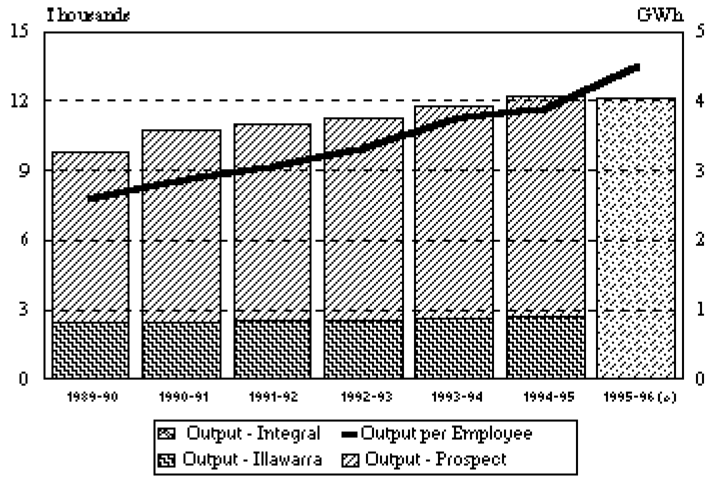
17 *Total proceeds from asset sales.*

Customers per Employee



Integral was formed from the merger of the Prospect and Illawarra distribution zones excluding the South Coast including the townships of Moruya and Bega

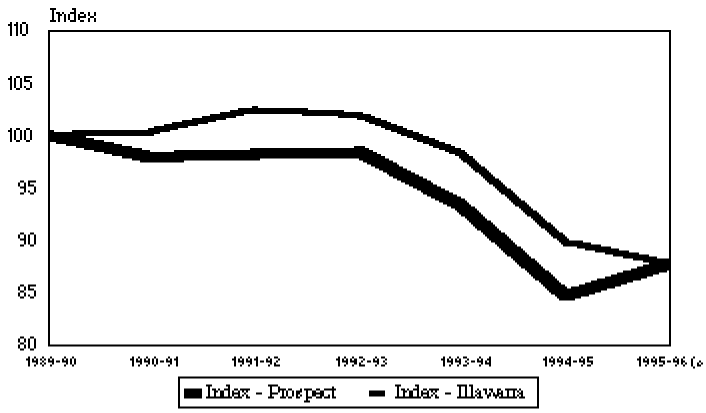
Labour Productivity



Integral was formed from the merger of the Prospect and Illawarra distribution zones excluding the South Coast including the townships of Moruya and Bega

Real Price Index

1989-90 = 100



1995-96 estimates are for Integral

LAND TITLES OFFICE

The Land Titles Office's mission is to satisfy community needs and expectations for certainty of title to land, while operating as an efficient government business enterprise.

The New South Wales Land Titles Office (LTO) is the largest centralised land title registration authority in Australia. Its core business is to provide guaranteed land title registration and related land information services. These services are essential to the community to facilitate conveyancing, surveying, mapping, land development, rating, financial security and historical and private research. The LTO is widely acknowledged internationally as a leader in land records management. This has enabled it to gain a favourable position in competing as a joint venturer with other organisations for international tenders to provide consultancy services and expertise necessary to develop land titling systems in other countries.

Major accomplishments during 1995–96 have included enhancement of customer services by:

- improving responsiveness to land information requests from clients following the transfer of the titles database from a bureau computer to the Office in-house computer;
- creating a computer database of all Crown plans held in 35mm format to improve turnaround time in service to customers;
- providing customer education programs in practice and procedures of document registration; and
- conducting eighteen Community Titles seminars across the State.

The LTO also introduced a range of technological advances during the year. These included the transfer of the Notice of Sale system from stand-alone PC's to a fully networked Local Area Network system. Introduction of CD technology effected savings in information storage requirements and permitted more efficient retrieval of financial records. Further automation of office records was undertaken to facilitate improved client access to land information from computer terminals in their own offices (70 per cent of searching of the automated register by the public is now made through remote terminals).

To further improve office management, an employee opinion survey was undertaken using Australian Quality Council criteria as a means of involving all staff in the LTO's planning process. Staff numbers were reduced by around 5 per cent and income per equivalent full time employee increased by 1.3 per cent despite a drop in total revenue. All guarantee of service targets were achieved during the year.

Marketing initiatives included the provision of land titling consultancies in Laos, Russia and Indonesia. In-house training programs were also conducted for overseas delegations from Russia, Thailand and Indonesia.

The LTO participated in a Customer Service International Benchmarking Study conducted by consultants Price Waterhouse Urwick. In comparing the LTO with 'best practice' organisations, the Study found that: "The Office is in line with best practice for most areas of the study exhibiting an excellent understanding of its customers, a commendable strength of service vision, ease of access for customers for feedback provision and complaint handling, and a comprehensive approach to performance measurement indicating a dedication to continual improvement."

The profitability of the LTO is largely dependent on revenue derived from activity in the property market. An operating surplus of nearly $16 million was achieved in 1995–96 which was 12 per cent higher than the previous financial year, notwithstanding a drop in real revenue of more than 8 per cent. This result was due mainly to productivity gains and reductions in expenditure levels. The downturn in revenue generated in 1995–96 reflected the relatively flat real estate market in recent times. A contribution payable to Consolidated Fund of $19.44 million was provided for in the 1995–96 accounts. This included an additional dividend of $5.0 million from 1994–95 profits. The balance comprised a 36 per cent tax equivalent of $5.75 million and an after tax dividend of $8.69 million.

	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96(e)	1996-97(f)	1997-98(f)	1998-99(f)
EFFICIENCY											
EMPLOYMENT	*(2)*										
TOTAL		854.0	794.0	751.0	732.0	710.0	704.0	668.0	649.0	640.0	630.0
Employed on "public good" operations (%)		NA	9.6	9.6	12.1	12.5	11.4	11.1	10.2	9.4	9.2
PRODUCTIVITY											
increases based on 1990 productivity (%)	*(3)*										
DEALING REGISTRATIONS		NA	11.4	14.1	16.1	16.9	17.4	18.0	18.3	18.8	19.5
OLD SYSTEM REGISTRATIONS		NA	10.1	11.4	18.5	24.8	25.1	26.4	26.4	26.4	26.4
PLAN REGISTRATIONS		NA	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6
SEARCHES		NA	4.1	6.5	7.3	7.7	7.9	7.8	8.8	8.8	8.8
PHS APPLICATIONS		NA	20.8	21.4	21.6	26.1	19.3	22.8	26.5	26.5	26.5
PROVISION OF LAND INFORMATION		NA	75.4	82.8	79.6	85.0	92.2	93.6	107.6	110.0	115.0
TOTAL CORE OPERATIONS	*(4)*	NA	NA	15.7	27.5	37.2	42.9	42.8	51.8	55.5	60.7
TOTAL OFFICE (incl SLIS "public good" projects)	*(5)*	NA	NA	11.0	18.1	24.6	28.8	28.7	35.1	38.1	41.9
CHANGE - Total Office (%)		NA	NA	11.0	6.5	5.5	3.4	0.0	4.9	2.0	2.5
INCREASE IN INCOME PER EFT (%)		-5.4	11.1	22.3	7.6	10.0	2.5	1.3	6.0	2.2	3.4
EFFECTIVENESS											
REMOTE ACCESS TO ALTS											

- PER TOTAL SEARCHES (%)	35.0	39.0	55.0	58.0	62.0	62.6	70.6	72.0	73.0	74.0
CHANGE IN VOLUME OF BUSINESS (%)	NA	NA	6.1	5.6	6.5	1.1	-5.6	1.7	0.8	1.4
THROUGHPUT										
DEALING REGISTRATIONS (Avg No Days)										
- MANUAL TITLES	12.0	9.0	4.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0
- AUTO TITLES	8.0	7.0	3.0	2.0	1.5	1.5	1.5	1.0	1.0	1.0
PLAN REGISTRATIONS (% within 12 Days)										
- DEPOSITED	NA	67	63	55	68	86	90	95	96	96
- AUTO TITLES	8	7	3	2	2	2	2	1	1	1
LAND INFORMATION (Ave Response Time)										
- ALTS TITLE SEARCHES (min)	50.0	40.0	25.0	20.0	15.0	15.0	15.0	15.0	15.0	15.0
- PLANS (hrs)	4.0	3.0	3.0	1.3	0.3	0.3	0.3	0.3	0.3	0.3
- DEALINGS (hrs)	4.0	3.0	2.0	2.0	2.0	2.0	2.0	1.0	0.5	0.5
FINANCES										
TOTAL REVENUE ($m)	58.2	57.3	65.2	67.7	71.2	70.0	64.1	66.0	66.5	67.7
REVENUE PER EFT ($'000)	67.6	72.4	86.7	92.5	99.9	99.7	96.0	102.0	104.0	107.0
OPERATING SURPLUS ($m)	13.8	8.9	30.9	23.8	27.8	14.9	16.0	18.0	18.0	18.0
DIVIDEND PAYMENT ($m)	10.3	6.7	25.2	36.0	22.7	12.2	19.4	16.3	16.4	16.3

NOTES

NA Not available/not applicable.

e Estimate

f Forecast.

1 All dollar amounts are reported in 1995-96 prices.

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 Total Factor Productivity for operational staff.

5 Total Factor Productivity based on total staff (including corporate services and SLIS projects) and measurable output of core activities.

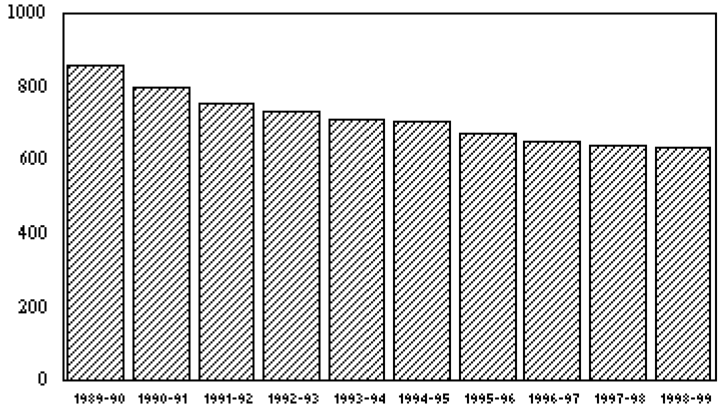
6 Includes abnormal items. Operating surplus was $17.9m if abnormal items were discounted.

7 Special dividend of $15m paid from accumulated reserves.

8 Abnormal adjustment for superannuation liability.

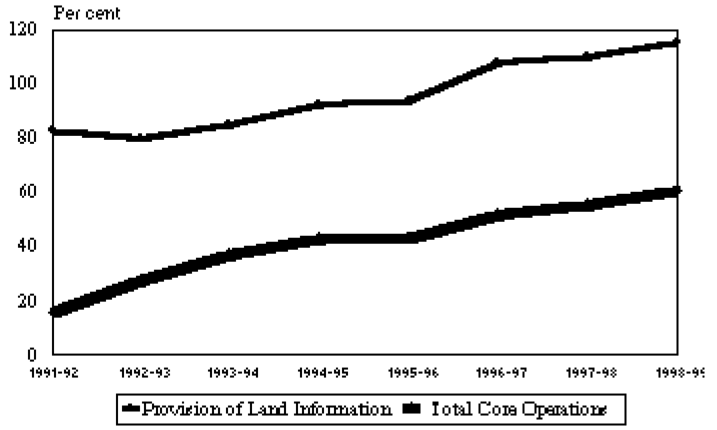
9 Special dividend paid from accumulated reserves.

Employment



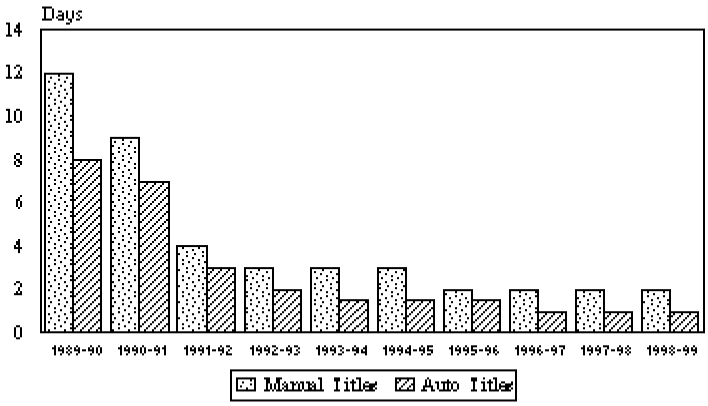
Productivity

Percentage increases based on 1990 productivity



Dealing Registrations

Average Number of Days



NSW LOTTERIES

NSW Lotteries develops, markets and manages lottery products and services to meet the demands of its customers and to raise funds for community benefit. The large increase in net sales in 1995–96, and the resulting increases in statutory duty and dividend payments to the NSW Government, were mainly due to the newer games which attracted considerable player interest. Continued success in an increasingly competitive NSW gambling market will depend on enhancements to existing games and designing new games which attract customer spending.

NSW Lotteries provides a wide range of services to consumers through approximately 1,750 accredited agencies throughout the State. A total of 1,428 on-line agencies sell all lottery products¾ Lotto, Lotto Strike, OZ Lotto, Powerball, Instant Scratchies, Lucky Lotteries and 6 from 38 Pools¾ with the remainder offering Instant Scratchies only. A full service is also available through NSW Lotteries' Head Office at Burwood. All NSW Lotteries' products have guaranteed prize percentages which are among the highest in the world.

The NSW gaming market continues to be the most competitive in Australia. Against this backdrop, NSW Lotteries achieved record nominal net sales totalling $886.7 million in 1995–96, $36 million more than the previous year. This was the seventh record figure in real terms in as many years, and was primarily due to:

- the flow-on effect of enhancements to Lucky Lotteries in 1994–95, which resulted in sales totalling $14.3 million or 12.1 per cent above the previous year;
- the successful introduction of two new games, Lotto Strike in November 1995 and Powerball in May 1996. Both games achieved a total of $19.7 million in turnover; and
- the continued growth of the national game, OZ Lotto, which achieved sales of $122.9 million, 22.1 per cent above the previous year. This growth compared to an Australian average increase of 3.3 per cent, excluding NSW.

A significant proportion of the operating profits earned by NSW Lotteries are paid to the NSW Government to help fund a wide range of worthwhile community services. Statutory duty returned to the Government from sales revenue totalled $259.1 million in 1995–96, a 4.3 per cent increase over the previous year. In addition, a $23.9 million dividend was paid to the Government in 1995–96 from the 1994–95 operational surplus. In 1996–97, a $24.8 million dividend will be paid in respect of our 1995–96 operations.

Other key achievements during 1995–96 included:

- a new $4 price point was added to the range of Instant Scratchies games with the launch of 'Scratch Monopoly';
- the quality service program was significantly expanded to include the review of all major business processes and a new approach to customer surveys was initiated;
- as part of a comprehensive risk management strategy, a new purpose-built Computer Operations Centre was completed in 1995;
- the computer system processing selling transactions achieved 99.99 per cent up time over more than 5000 hours of on-line selling; and
- in March 1996, NSW Lotteries became one of the first lottery organisations in the world to establish a 'home page' on the Internet.

In June 1995 the NSW Government announced its intention to corporatise a number of public sector entities, including NSW Lotteries, and this is expected to occur during the 1997 fiscal year. The underlying objective of corporatisation is to enable NSW Lotteries to operate in an environment as close as possible to private sector organisations.

NSW LOTTERIES

	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96(e)	1996-97(f)	1997-98(f)	1998-99 (f)
EFFICIENCY											
EMPLOYMENT	*(2)*	331	308	282	254	247	240	243	245	245	245
TOTAL SALES PER EMPLOYEE ($m)		2.3	2.5	2.9	3.3	3.7	4.0	3.9	4.0	4.2	4.5
SALES REVENUE TO GOVERNMENT											
- PER EMPLOYEE ($m)		0.6	0.7	0.8	0.9	1.1	1.2	1.1	1.1	1.2	1.2
AVERAGE HOURS LOST TO											
- INDUSTRIAL DISPUTES PER EMPLOYEE	*(3)*	0	0	0	0	0	0	0	0	0	0
DAYS LOST FOR											
- WORKERS COMPENSATION PER EMPLOYEE		0.3	0.9	1.1	0.1	0.2	0.2	0.8	0.5	0.5	0.5
DAYS LOST FOR SICK LEAVE PER EMPLOYEE		6.7	6.6	7.3	5.9	5.2	6.3	5.2	5.0	5.0	5.0
OPERATING COSTS ($m)		75.8	62.9	60.5	60.5	60.3	62.8	65.0	66.9	70.4	75.0
OPERATING COSTS TO NET SALES (%)	*(4)*	10.7	8.8	8.0	7.6	6.9	7.0	7.3	7.2	7.3	7.3
SERVICE											
TOTAL SALES ($m)	*(5)*	749.2	761.2	805.9	845.4	926.6	946.9	941.1	982.6	1,029.8	1,091.5
LOTTO SALES		372.2	388.7	431.8	444.8	485.4	467.8	432.8	413.9	420.0	428.3
INSTANT LOTTERIES SALES		182.3	167.7	177.2	191.9	195.1	186.4	170.6	170.0	174.7	179.0
DRAW LOTTERIES SALES	*(6)*	147.8	153.9	143.5	152.4	148.8	124.5	133.0	140.2	146.5	155.0
POOLS SALES		6.6	6.0	5.7	6.5	12.3	8.0	7.8	7.7	8.0	7.5

OZ LOTTO SALES	*(7)*	NA	NA	NA	NA	32.3	105.7	122.9	97.1	97.1	98.0
LOTTO STRIKE	*(8)*	NA	NA	NA	NA	NA	NA	11.4	12.2	12.3	12.0
POWERBALL	*(9)*	NA	NA	NA	NA	NA	NA	8.2	85.0	102.0	119.0
NEW PRODUCTS		NA	NA	NA	NA	NA	NA	NA	NA	10.0	30.0
AGENT COMMISSIONS		40.3	45.0	47.7	49.8	52.9	54.6	54.4	56.5	59.2	62.7
PRIZE PAYMENTS ($m)		437.5	443.0	467.8	491.5	537.5	547.7	544.4	568.5	595.9	631.7
TOTAL SALES PER CAPITA ($)	*(10)*	174.2	174.5	181.8	188.5	205.4	208.1	203.7	212.0	220.2	231.3
NSW GAMING MARKET SHARE -											
EXPENDITURE (%)	*(11)*	12.5	11.2	11.2	11.1	11.5	10.5	10.0	10.0	10.0	10.0
NUMBER OF ON-LINE AGENTS		1,398	1,396	1,413	1,416	1,424	1,429	1,428	1,430	1,430	1,430
NUMBER OF INSTANT ONLY AGENTS		316	322	326	323	340	329	321	320	320	320
ON-LINE SYSTEM UPTIME (%)		99.9	99.9	99.9	99.9	100.0	100.0	100.0	100.0	100.0	100.0
FINANCES											
SALES REVENUES TO GOVERNMENT ($m)		211.7	213.2	226.3	236.6	260.0	265.3	263.7	275.4	288.6	305.9
RETURN ON EQUITY (%)	*(12)*	NA	36.0	39.0	49.0	43.0	47.0	44.0	42.0	41.0	41.0
RETURN ON CORPORATE ASSETS (%)	*(13)*	NA	25.0	28.0	29.0	30.0	32.0	29.0	28.0	28.0	28.0
DIVIDEND PAYMENTS ($m)	*(14)*	NA	NA	11.1	5.5	16.7	17.9	23.9	24.8	23.5	24.2

NOTES

NA Not applicable

e Estimate

f forecast

(1) All dollar amounts are reported in 1995-96 prices.

(2) Equivalent full time employment. Data for 1992-93 onwards based on Equivalent Full Time instead of an average as in previous years.

(3) 1991-92 National strike only.

(4) Operating costs includes depreciation. Net Sales is equal to Total Sales less Agents Commissions.

(5) Total sales includes agents commissions.

(6) Historical data has changed due to use of formal ABS data. 1993-94 includes sales of $4.3m for Sydney 2000 Bid Lottery.

(7) Oz Lotto commenced selling February 1994.

(8) Lotto Strike commenced selling November 1995.

(9) Powerball commenced selling May 1996.

(10) Population based on persons over 18 years.

(11) Percentage of NSW gaming expenditure based on estimates for 1994-95 onwards.

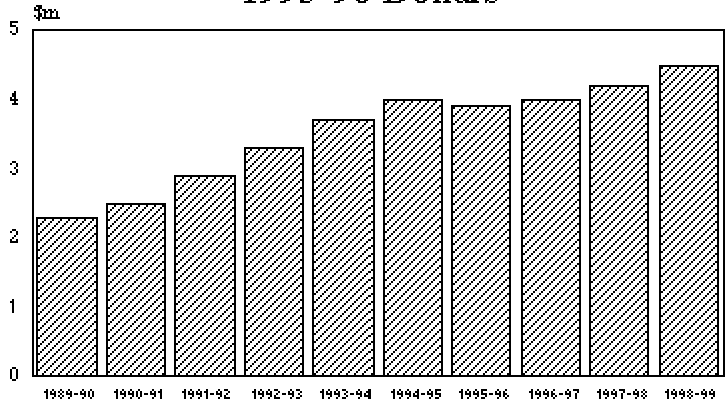
(12) 1990-91 was the first year NSW Lotteries produced a balance sheet. Return based on surplus before abnormal items.

(13) Relates to assets of the Corporation, excluding prize funds.

(14) 1991-92 was the first time a dividend was paid to the Government. From 1993-94 the dividends appearing relate to the previous financial year as per Treasury instructions.

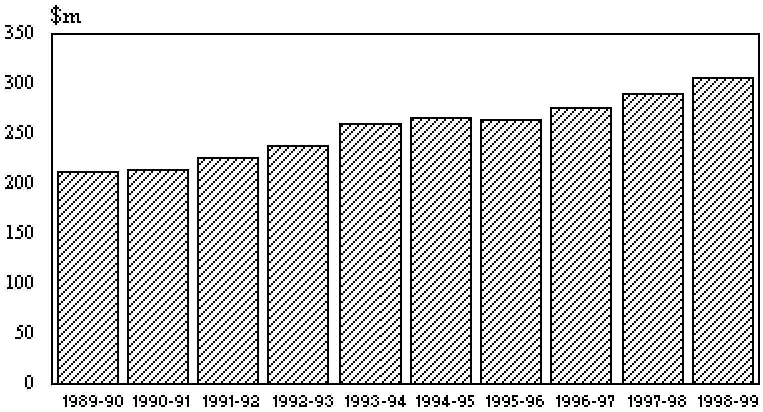
Total Sales per Employee

1995-96 Dollars



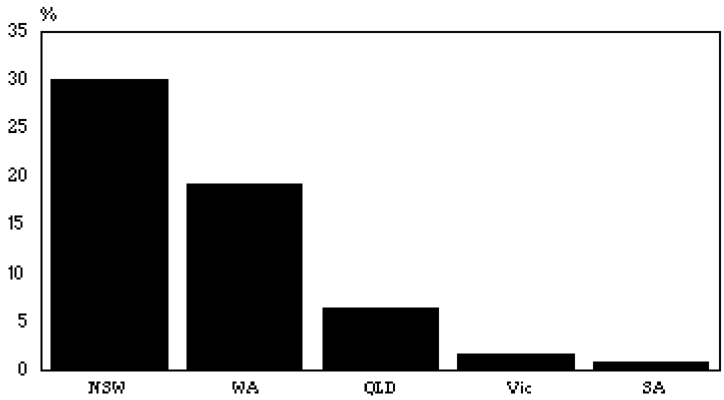
Sales Revenue to Government

1995-96 Dollars



Australian Lottery Sales Growth by State

1991/92 to 1995/96



NSW sells into the ACT, Victoria sells into the ACT, NT and Tasmania

NEWCASTLE PORT CORPORATION

The Newcastle Port Corporation was formed on 1 July 1995 as a result of the proclamation of the Ports Corporatisation and Waterways Management Act 1995. The Act dissolved the Maritime Services Board and created a separate Port Corporation for Newcastle.

The principal objectives of the Corporation are to:

- be a successful business;
- promote and facilitate trade through its port facilities; and
- ensure that its port safety functions are carried out properly.

The Port handled a record trade of 60.3 million tonnes in 1995–96, with growth in both coal and general cargo trade.

Reductions in average port management charge per tonne of cargo and per vessel have been implemented benefiting users of the port.

An operating surplus of $12.8 million was achieved, with a $5.4 million dividend contributed to the Government.

Compliance with all requirements of the Corporation’s Port Safety Operating Licence were met to ensure a safe operating port environment.

Ship handling guidelines were further reviewed and enhanced to improve turnaround time of vessels, especially coal vessels using the Port. These changes have increased coal throughput capacity by around 1.2 million tonnes per annum and produced cost savings on tugs of around $1.25 million.

NEWCASTLE PORT CORPORATION

	(1)	1995-96(e)	1996-97(f)	1997-98(f)	1998-99(f)
EFFICIENCY					
EMPLOYMENT	*(2)*	120	126	126	126
REVENUE PER EMPLOYEE ($000)		286	265	269	284
INDUSTRIAL DISPUTATION					
- TOTAL HOURS LOST		596	NA	NA	NA
- HOURS LOST PER EMPLOYEE		5	NA	NA	NA
CONTRACT LABOUR ($m)		0.8	NA	NA	NA
SERVICE					
TOTAL TRADE (MILLION TONNES)	*(3)*	60.3	65.1	69.8	74.0
VESSEL ARRIVALS		1439.0	1495.0	1574.0	1633.0
VESSEL TURNAROUND TIME (HRS)		62.0	NA	NA	NA
BERTH OCCUPANCY (%)		45.0	NA	NA	NA
BERTH QUEUEING TIME (HRS)		NA	NA	NA	NA
AVERAGE TIME AT BERTH (HRS)		51.0	NA	NA	NA
AVG PORT MANAGEMENT CHARGE					
PER TONNE OF CARGO ($)	*(4)*	0.51	0.48	0.46	0.46
AVG PORT MANAGEMENT CHARGE					
PER VESSEL ($)	*(4)*	21,299	20,783	20,094	20,517
FINANCES					
OPERATING RESULT ($m)	*(5)*	12.8	6.7	6.6	7.6
DIVIDEND PAYMENT ($m)		5.4	4.7	4.6	5.3
ASSET SALES ($m)		0.3	0.2	0.2	0.2
RETURN ON TOTAL ASSETS (%)		12.1	8.1	8.6	9.3
RETURN ON EQUITY (%)		21.7	10.3	9.8	11.0
GROSS EXTERNAL DEBT ($m)		50.0	35.0	35.0	35.0
DEBT TO EQUITY (%)		92.0	53.0	51.0	50.0
TIMES INTEREST EARNED		7.9	3.2	3.2	3.6

NOTES

NA Not available

e Estimate

f Forecast

(1) At the time of publication, operating budgets and capital structures for the three port corporations were being finalised.

Accordingly, the financial projections should be treated as indicative only. All dollar amounts are in June 1996 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.

PORT KEMBLA PORT CORPORATION

The Port Kembla Port Corporation was formed on 1 July 1995 as a result of the proclamation of the Ports Corporatisation and Waterways Management Act 1995. The Act dissolved the Maritime Services Board and created a separate Port Corporation for Port Kembla which now operates as a successful business, promoting and facilitating trade and ensuring port safety functions are carried out properly.

Corporatisation has not only delivered autonomy but also presented the Corporation with new challenges and opportunities for growth and prosperity.

The Port Kembla Port Corporation reported a profit before tax result of $20.1 million for 1995–96, whilst the return on net operating assets was 19.1 per cent. The Port achieved an above target trade throughput of 25.7 million revenue tonnes (mrt) in 1995–96. This was 1.2 mrt higher than 1994–95 and only 1 mrt less than the record year of 1993–94. Average revenue per employee increased by 8 per cent to $823,000 in 1995–96 with productivity improvements resulting from job redesign and job evaluation, increased staff flexibility and from staff numbers being maintained below the forecast levels.

The Corporation is entering an exciting phase which will see the Port make significant development gains over the next several years. Planning is in place to capitalise on the gains made in areas such as productivity, reliability and overall image.

A number of strategic planning studies (infrastructure access, land/berthing capability analysis, etc.) have shown that the port has the infrastructure to underpin substantial growth in all cargo areas.

A strategic marketing plan to be completed in early 1997 is expected to confirm the Port’s growing attractiveness to a broad range of markets and new cargoes. Plans are in place, and will continue to be in place, to ensure potential customers are identified and given every opportunity to locate in Port Kembla.

Through Corporatisation and with the backing of quality assurance certification in the core business of port shipping operations, Port Kembla is poised to capitalise on future trade opportunities and will continually improve the quality and value of service to all its customers.

PORT KEMBLA PORT CORPORATION

	(1)	1995-96	1996-97(f)	1997-98(f)	1998-99(f)
EFFICIENCY					
EMPLOYMENT	*(2)*	54	58	58	58
REVENUE PER EMPLOYEE ($000)		823	604	615	623
INDUSTRIAL DISPUTATION					
- TOTAL HOURS LOST		31	NA	NA	NA
- HOURS LOST PER EMPLOYEE		0.6	NA	NA	NA
CONTRACT LABOUR ($m)		0.87	0.90	0.90	0.92
SERVICE					
TOTAL TRADE (MILLION TONNES)	*(3)*	25.7	24.4	25.5	27.4
VESSEL ARRIVALS		599.0	568.0	594.0	637.0
VESSEL TURNAROUND TIME (HRS)	*(4)*	62.0	57.0	56.0	55.0
BERTH OCCUPANCY (%)	*(4)*	25.0	25.0	25.0	27.0
BERTH QUEUING TIME (HRS)	*(4)*	1667.0	1200.0	1200.0	1200.0
AVERAGE TIME AT BERTH	*(4)*	60.0	NA	NA	NA
AVG PORT MANAGEMENT CHARGE					
PER TONNE OF CARGO ($)	*(5)*	0.73	0.53	0.54	0.52
AVG PORT MANAGEMENT CHARGE					
PER VESSEL ($)	*(5)*	31,524	22,949	22,973	22,205
FINANCES					
OPERATING RESULT ($m)	*(6)*	20.1	13.8	14.5	15.0
CONTRIBUTION TO GOVT ($m)	*(7)*	8.0	4.7	4.9	5.1
ASSET SALES ($m)		0.0	0.0	0.0	0.0
RETURN ON (net operating) ASSETS (%)	*(8)*	19.1	11.8	12.4	12.7
RETURN ON EQUITY (%)		20.9	12.9	14.1	13.9
GROSS EXTERNAL DEBT ($m)		75.4	48.7	39.1	39.1
DEBT TO EQUITY (%)		80.7	46.4	38.9	37.3
TIMES INTEREST EARNED		3.0	4.2	4.9	5.5

NOTES

NA Not available

F Forecast

(1) All dollar amounts are in June 1996 dollars.

(2) Excludes labour employed by consultancy, 1996-97 and subsequent years employment figures are based on forecasts.

(3) Total trade expressed in million revenue tonnes.

(4) Value given for all berths in Port.

(5) Excludes coal loader revenue.

(6) Net profit before tax.

(7) Includes dividend only - (unaudited and preliminary).

(8) Return on net operating assets is defined as net profit before tax plus financial expenses divided by net operating assets.

DEPARTMENT OF PUBLIC WORKS AND SERVICES

The Department of Public Works and Services (DPWS) has focused on improving the delivery of strategically selected commercial and professional services, reducing waste and eliminating duplication. DPWS has re-engineered the breadth and diversity of its contribution to government service provision with an emphasis on a whole of government approach. The most significant development is the Department's leadership through transforming the way services are delivered and reducing the cost to the State. New environmental design and programs to promote ecologically sustainable development, combined with managing the Government's interface with the construction industry, are transforming the physical and intellectual landscape for future generations.

DPWS remains the Government's impartial adviser on the effective and strategic management of the state's physical assets and infrastructure. DPWS is expanding the total asset management approach to include property management, information technology and reform of the construction industry for government agencies. The Department is a pacesetter in the strategic management of office accommodation and will judge its performance against international standards in this field in order to improve the overall efficiency of government. As an indicator for the future, during 1995–96 DPWS saved $2.3 million in rent for its clients.

DPWS is developing an information technology and telecommunications blueprint and associated procedures manual for government agencies.

As part of the Government's commitment to reforming the construction industry, a new code of practice was released on 1 July 1996 after extensive industry consultation. The code establishes the principles and standards of behavior which must be observed by contractors, subcontractors, consultants and suppliers wishing to either do business with the Government or to work on government projects, including projects with partial private sector funding.

The Government is a major purchaser of private sector goods and services. DPWS is developing strategies which complement the changing role of governments in society whilst allowing the Government to consolidate its purchasing power and contracting procedures to reduce the State's exposure to risk. Already DPWS has achieved $30 million in communication discounts for its clients and $26 million in communication carrier rebates for government agencies.

The Department provides leadership in ecologically sustainable development. DPWS is at the forefront of this field having introduced a comprehensive framework of environmental policies, whole of government concepts for energy consumption, and life cycle assessment for environmental performance indicators, among other initiatives. The Department is developing approaches to reduce energy use and costs within government.

The 1995–96 outcome reflects a net pre tax operating surplus of $20.7 million. The Department paid a total dividend to the Government of $153.5 million which included a special dividend of $102.9 million from the sale and lease back of Statefleet vehicles and a capital restructure of $36 million. The Department paid a further $7.5 million in tax equivalent payments. The budgeted results for 1996–97 reflect the Government's budgetary restraint together with a reduced revenue stream from the rationalisation of client agencies. The cost of surplus accommodation from the Department's amalgamation continues to have an impact on its results. However, the Department continues to explore new market opportunities and develop new services to enhance its financial performance.

DEPARTMENT OF PUBLIC WORKS AND SERVICES

	(1), (2)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96(e)	1996-97(f)	1997-98(f)	1998-99(f)
EFFICIENCY											
EMPLOYMENT		4,034	3,676	3,276	2,506	2,191	2,632	2,423	NA	NA	NA
TOTAL EXPENDITURE ($m)	*(3)*	NA	NA	NA	212.6	189.6	309.8	435.5	306.7	307.4	308.7
REVENUE PER EMPLOYEE ($000)		NA	NA	72.7	86.6	89.8	131.9	179.6	133.3	135.4	137.5
HOURS LOST TO INDUSTRIAL DISPUTES											
PER EMPLOYEE		0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL ('000)		3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AVERAGE DAYS SICK LEAVE PER EMPLOYEE:											
SALARY STAFF		5.5	5.3	4.3	5.5	5.7	5.6	6.0	5.5	5.0	4.5
WAGES STAFF		7.0	6.7	7.5	7.3	7.1	6.5	6.6	6.1	5.6	5.1
TOTAL STAFF		6.1	5.8	5.1	6.2	6.1	5.7	6.1	5.6	5.1	4.6
EMPLOYEE SAFETY MEASURE	*(4)*	NA	NA	0.25	0.28	0.18	0.27	0.21	NA	NA	NA
EFFECTIVENESS											
NO. OF CONSTRUCTION CONTRACTS LET > $0.25m		439	356	257	239	386	399	307	350	390	430
TOTAL NO. OF CONSTRUCTION CONTRACTS LET		NA	2,568	1,719	1,355	2,129	1,857	1,093	1,050	1,000	1,000
BUILDING PROJECTS:	*(5)*										

COMPLETED ON TIME (%)		80	92	94.7	96	99	96	97	96	97	97
COMPLETED ON BUDGET (%)		94	96.8	94.7	98	99	100	100	97	97	97
COMPLETED ON TIME AND ON BUDGET (%)		NA	NA	90.35	94.4	99	98	97	96	97	97
ENGINEERING PROJECTS:	*(6)*										
COMPLETED ON TIME (%)		NA	93.0	92.0	100.0	97.5	98.7	98.4	98.5	98.5	98.5
COMPLETED ON BUDGET (%)		NA	88.8	96.5	97.0	99.5	99.0	98.7	99.0	99.0	99.0
COMPLETED ON TIME AND ON BUDGET (%)		NA	93.0	92.0	94.4	96.2	98.7	97.4	98.0	98.0	98.0
MINOR WORKS & MAINTENANCE PROJECTS	*(6)*										
COMPLETED ON TIME (%)		NA	84.6	91.9	95	96.3	99	98.02	98	98	98
COMPLETED ON BUDGET (%)		NA	88.8	96.5	97	99.5	99	98.73	99	99	99
COMPLETED ON TIME AND ON BUDGET (%)		NA	82	89.4	92	96.2	99	97.41	98	98	98
VALUE OF PURCHASES THROUGH											
- GOODS & SERVICES PERIOD CONTRACTS ($m)		1,150	1,175	1,200	1,225	1,250	1,275	1,275	1,301	1,327	1,350
NO. OF GOODS & SERVICES PERIOD CONTRACTS		498	500	550	590	590	590	NA	NA	NA	NA
LINE ITEMS		105,000	110,000	115,000	120,000	124,000	126,500	NA	NA	NA	NA
NO. OF VEHICLES LEASED BY STATEFLEET		NA	NA	NA	9,840	10,038	10,938	12,004	12,300	13,000	13,530
CAPITAL ASSETS UNDER MANAGEMENT ($m)		NA	NA	NA	268	343	384	384	400	480	500

COMMERCIAL SPACE UNDER MG'MNT (sqm)	*(7)*	NA	NA	312	312	312	313065	316603	338000	338000	338000
NO. OF COMMERCIAL PROPERTIES/BUILDINGS											
- UNDER MANAGEMENT		NA	NA	125	125	125	125	125	167	162	160
CROWN PROPERTY SALES ($m)		NA	NA	NA	NA	NA	0.8	87	46.5	18	2
COMMUNICATIONS CARRIER REBATES ($m)	*(8)*	NA	NA	NA	NA	NA	27	26	18	19	19
COMMUNICATIONS CARRIER DISCOUNTS ($m)	*(8)*	NA	NA	NA	NA	NA	31	30	26	27	28
FINANCIAL INDICATORS											
GOVERNMENT FUNDED SERVICES ($m)	*(9)*	62.7	57.3	57.8	56.4	50.7	30.8	32.1	30.3	30.3	30.3
ASSET SALES ($m)	*(10)*	139.4	5.7	9.1	57.9	1.1	8.3	137.9	6.1	6.1	3.7
OPERATING RESULT ($m)	*(11)*	NA	NA	-3.2	4.4	7.7	33.5	20.7	8.2	12.3	16.2
RETURN ON EQUITY (%)		NA	NA	NA	8.8	10.1	11.7	11.6	4.4	6.5	8.3
FINANCIAL DISTRIBUTION TO GOVT ($m)	*(12)*	NA	NA	NA	1.1	5.3	27.8	153.5	5.7	8.6	11.3

NA *Not available*

e *e Estimate*

f *Forecast*

1 *Measures for 1994-95 and future years are for the new DPWS structure. Measures up to 1993-94 apply to the Public Works Department and NSW Public Works and should not be compared to 1994-95 onwards.*

2 *All dollar amounts are reported in 1995-96 prices.*

3 *Includes operating costs (wages, salaries & overhead costs including consultant and contract staff) provisions and written down value of asset disposals. The 1995-96 expenditure includes the written down value of motor vehicles ($127.3 million) from the sale and lease back of StateFleet vehicles to the Macquarie Bank.*

4 *Total time lost from work related injuries divided by total time worked, expressed as a percentage.*

5 *Relates to all Public Works' projects over $500,000.*

6 *Relates to all Public Works' projects over $100,000.*

7 *The large increase in 1994-95 and thereafter is the result of the assimilation of Commercial Services Group.*

8 *Subject to agencies maintaining current arrangements.*

9 *Services and activities performed for Government which are not funded through fees from clients.*

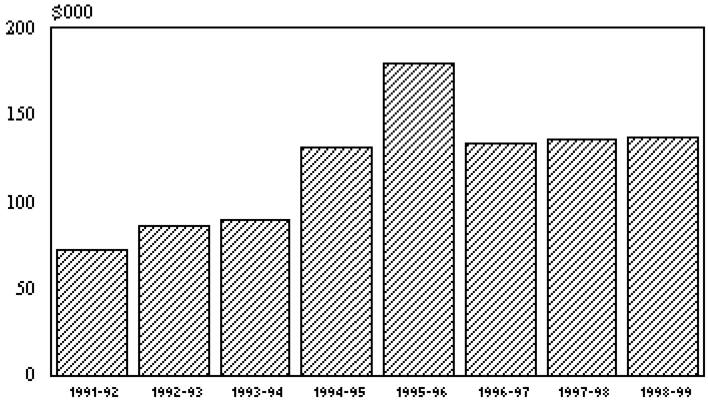
10 *Includes sales of air rights over First Government House site in 1989-90 and sale of Kooragang Island for $48 million in 1992-93. The 1995-96 results include $139.1 million from the sale and lease back of DPWS motor vehicles.*

11 *Operating result before income tax equivalent payment to Office of State Revenue. An amount of $20.9 million was provided by the government to meet redundancy payments in 1992-93 and $12.4 million in 1993-94. Results in 1994-95 reflect the amalgamtion of the Department of Public Works and Services. The 1996-97 results reflect a downturn in sales, reduction in asset sales and costs associated with the implemetation of the Department's IT Strategic Plan.*

12 *Comprises dividend and tax equivalent payments. Results in 1995-96 include a special dividend of $138.9 million from the sale and lease back of vehicles ($102.9 million)and a capital restructure ($36 million)*

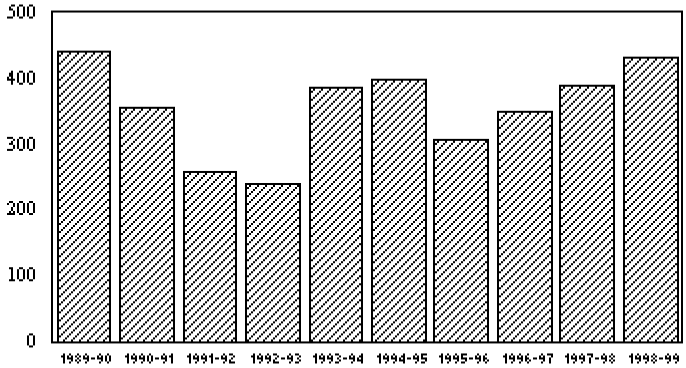
Revenue per Employee

1995-96 Dollars



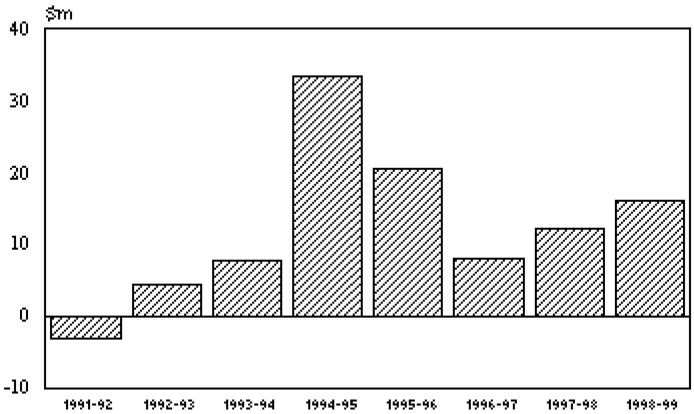
Number of Construction Contracts Let

>$0.25 million



Operating Result

1995-96 Dollars



RURAL ELECTRICITY DISTRIBUTORS

The State's electricity distribution industry underwent substantial structural change in 1995–96. The Government reduced the number of rural distributors from 21 to 4 through amalgamations, altered their geographic boundaries to achieve lower transmission and distribution costs, and established them as state owned corporations with separate network, energy trading and energy retailing functions.

The four rural NSW energy distribution corporations were formed in October 1995 from mergers and corporatised in March 1996, with a charter to exercise functions relating to the distribution of electricity and other forms of energy. These changes were necessary to prepare the rural distributors for competition in the State and national retail electricity markets.

The four rural energy distribution corporations are:

- NorthPower;
- Great Southern Energy;
- Advance Energy; and
- Australian Inland Energy.

NorthPower, the largest of the new distributors, with 1995–96 electricity sales of $353 million, covers the north of the State. It was formed by the merger of Tenterfield Shire Council (Electricity Department) and six distribution authorities; Northern Rivers, Oxley, Namoi Valley, New England, Peel Cunningham and North West. The local government areas of Dungog, Gloucester, and Great Lakes that comprised part of Energy Australia’s franchise were transferred to NorthPower in February 1996. The NorthPower franchise has diverse geographic and demographic areas. The coastal fringe is typified by high growth, with 70 per cent of the customer base located in less than 15 per cent of the distributor’s franchise area. The inland rural areas are characterised by lower customer densities.

The second largest of the new rural distributors, Great Southern Energy, covers the south of the State. It was formed from the amalgamation of eight distribution authorities; Monaro, Murray River, Murrumbidgee, Northern Riverina, Southern Riverina, Southern Tablelands, South-West Slopes and Tumut River. The Wentworth, Balranald and part of the Wakool Shire areas in the south-west of the State were transferred from Great Southern to Australian Inland Energy while Integral Energy transferred the Bega Valley and Eurobodalla shires on the Far South Coast to Great Southern.

Advance Energy was established from the amalgamation of the former Central West Electricity, Ophir Electricity, Southern Mitchell Electricity, Ulan Electricity and Western Power. It distributes and supplies electricity to 115,000 customers over an area of 167,272 square kilometres covering most of the western area of the State.

Australian Inland Energy was formed from Broken Hill Electricity and parts of Great Southern Energy’s franchise area to deliver energy to the Far West of the State. It has 18,500 customers and a franchise area of 155,100 square kilometres.

All rural distributors announced they will freeze their residential tariffs for the 1996–97 financial year. This is expected to lead to a real reduction in household electricity prices of about 5.0 per cent. There were nominal reductions in average business tariffs of up to 6.6 per cent and increases for a small number of business customers whose prices had previously been set below the cost of distribution and supply.

	(1) (13)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96 (e)
EFFICIENCY								
EMPLOYMENT	*(2)*	4,336.0	4,223.0	4,146.0	3,914.0	3,770.0	3,790.0	3,141.0
OUTPUT PER EMPLOYEE (GWh)	*(3)*	1.7	1.8	1.9	2.0	2.1	2.3	2.9
CUSTOMERS PER EMPLOYEE	*(4)*	128.0	135.0	141.0	153.0	164.0	172.2	192.5
OPERATING COST PER UNIT SOLD ($/MWh)		36.8	36.2	41.1	38.5	36.9	34.5	33.6
OPERATING COST PER CUSTOMER ($)	*(5)*	392.8	381.7	376.8	362.3	337.8	316.5	319.7
SYSTEM LOSS INDEX (%)	*(6)*	6.6	5.9	6.5	6.5	6.1	7.3	7.9
LOST TIME INJURY FREQUENCY RATE	*(7)*	56.4	38.7	48.3	37.7	33.6	38.3	36.8
SERVICE								
OUTPUT (GWh)		7,524.0	7,730.0	7,841.0	8,059.0	8,163.0	8,653.0	9,025.0
SUPPLY RELIABILITY	*(8)*	329.0	288.0	240.0	270.0	210.0	267.1	227.5
REAL PRICE INDEX		100.0	98.6	99.0	97.6	94.2	84.9	79.3
FINANCES	*(9)*							
OPERATING RESULT ($m)		80.2	94.4	51.0	62.9	89.1	64.4	66.6
RETURN ON ASSETS (%)	*(10)*	5.9	6.7	2.8	3.4	4.6	3.8	4.8
RETURN ON EQUITY (%)	*(10)*	7.3	7.4	1.1	1.5	2.2	3.5	4.8
GROSS EXTERNAL DEBT ($m)	*(11)*	224.3	180.2	137.0	114.3	103.2	94.8	232.4
DEBT TO EQUITY (%)	*(10)*	25.7	18.7	9.8	7.9	6.5	5.8	12.8
TIMES INTEREST EARNED		3.6	4.7	3.4	4.8	8.7	7.4	5.6
SOCIAL PROGRAMS ($m)	*(12)*	NA	4.5	6.2	6.6	7.3	8.3	7.5

Notes:

NA *Not available*

e *Estimate*

1 *All dollar amounts reported in 1995-96 prices.*

2 *Full time equivalent staff at 30 June.*

3 *GWh sold per average number of electricity employees.*

4 *Average customers per average number of electricity employees.*

5 *Operating expenditure excluding depreciation and interest per average number of customers*

6 *Energy purchased less energy sold divided by energy purchased*

7 *Number of lost time accidents per million hours worked*

8 *Average minutes per customer per year without supply including planned and unplanned outages*

9 *All financial indicators are consolidated. The results reflect the electricity supply and non supply, energy services businesses.*

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

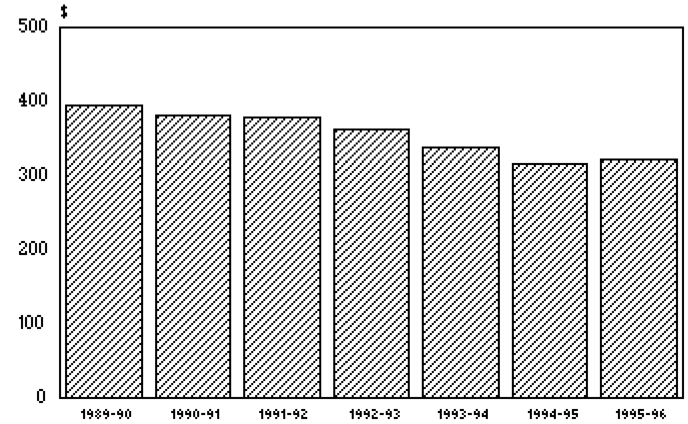
11 *Includes loans, leases, Electricity Development Fund (EDF) loans and long term creditors. The rural distributors' level of gearing (debt) was increased in 1995-96 following the industry restructure to put their capital structures on a commercial basis.*

12 *Includes Pensioner Rebates, Traffic Route Lighting Subsidies, EDF Contributions.*

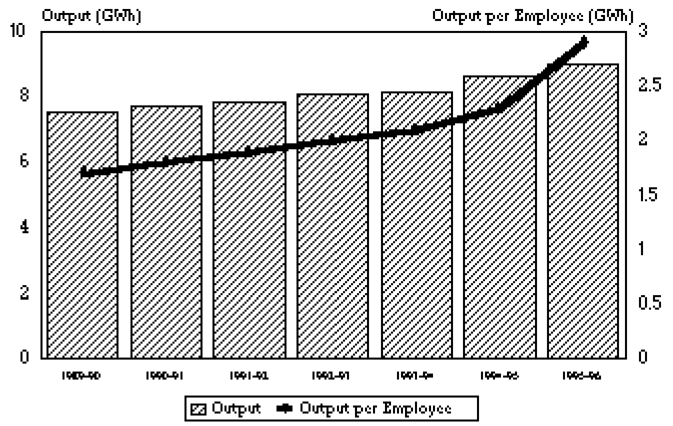
13 *Minor changes in boundaries in 1995-96 following restructuring of the electricity distribution industry affects comparability with previous years.*

Operating Cost per Customer

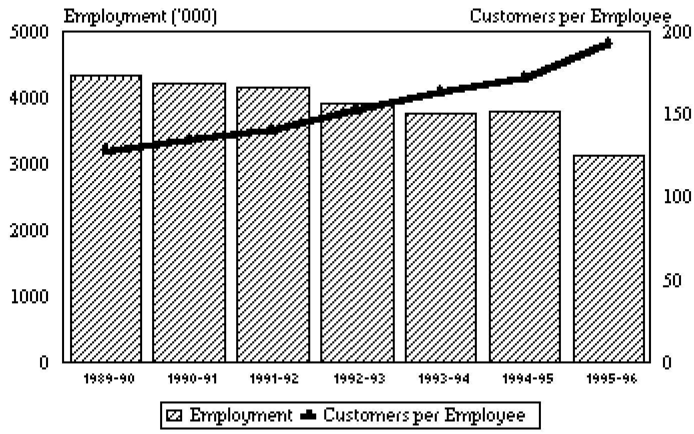
1995-96 Dollars



Labour Productivity



Customers per Employee



STATE FORESTS

State Forests is committed to striking a balance between society's need for timber and its desire to maintain forests for their intrinsic values. This objective will continue to be approached in a way that is both commercial and ecologically sustainable. State Forests expects to be well placed to service demand in the Pacific Rim over the next three years and in the medium term.

State Forests had its genesis in the old Forestry Commission. Today the organisation manages 3.5 million hectares of forest in New South Wales.

Paramount in managing these forests is the implementation of the Government's Forestry Reform Package announced on 23 September 1996. The Package has the dual objectives of identifying and protecting high conservation value old growth forests while establishing and maintaining a hardwood timber industry based on regrowth forests and plantations which are efficient, technologically advanced, ecologically sustainable and add value. State Forests is currently developing strategies that are committed to sustainable forest management and sound community relations.

A key component in the Package is the commitment to a landmark Hardwood Plantation Program. The Government increased funding in 1995–96 from $5 million to $8.5 million for the Program so as to establish an additional 3,000 hectares and has allocated $14.1 million in 1996–97 for the establishment of another 5,000 hectares.

Regarding softwoods, $31.3 million was expended in 1995–96 on establishing 4,816 hectares of plantations and improving infrastructure in existing plantations. State Forests is endeavouring to expand its customer base for softwood plantation growth timber to reduce exposure to the cyclical domestic housing market. As industries develop to utilise the increasing volumes of timber becoming available from the softwood plantations established in the 1960s and 1970s the viability and certainty of further plantation expansion will be ensured.

State Forest's 1995–96 performance was primarily affected by falling timber prices as a result of a downturn in the housing industry and revised inventory techniques. As a result, State Forests suffered a loss of $6.1 million compared to a profit of $125.4 million the previous year and a negative return on equity of 0.5 per cent compared to the previous year's positive return of 11.9 per cent.

A sharp turnaround is forecast for 1996–97. Profits are forecast to rise to $61.5 million with a return on equity of 5.5 per cent. This will allow dividend payments to the State of $14.2 million. In the medium term, it is anticipated that there will be a substantial demand for wood products in the Pacific Rim. This will be catered for by the substantial increase in hardwood planted each year, which will reach 10,000 hectares in 1997–98 compared with 274 hectares in 1993-94.

STATE FORESTS OF NSW

	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96 (e)	1996-97(f)	1997-98(f)	1998-99 (f)
EFFICIENCY											
EMPLOYMENT		1,849	1,776	1,698	1,525	1,513	1,609	1,552	1,596	1,532	1,531
TOTAL REVENUE PER EMPLOYEE ($000)		74.6	72.2	79.7	96.4	134.7	112.0	79.0	120.7	131.9	136.3
TIMBER SOLD PER EMPLOYEE											
- SAWLOGS INCLUDING PINE SAWLOGS (000 CUBIC METRES)		0.87	0.83	0.91	1.25	1.40	1.40	1.30	1.40	1.50	1.50
- PULP INCLUDING PINE PULP (000 TONNES)		0.75	0.71	0.78	0.82	0.90	0.90	0.80	1.00	1.20	1.30
FORESTS MANAGED PER EMPLOYEE (HECTARES)											
- PINE PLANTATIONS		107	112	120	130	133	126	131	130	138	139
- OTHER FORESTS		1,865	1,960	2,048	2,208	2,303	2,086	2,197	2,031	2,082	1,960
EMPLOYEE SAFETY -											
- LOST TIME INJURIES	(2)	47	63	60	48	49	47	44	38	35	32
- FREQUENCY RATE	(3)	14.3	20.8	19.3	15.0	17.6	16.4	15.7	11.0	10.0	9.0
SERVICE											
STATE FOREST MANAGED (000 HECTARES)											
- PINE PLANTATIONS		198	198	203	200	201	202	203	208	211	213
- OTHER FORESTS		3,448	3,481	3,478	3,478	3,478	3,356	3,410	3,242	3,189	3,000
TIMBER PRODUCTION											

- SAWLOGS INCLUDING PINE SAWLOGS (000 CUBIC METRES)		1,613	1,474	1,537	1,967	2,116	2,212	2,006	2,162	2,264	2,297
- PULP INCLUDING PINE PULP (000 TONNES)		1,379	1,267	1,317	1,297	1,355	1,437	1,211	1,547	1,846	2,042
PINE PLANTATIONS PLANTED (HECTARES PER YEAR)		6,674	6,010	4,863	2,366	2,440	3,996	6,415	6,213	6,267	5,020
HARDWOOD PLANTATIONS PLANTED (HECTARES PER YEAR)	*(4)*	236	145	114	283	274	1,747	3,000	5,000	10,000	10,000
ROADS BUILT (KILOMETRES)		NA	NA	NA	256	381	359	313	350	380	400
FINANCES											
TOTAL REVENUE ($m)	*(5,7)*	137.8	128.3	135.3	147.1	204.1	180.1	122.6	192.7	202.0	208.6
OPERATING SURPLUS ($m)	*(5,6,7)*	38.9	28.8	11.9	35.7	100.7	131.6	(6.1)	61.5	66.8	70.9
OPERATING SURPLUS BEFORE MVI ($m)	*(7)*	NA	NA	(4.4)	8.7	29.1	27.4	14.2	21.5	26.8	30.9
TOTAL ASSETS ($m)	*(8)*	1,021.5	971.3	1,131.5	1,133.8	1,198.6	1,305.0	1,445.7	1,400.8	1,490.0	1,559.3
TOTAL LIABILITIES ($m)	*(9)*	190.1	117.2	124.9	108.0	105.2	200.2	220.9	279.8	326.2	366.9
TOTAL EQUITY ($m)		831.4	854.0	1,006.6	1,025.8	1,093.4	1,104.9	1,224.8	1,121.0	1,163.8	1,192.4
INTEREST BEARING DEBT ($m)	*(10)*	31.0	41.1	55.0	48.0	37.6	50.5	85.1	102.6	118.6	125.6
CURRENT ASSETS ($m)		55.7	24.0	65.5	66.1	77.9	80.5	80.6	85.6	90.2	95.4
CURRENT LIABILITIES ($m)		43.9	31.9	40.6	36.2	45.6	65.6	93.6	55.5	64.2	71.5
DIVIDEND PAYMENT ($m)	*(11)*	11.9	6.2	0.0	7.2	19.0	19.1	6.0	14.2	18.8	21.7
RETURN ON ASSETS (%)	*(5,8)*	4.1	3.3	1.6	3.7	8.8	10.5	0.0	4.5	4.6	4.7
RETURN ON EQUITY (%)		4.7	3.4	1.2	3.5	9.2	11.9	(0.5)	5.5	5.7	5.9
DEBT TO EQUITY (%)		3.7	4.8	5.5	4.7	3.5	4.6	6.9	9.2	10.2	10.5
TOTAL LIABILITIES TO EQUITY (%)		22.9	13.7	12.4	10.5	9.6	18.1	18.0	25.0	28.0	30.8

CURRENT RATIO		1.3	0.8	1.6	1.8	1.7	1.2	0.9	1.5	1.4	1.3
TIMES INTEREST EARNED	*(12)*	13.1	9.3	2.9	6.4	21.9	27.9	(0.6)	5.8	5.6	5.7

NOTES

NA *Not available*

e *Estimate*

f *Forecast*

1 *All dollar amounts are reported in 1995-96 prices.*

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 joint venture programs.*

5 *Includes the increase in the imputed market value of pine plantations from 1991-92.*

6 *Operating surplus in 1991-92 fell due to effects of the recession on log prices and additional costs incurred due to restructuring.*

7 *Market value increment (MVI) represents increase in imputed market value of pine plantations. Rises in revenue and profits for 1993-94 and 1994-95 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, which was excerbated by a downturn in the housing industry.

8 *Does not incorporate a valuation of native forest.*

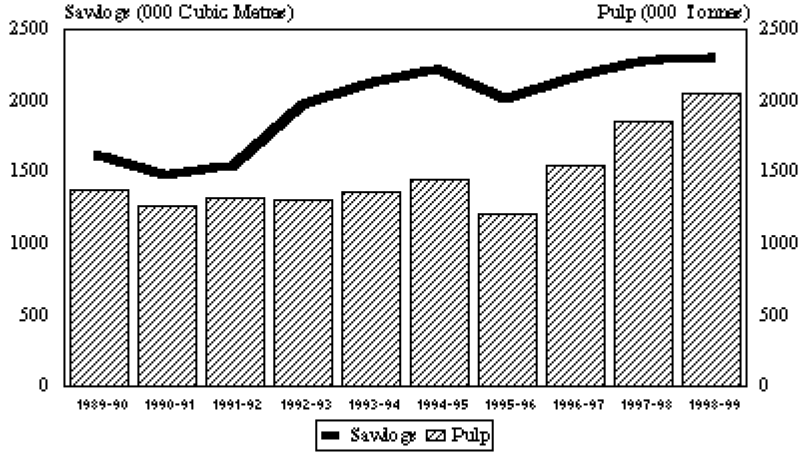
9 *Increase in liabilities for 1995-96 is due to increased borrowings and increased deferred tax position.*

10 *Increases in debt levels for 1995-96 are to support the capital investment program into plantation establishment.*

11 *No dividend was declared for 1991-92 due to a net operating loss before market value increment. The figure for 1994-95 includes a special dividend of $8.5 which will be returned to State Forests in 1995-96 to develop hardwood plantations.*

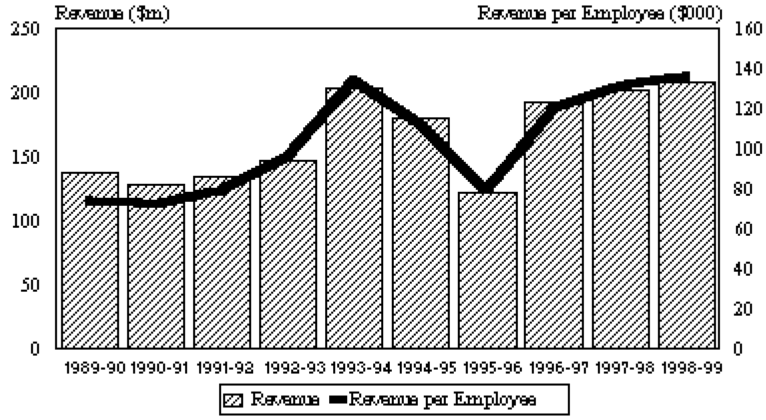
12 *Times interest earned in 1988-89 is large since interest in this year only amounted to $58,000. 1993-94 and 1994-95 increases are due to the increased revenues and profits from MVI effects.*

Timber Production

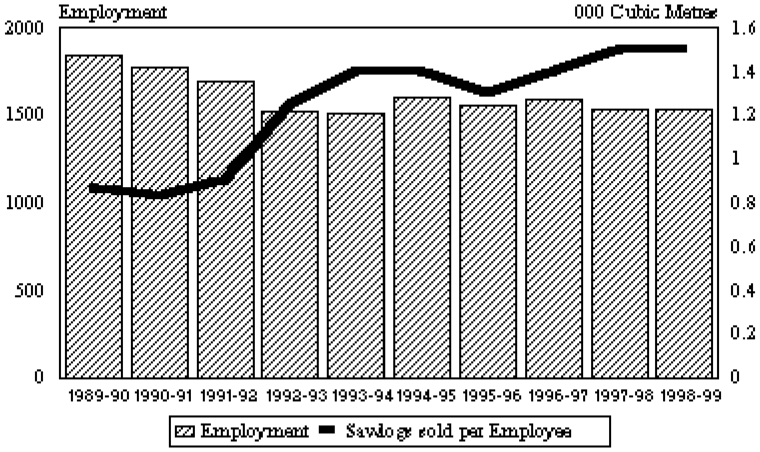


Revenue

1995-96 Dollars



Labour Productivity



STATE RAIL AUTHORITY

The State Rail Authority (SRA) operates passenger services throughout New South Wales. During 1995–96 the SRA has continued to focus on achieving best commercial practice.

The rail sector in New South Wales is currently undergoing major change. The *Transport Administration Amendment Act (1996)* separated the management of the rail network (a natural monopoly) from the provision of rail services (a potentially competitive activity). Key elements of the reforms initiated by this act include the following:

- responsibility for managing the rail network and administering access by public and private operators was removed from the SRA and transferred to a new corporation, the Rail Access Corporation;
- a new authority, the Railway Services Authority, was established with responsibility for track maintenance and construction activities; and
- Freight Rail was separated from the SRA, corporatised on 1 July 1996 and renamed FreightCorp.

The SRA was restructured into five separate business groups on 1 July 1996—CityRail, Countrylink, Passenger Fleet Maintenance, Network Control and Business Services—all of which focus on providing quality customer service in a cost effective way.

CityRail provides passenger services throughout the Greater Sydney metropolitan area, carrying over 850,000 passengers each weekday on some 2,200 services. Countrylink operates long distance passenger services throughout New South Wales and interstate services to Brisbane and Melbourne under agreements with Queensland Rail and the Victorian Public Transport Corporation. The Passenger Fleet Maintenance group maintains CityRail and Countrylink's fleets under internal service agreements. Network Control provides train control services to all operators over the New South Wales rail network, under contract to the Rail Access Corporation. They also provide telecommunications services on a fee for service basis, to other business groups. The Business Services group provides specialist management services (including IT, training, Human Resources services and property management), also on a user pays basis.

In the future SRA will focus on:

- customer satisfaction;
- staff development;
- community standing; and
- financial performance.

As this publication is a historical document, the following table lists data reflecting the 1995–96 SRA structure. The forecasts for 1996–97 onwards relate to the new, restructured SRA only and are therefore not comparable with previous years' figures. Next year's publication will report the activities of the various parts of the former SRA separately.

STATE RAIL AUTHORITY

	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96(e)	1996-97(f)	1997-98(f)	1998-99(f)
EFFICIENCY											
TOTAL SRA											
EMPLOYMENT	*(2)*	28,842.0	26,602.0	24,467.0	22,803.0	21,270.0	20,186.0	19,742.0	9,118.0	8,666.0	8,456.0
REVENUE PER EMPLOYEE ($000)	*(3)*	45.5	47.8	49.5	54.0	59.3	58.1	57.6	62.8	66.7	69.1
INDUSTRIAL DISPUTES											
- TOTAL HOURS LOST (000)	*(4)*	32.1	24.6	118.9	20.9	2.8	3.5	NA	NA	NA	NA
- HOURS LOST PER EMPLOYEE	*(2)*	1.1	0.9	4.9	0.9	0.1	0.2	NA	NA	NA	NA
CITYRAIL											
EMPLOYMENT		11,949.0	11,361.0	10,596.0	10,209.0	10,015.0	8,334.0	8,278.0	5,366.0	5,228.0	5,156.0
OUTPUT PER EMPLOYEE (000 PJs)	*(5)*	20.8	22.1	23.0	22.5	23.4	29.9	31.0	49.6	52.0	53.9
OPERATING EXPENDITURE PER PJ ($)	*(6)*	2.8	2.7	2.7	2.7	2.6	2.5	2.3	1.4	1.3	1.3
COUNTRYLINK											
EMPLOYMENT	*(7)*	1,180.0	1,041.0	1,057.0	1,035.0	897.0	1,069.0	1,111.0	864.0	858.0	853.0
OUTPUT PER EMPLOYEE (000 PKs)	*(8)*	975.0	980.0	776.0	821.0	931.0	844.0	866.0	1,169.0	1,200.0	1,231.0
OPERATING EXPEND PER PK (cents)	*(9)*	22.0	22.6	18.2	17.5	16.2	15.0	14.8	7.9	7.7	7.4
LOAD FACTOR	*(10)*	67.0	63.0	57.0	64.0	64.0	62.0	61.0	65.0	66.0	68.0
FREIGHT RAIL											
EMPLOYMENT		13,493	12,471	11,318	10,246	9,110	7,369	6,976	3,800	NA	NA
OUTPUT PER EMPLOYEE (000 NTKM)	*(11)*	1,067	1,140	1,220	1,472	1,777	2,074	2,335	NA	NA	NA

OPERATING EXPEND PER NTKM (cents)	*(6)*	6.5	6.6	6.8	6.2	5.6	5.5	NA	NA	NA	NA
WAGON PRODUCTIVITY (M NTKM)	*(12)*	1.7	1.9	2.0	2.1	2.2	1.7	1.9	2.0	2.2	2.4
LOCO PRODUCTIVITY (M NTKM)	*(12)*	25.3	25.8	25.9	28.2	32.3	29.0	30.0	33.1	35.8	36.9
TRAFFIC DENSITY (000 NTKM /TRACK KM)	*(13)*	1,819	1,798	1,921	2,070	2,250	2,046	2,181	NA	NA	NA
TOTAL FACTOR PRODUCTIVITY	*(14)*	1.17	1.19	1.23	1.45	1.66	1.61	1.76	NA	NA	NA
SERVICE											
CITYRAIL											
PASSENGER JOURNEYS (MILLION)		248.4	251.5	243.8	229.8	234.8	249.6	256.4	266.0	272.0	278.0
ON TIME RUNNING											
- SUBURBAN (%)	*(15)*	84.0	86.6	90.3	92.0	92.2	90.8	88.7	92.0	93.0	95.0
- INTERCITY (%)	*(15)*	82.7	87.5	91.5	92.1	93.1	92.2	91.9	92.0	93.0	95.0
SCHEDULED SERVICES RUN											
- SUBURBAN (%)	*(16)*	99.0	99.2	99.3	99.5	99.3	99.3	99.2	99.4	99.4	99.4
- INTERCITY (%)	*(16)*	99.4	99.7	99.6	99.5	99.5	99.6	99.7	99.7	99.7	99.7
AVERAGE TRAIN AGE (YEARS)		20.0	18.0	16.0	13.0	15.0	12.0	13.0	14.0	15.0	16.0
COUNTRYLINK											
PASSENGER KMs (BILLION)		1.2	1.0	0.8	0.9	0.8	0.9	1.0	1.0	1.0	1.1
ON TIME RUNNING (%)	*(17)*	66.8	76.8	84.8	87.9	84.8	86.3	89.0	90.0	90.0	90.0
REAL PRICE INDEX (FARES BASED)	*(18)*	100.0	103.3	106.4	110.4	111.7	110.6	111.7	113.8	NA	NA
FREIGHT RAIL											

NET TONNE KILOMETRES (BILLION)	*(19)*	14.4	14.2	13.8	14.8	16.2	15.3	16.3	NA	NA	NA
ON TIME RUNNING (%)	*(20)*	59.3	79.1	78.4	81.1	85.0	90.0	89.0	90.0	NA	NA
REAL PRICE INDEX (FREIGHT BASED)	*(18)*	100.0	101.4	102.7	102.6	99.6	93.7	87.4	82.8	NA	NA
FINANCES											
CITYRAIL											
OPERATING RESULT ($m)		-173.7	-168.1	-107.8	-77.0	-55.7	-27.2	0.0	-101.0	0.0	0.0
CASH OPERATING EXPENDITURE ($m)		688.7	669.3	646.9	628.5	612.3	611.6	589.7	365.0	363.0	354.0
SUBSIDIES AND SOCIAL PROGRAMS ($m)		150.6	153.1	195.3	210.8	215.7	228.0	226.0	604.0	655.0	631.0
COUNTRYLINK											
OPERATING RESULT ($m)	*(21)*	-51.2	-51.0	-13.3	-9.6	-8.1	0.0	-3.4	-4.6	0.0	0.0
CASH OPERATING EXPENDITURE ($m)	*(21)*	252.9	230.5	148.9	148.7	135.3	135.8	142.3	60.0	79.0	78.0
SUBSIDIES AND SOCIAL PROGRAMS ($m)	*(22)*	100.8	102.5	80.0	78.1	70.0	68.9	73.9	77.0	114.0	106.0
FREIGHT RAIL											
OPERATING RESULT ($m)	*(21)*	-61.7	9.7	19.1	55.9	76.2	40.6	10.8	NA	NA	NA
CASH OPERATING EXPENDITURE ($m)	*(21)*	939.3	935.0	934.9	916.6	921.3	842.7	799.7	NA	NA	NA
SUBSIDIES AND SOCIAL PROGRAMS ($m)	*(22)*	29.6	98.6	142.9	143.9	135.2	133.4	121.1	NA	NA	NA
TOTAL SRA											
EXTERNAL DEBT ($m) (BORROWINGS)	*(23)*	28.6	104.6	199.3	219.1	241.1	297.9	413.5	NA	NA	NA

ASSET SALES ($m)	*(24)*	49.6	37.4	394.7	9.9	18.5	18.4	15.1	NA	NA	NA
CASH OPERATING EXPENDITURE ($m)	*(21)*	1881.0	1834.8	1730.6	1693.8	1669.0	1590.1	1547.0	751.0	726.0	700.0
TOTAL REVENUE ($m)	*(3), (25)*	1313.3	1271.2	1210.1	1230.4	1260.4	1173.0	1136.8	564.0	578.0	584.0

<u>NOTES</u>

NA Not available

e Estimate

f Forecast

1 All dollar amounts reported in 1995-96 prices. All revenue based forecasts are dependent upon assumptions as to Independent Pricing and Regulatory Tribunal determinations. Due to SRA restructure on July 1 1996, forecast figures are not generally comparable with previous years' figures.

2 Staff employment based on end of financial year employment for consistency with Annual Report. Future estimates are reduced to nearest 10. Total SRA employment includes CityRail, Countrylink and Freight Rail plus head office staff up until 1995-96. For 1996-97 onwards, the figures refer to the new SRA which no longer includes Freight Rail or the Rail Services Authority which were set up as separate entities in the restructure process.

3 Revenue includes customer and secondary revenue plus allocated and Rail Estate revenue. Does not include payments from Government for concessions or non-commercial services.

4 State wide stoppage on 23 October 1991 accounts for 117,523 hours of the total 118,875 hours lost in 1991-92.

5 Number of passenger journeys per employee.

6 Operating expenditure on a cash basis. From 1991-92 Prime User methodology used to allocate costs of joint structure (and thus 1990-91 results not directly comparable). CityRail and Countrylink expenditure does not include finance charges. Freight Rail figure for 1995-96 not available as some financial figures have not yet been determined due to the restructure of the SRA.

7 Employment figure of 1111 for 1995-96 includes 240 fleet and depot staff who were transferred from Countrylink in July 1996.

8 Number of passenger kilometres (distance travelled by passengers) per employee. Data includes intercity coaches (excluding feeder coaches). Some reduction since 1990-91 due to redefining of CityRail boundaries.

9 Includes passenger kilometres produced by Countrylink and private coach contractors.

10 Load Factors are Passenger Kilometres divided by Seat Kilometres expressed as a percentage, and include rail, intercity coaches and peak period coaches.

11 *Net Tonne Kilometres (tonnes hauled times average distance hauled) per employee. Decreases from 1995-96 due to transfer of functions to National Rail Corporation (NRC).*

12 *Productivity is defined as the number of Net Tonne Kilometres carried per wagon or locomotive using average fleet size for the year. Decrease from 1993-94 due to elimination of interstate trains under NRC transition.*

13 *Net Tonne Kilometres carried per km of track (year average excluding CityRail). Measures the intensity of track use. Base year is 1989-90. Freight Rail's total factor productivity (TFP) series uses the unilateral definition which measures the enterprise's cahnge in productivity over time.*

14 *The series do not reflect absolute TFP levels and therefore cannot be compared to the results of other GTEs presented in this publication.*

15 *"On time" defined as running within 3 minutes of schedule for suburban trains and within 5 minutes of schedule for intercity trains.*

16 *"Scheduled services run" is defined as the percentage of peak trains run. Not applicable to FreightCorp following corporatisation and separation form SRA*

17 *Defined as less than 10 minutes late. Excludes Countrylink feeder coaches. 1993-94 allows for introduction of new service patterns.*

18 *Derived from information supplied for the Government Charges Index. Fares based Real Price Index covers both CityRail and Countrylink.*

19 *Includes all NRC NTKs to 1995-96. Decreases from 1995-96 due to transfer of functions to NRC.*

20 *Defined as less than 30 minutes late.*

21 *Operating result and operating expenditure on cash basis. CityRail and Countrylink exclude finance charges. Freight Rail responsible for new financing from 1990-91. Results prior to 1991-92 have been adjusted for various changes in accounting treatment introduced in 1991-92.*

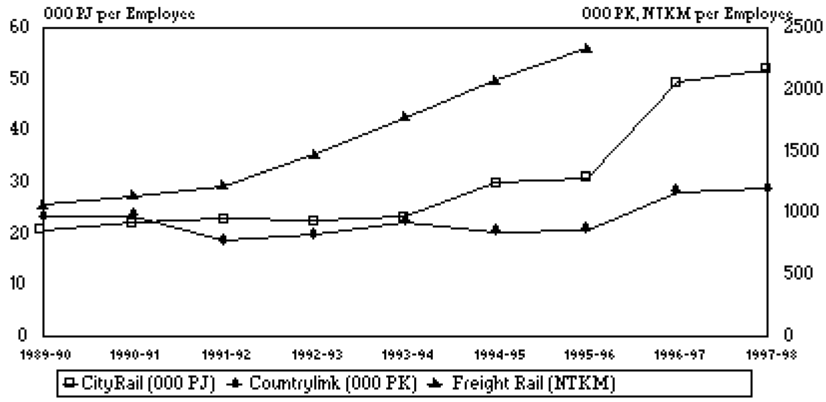
22 *Results in 1991-92 are based on Prime User Cost allocation (and thus 1990-91 results are not strictly comparable).*

23 *An asset/debt swap occurred effective 1989-90. Subsidies and Social Programs figure includes capital and major periodic maintenance funding from 1996-97 onwards.*

24 *From 1990-91, net proceeds from surplus asset sales are paid to Consolidated Fund. 1991-92 figures exclude a $351 million sale lease-back of Tangaras.*

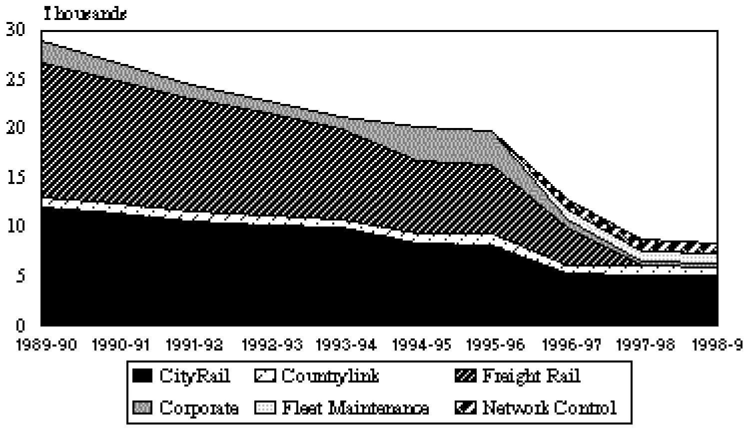
25 *This figure excludes Government contract payments.*

Output per Employee



Freight Rail was separated from the SRA, corporatised and renamed Freight Corporation on 1 July 1996.

Employment



Freight Rail was separated from the SRA, corporatised and renamed Freight Corporation on 1 July 1996.
Employees for Fleet Maintenance and Network Control include former employees of Freight Rail, CityRail and Countrylink.

STATE TRANSIT AUTHORITY

The State Transit Authority's three business units deliver bus and ferry services in an increasingly commercial industry. State Transit has had a decreasing reliance on Government operating subsidies and external debt. It is envisaged that commerciality will increase as the impact of National Competition Policy takes effect.

The State Transit Authority was established in 1989 to provide bus and ferry services in Sydney and Newcastle. State Transit's services are provided via commercial contracts issued by the Department of Transport under the *Passenger Transport (NSW) Act 1990*.

State Transit operates in the same commercial environment as private sector transport operators and, as such, has clearly defined corporate objectives. These objectives are the provision of transport services of high quality, low cost and industry best practice in a way that satisfies community expectations, maximises the community's return on their investment and is consistent with the principle of environmentally sustainable cities.

State Transit operates through three business units. The Sydney Buses Business Unit offers effective and modern bus transport services to about 35 per cent of metropolitan Sydney, taking in about 40 per cent of the population. The Sydney Ferries Business Unit operates a fast, comfortable and reliable fleet of 27 vessels which carry over 12 million passengers annually throughout Sydney Harbour to Manly and along the Parramatta River to the Parramatta CBD. The Newcastle Bus and Ferry Services Business Unit provides over 13 million passenger journeys a year with a fleet of 171 buses and two ferries.

State Transit earned a $10.5 million profit in 1995–96. This surplus was mainly due to an increase in patronage of Sydney Buses which was made possible by a 10 per cent increase in core route services and a 7 per cent increase in total bus kilometres, with only a 3 per cent growth in the fleet. This enabled State Transit to provide the State with a dividend of $8.9 million, which was significantly more than the previous year's $1.6 million. Capital works were financed completely from internal funds and there was a reduced reliance on Government funding by $20.7 million and external debt by $8.5 million.

State Transit is a very much leaner and more efficient organisation than it was at its establishment. However, with the future prospect of its service contracts becoming contestable as a result of National Competition Policy, State Transit must remain alert to business opportunities which will improve its patronage and competitiveness.

STATE TRANSIT AUTHORITY

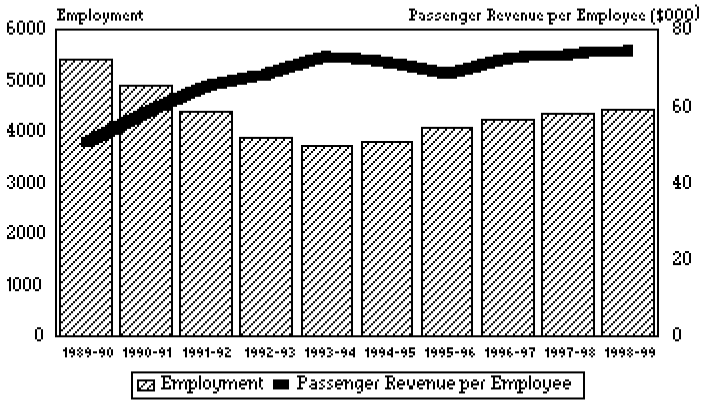
	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96(e)	1996-97(f)	1997-98(f)	1998-99(f)
EFFICIENCY											
EMPLOYMENT		5,428	4,916	4,423	3,897	3,740	3,818	4,101	4,242	4,348	4,438
PASSENGER TRIPS (000) PER EMPLOYEE		36.3	40.4	43.9	48.3	50.6	50.7	49.6	50.3	50.7	51.2
PASSENGER REVENUE ($000) PER											
EMPLOYEE	*(2)*	50.9	58.9	65.7	68.8	73.4	71.8	68.9	72.8	73.8	75.0
WORKING HOURS LOST TO											
INDUSTRIAL DISPUTES		11,295	14,168	7,263	2,967	0	0	0	0	0	0
TOTAL FACTOR PRODUCTIVITY											
- SYDNEY BUSES	*(3)*	1.11	1.12	1.20	1.38	1.45	NA	NA	NA	NA	NA
- SYDNEY FERRIES	*(3)*	1.12	1.01	0.85	0.78	0.81	0.83	NA	NA	NA	NA
- NEWCASTLE SERVICES	*(3)*	1.14	1.23	1.26	1.39	1.44	NA	NA	NA	NA	NA
SERVICE											
KILOMETRES TRAVELLED (000)		70,043	70,027	69,055	68,803	71,036	72,517	77,116	78,459	80,164	81,911
TOTAL PASSENGERS CARRIED (000)		196,809	198,504	193,972	188,236	189,333	193,385	203,310	213,460	220,254	227,315
BUS SERVICE											
AVERAGE AGE (YEARS)		7.0	7.6	8.6	9.6	10.0	10.4	11.2	11.3	11.2	11.2
BUSES IN SERVICE		1,510	1,474	1,441	1,442	1,462	1,494	1,539	1,666	1,838	2,005
BUS PASSENGERS CARRIED (000)		182,285	185,645	182,663	177,311	177,788	181,011	190,115	199,087	205,340	211,833

FERRY SERVICE											
AVERAGE AGE (YEARS)		8.9	8.5	8.4	8.6	8.0	9.0	10.0	11.0	10.3	11.3
FERRY PASSENGERS CARRIED (000)	*(4)*	14,524	12,859	11,309	10,925	11,545	12,374	13,195	14,373	14,914	15,482
REAL FARE INDEX	*(5)*	100.0	100.6	101.2	107.4	108.3	106.3	104.3	104.5	NA	NA
FINANCES											
OPERATING RESULT ($m)	*(6)*	-42.0	0.7	88.9	1.3	4.2	20.8	10.5	3.2	9.2	13.6
GROSS EXTERNAL DEBT ($m)	*(7)*	167.7	129.4	113.5	88.5	66.8	50.3	41.8	33.6	42.8	68.1
TOTAL ASSETS ($m)		532.3	498.6	459.0	439.3	415.1	381.2	400.0	388.7	401.2	430.1
ASSET SALES ($m)		2.6	14.2	13.1	8.3	24.6	12.4	2.9	18.9	0.6	0.7
RETURN ON TOTAL ASSETS (%)		-7.9	0.2	19.4	0.3	1.0	5.5	2.6	0.8	2.3	3.2
GOVERNMENT CONTRIBUTIONS ($m)	*(8)*										
- TRAVEL CONCESSIONS		115.1	128.6	131.6	107.4	109.8	106.2	102.6	111.2	115.3	119.5
- OPERATING LOSS		46.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- FINANCE CHARGES		34.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- SOCIAL PROGRAMS	*(9)*	0.0	46.9	120.2	77.3	66.5	53.6	36.4	39.0	40.0	40.9
- TOTAL		196.3	175.4	251.8	184.7	176.3	159.8	139.0	150.2	155.3	160.4
DIVIDEND PAYMENT ($m)	*(10)*	0.0	0.0	68.8	0.0	0.0	1.6	8.9	9.4	14.2	17.9
NET GOVT CONTRIBUTION ($m)		196.3	175.4	183.0	184.7	176.3	158.3	130.1	140.8	141.1	142.5

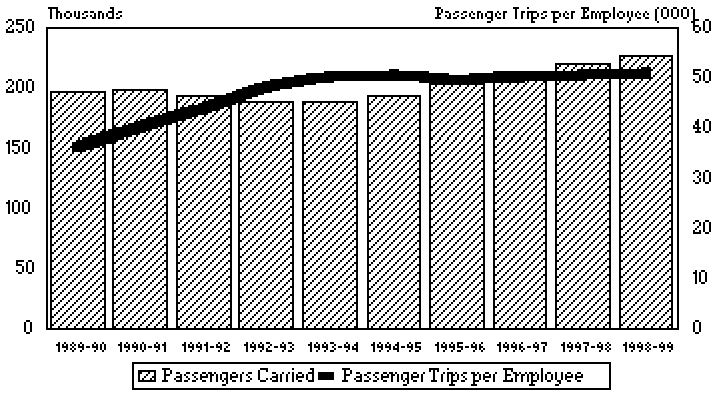
NOTES

NA	*Not available*
e	*Estimate*
f	*Forecast*
1	*All dollar amounts reported in 1995-96 prices. All revenue based forecasts are dependent upon assumptions as to Independent Pricing and Regulatory Tribunal determinations.*
2	*Passenger revenue comprises farebox, charters, hirings and concessions.*
3	*Base year 1987-88. These are unilateral TFP results measuring TFP growth (or decline) over time. The TFP measures do not reflect absolute TFP levels, and therefore cannot be compared to the TFP results of other agencies presented in this publication.*
4	*The method of calculating patronage has changed to incorporate information now available from the Automatic Fare Collection system. Previously reported estimates of ferry patronage have been reduced to reflect actual trips now being recorded.*
5	*Derived from information supplied for the Government Charges Index.*
6	*There was a $35 million redundancy program in 1989-90. From 1990-91 onwards, Government contributions to cover operating losses and finance charges (which were not included in the operating result) were replaced by CSO payments to cover social program obligations (which were included in the operating result).*
7	*The 1997-98 increase in debt is to pay for the bus fleet expansion program.*
8	*Government Contributions include contribution for disadvantages of operating under government conditions. The value of this contribution was $15.3 million in 1992-93, $13 million in 1993-94 and $2.8 million in 1994-95. These payments have been eliminated from 1995-96 onwards.*
9	*In 1991-92 the method of calculating Social Programs included a return on assets used in providing non-commercial services, resulting in a profit which was returned to the government as a dividend. In subsequent years the method of calculation has been refined, and this element has been eliminated.*
10	*CSOs were calculated on a different basis in 1991-92 resulting in a large profit which was paid back to the Government as a dividend. The previous basis for calculating CSOs was returned to for subsequent years.*

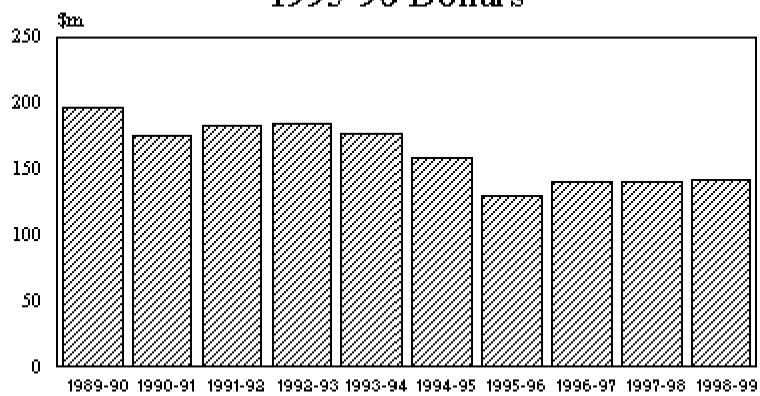
Employment and Passenger Revenue per Employee
1995-96 Dollars



Passengers Carried and Passenger Trips per Employee



Net Government Contributions to STA
1995-96 Dollars



Contributions are made up of reimbursements for travel concessions and community service obligations. Subsidies for operating losses were eliminated after 1989-90.

SYDNEY PORTS CORPORATION

Sydney Ports Corporation's key objectives are to: promote and facilitate trade through its port facilities; ensure that its port safety functions are carried out properly; ensure that its operations comply with the principles of ecologically sustainable development; act commercially with a view to maximising the return on shareholder's investment; and be socially responsible by having regard to the interests of the community in which it operates.

Sydney Ports Corporation is charged with the ownership and operation of public assets in the commercial ports of Sydney Harbour and Botany Bay.

It became a corporation on 1 July 1995 and was constituted by the *Ports Corporation and Waterways Management Act 1995*. This legislation created three independent statutory port corporations serving the principal regions of the Hunter, Illawarra and Sydney.

Sydney Ports Corporation is the legal successor to the MSB Sydney Ports Authority, which was dissolved under the Act.

Sydney Ports Corporation has returned an after tax-equivalent profit result of $26.8 million in its first year of operation.

During the year the ports of Sydney handled 31.6 million revenue tonnes of cargo, equal to the previous year. 1995–96 container throughput of nearly 700,000 Twenty Foot Equivalent Units (TEUs) was 4.3 per cent higher than the previous year and marked the fifth consecutive year of container trade growth.

Port charge reductions were announced in June 1996, to take effect from 1 July 1996, making Sydney the lowest cost container port on the eastern seaboard of Australia. The navigation service charges were reduced from $0.46 to $0.41 per gross registered tonne on 1 July 1996. At the same time the wharfage charge on empty containers was reduced from $25.00 per TEU to $10.00 per TEU—a reduction of 60 per cent.

Negotiations for a new Sydney Ports Enterprise Agreement continued through the year without industrial disputation. The new Agreement aims to build on the co-operative and flexible approach introduced in the Maritime Services Board's 1993 Enterprise Agreement while enhancing productivity and customer focus.

On 1 July 1995 the Corporation was granted a Port Safety Operating Licence for a five year period. The Corporation has met or exceeded the requirements of the Licence during the year.

The Corporation is well placed to pursue new trade opportunities and to focus on service provision in the year ahead.

		1995-96(e)	1996-97(f)	1997-98(f)	1998-99(f)
EFFICIENCY					
EMPLOYMENT	*(1)*	231	NA	NA	NA
REVENUE PER EMPLOYEE ($000)		364	NA	NA	NA
INDUSTRIAL DISPUTATION					
- TOTAL HOURS LOST		Nil	NA	NA	NA
- HOURS LOST PER EMPLOYEE		Nil	NA	NA	NA
CONTRACT LABOUR ($m)		NA	NA	NA	NA
SERVICE					
TOTAL TRADE (MILLION TONNES)	*(2)*	31.6	NA	NA	NA
VESSEL ARRIVALS		2,166	NA	NA	NA
VESSEL TURNAROUND TIME (HRS)		40.6	NA	NA	NA
BERTH OCCUPANCY (%)		NA	NA	NA	NA
BERTH QUEUEING TIME (HRS)		NA	NA	NA	NA
AVERAGE TIME AT BERTH		38.6	NA	NA	NA
AVG PORT MANAGEMENT CHARGE					
PER TONNE OF CARGO ($)		1.96	NA	NA	NA
AVG PORT MANAGEMENT CHARGE					
PER VESSEL ($)		28,602	NA	NA	NA
FINANCES					
OPERATING RESULT ($m)		42.9	NA	NA	NA
CONTRIBUTION TO GOVT ($m)		31.2	NA	NA	NA
ASSET SALES ($m)		0.6	NA	NA	NA
RETURN ON TOTAL ASSETS (%)		15.8	NA	NA	NA
RETURN ON EQUITY (%)		19.5	NA	NA	NA
GROSS EXTERNAL DEBT ($m)		150	NA	NA	NA
DEBT TO EQUITY (%)		109.3	NA	NA	NA
TIMES INTEREST EARNED		7.2	NA	NA	NA

NOTES

NA Not available

e Estimate

f Forecast

(1) Excludes labour employed by consultancy.

(2) Total trade expressed in million revenue tonnes at SPC berths. (Excludes cargo at privately owned berths).

SYDNEY WATER CORPORATION

Since corporatisation in January 1995, Sydney Water has focussed on delivering its key objectives of being a successful business, protecting the environment and protecting public health. These key demands on Sydney Water are stated in the State Owned Corporation Act and the Water Board Corporatisation Act (1994), Operating Licence and Statement of Corporate Intent. The Holding Company/Subsidiary model which Sydney Water has adopted is designed to concentrate on achieving these key objectives, and to operate in an environment where regulation is determined by the appropriate Government authority and the Board of Directors, representing shareholders. To improve efficiency and meet those key objectives Sydney Water is continuing with its reform agenda.

A key reform for Sydney Water is in the area of pricing. Sydney Water continues to make substantial progress towards eliminating cross subsidies and strengthening the relationship between prices and the use of services. The reform process has been aimed at reducing costs in order to fund the removal of property value based taxes which bear no relationship to the demands placed on services. In its recent determination on prices covering the period from 1996–97 to 1999–2000, the Independent Pricing and Regulatory Tribunal (IPART) accepted proposals made by Sydney Water to continue reducing property taxes at a rate of $20 million per year. This will mean property taxes collected in 1999–2000 will be $357 million or 85 per cent less than in 1992–93.

IPART has also supported Sydney Water's endeavours to increase its reliance on usage based revenue. By 1999–2000, an estimated 44 per cent of total revenue will be tied to usage charges. Over this period however, average bills for the non domestic sector are expected to fall by 20 per cent in real terms and typical household bills will move in line with inflation. The average bill for the non domestic sector has fallen by 45 per cent in real terms since 1992–93.

As part of its corporatisation framework, Sydney Water is required to operate its systems and services against standards and requirements, as specified in the operating licence. An independent operational audit is conducted annually to assess the Corporation's compliance with these standards. The results of the first audit for the 1995 calendar year indicated that Sydney Water had met the operating licence requirements for its core business activities of providing safe drinking water and disposal of sewage. Sydney Water's environmental performance was also judged to be sound. A mid term review of the operating framework is scheduled to commence in July 1997 in preparation for the next licence for Sydney in the year 2000.

Efficiency of Sydney Water's overall performance has continued to improve. There has been a steady decline in operating costs per property over the last three years. Our target is to reduce underlying operating cost per property by 45 per cent by the year 2000–01 from the 1992–93 level. In terms of effective service provision, drinking water continues to meet the National Health and Medical Research Council (NHRMC) guidelines. Sydney Water is actively investing in maintaining the high quality of drinking water with the commissioning of treatment plants at Macarthur, Prospect, Woronora and Illawarra. In regard to wastewater, the amount of sludge recycled has risen since 1987–88 from 2 to 117 tonnes per day.

The commissioning of the IICATS telemetry and remote control system, together with continuing development of comprehensive system plans, is improving Sydney Water's understanding of the condition and performance of its infrastructure. It is anticipated that this will both reduce operating costs and optimise infrastructure planning and replacement.

SYDNEY WATER CORPORATION

	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97(f)	1997-98(f)	1998-99(f)
EFFICIENCY											
EMPLOYMENT		9,582.0	9,357.0	9,142.0	8,629.0	7,326.0	5,965.0	5,099.0	NA	NA	NA
OPERATING COST PER PROPERTY ($)		439.4	490.9	519.8	524.7	489.1	452.9	430.0	425.0	419.0	NA
EMPLOYEES PER THOUSAND PROPERTIES		6.9	6.6	6.4	5.9	5.0	4.0	3.4	NA	NA	NA
REVENUE COLLECTION AS A PERCENTAGE											
OF REVENUE BILLED (%)		NA	96	98	99	99	99	98	98	98	98
CAPITAL WORKS EXPENDITURE:											
ACTUAL / ESTIMATED (%)		90.3	91.9	99.8	95.3	68.3	65.0	84.3	NA	NA	NA
TIME LOST TO UNPLANNED ABSENCES (%)		4.3	4.0	4.0	4.1	3.7	4.0	3.4	3.6	3.4	3.4
INJURY INCIDENCE RATE	*(2)*	7.9	7.3	6.4	7.5	6.6	5.3	4.9	4.8	4.6	NA
INJURY FREQUENCY RATE	*(2)*	30.0	29.0	23.0	38.0	33.0	28.0	28.0	25.0	24.0	NA
SERVICE											
MILLION PROPERTIES SERVED	*(3)*	1.39	1.40	1.42	1.44	1.47	1.50	1.51	1.53	1.55	NA
NEW PROPERTIES SERVED (000)		22.7	22.1	15.3	19.0	23.2	28.8	24.2	22.8	21.4	NA
MEGALITRES SUPPLIED (000)		655	673	633	595	625	569	551	644	650	700
CAPITAL WORKS CONTRACTED OUT		NA	NA	NA	NA	100	100	100	100	100	100
SYSTEM RELIABILITY:											
MAINBREAKS PER 100 KM		31.4	41.3	35.0	37.7	35.3	26.5	20.3	<35	<35	<35
SEWER CHOKES PER 100 KM		23.1	34.6	57.8	60.1	75.4	87.6	72.3	<70	<60	<60
WATER RESOURCE MANAGEMENT:											

QUALITY GUIDANCE COMPLIANCE (1980)	*(4)*										
- HEALTH (%)		91	99	99	94	95	95	97	>90	>90	>90
- AESTHETICS (%)		95	94	94	95	94	98	99	>90	>90	>90
WASTE WATER MANAGEMENT:											
SOLIDS REMOVED (%)		46	47	48	49	50	45	55	60	65	70
DRY TONNES OF SLUDGE PER DAY											
- DISPOSED TO OCEAN		48	34	25	8	9	0	0	0	0	0
- RECYCLED		20	58	69	100	110	110	117	125	135	145
POLLUTANTS DISCHARGED TO											
NEPEAN/HAWKESBURY SYSTEM (KG/DAY)	*(5)*										
- NITROGEN		3,575	2,615	2,415	2,740	2,133	1,747	1,916	1,590	1,560	NA
- PHOSPHORUS		285	230	180	190	122	79	84	68	65	NA
- AMMONIA		1,440	990	830	615	355	61	68	60	55	NA
REAL PRICE INDEX	*(6)*	100.0	100.8	103.8	105.1	97.3	87.1	75.2	73.2	NA	NA
FINANCES	*(7)*										
OPERATING RESULT ($m)		297.8	223.9	155.9	134.6	205.5	119.6	153.8	115.0	139.0	147.0
RETURN ON TOTAL ASSETS (%)											
TOTAL REVALUED		NA	3.3	2.6	2.2	2.0	2.0	2.0	2.2	2.0	NA
CORE HISTORIC		NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
CORE REVALUED		NA	3.0	2.0	2.0	2.0	2.0	2.2	2.0	2.0	NA
RETURN ON SHAREHOLDERS FUNDS (%)											
REVALUED		NA	4.1	1.7	1.0	1.0	1.0	1.1	0.7	0.8	NA

ASSET SALES ($m)		26.0	14.0	15.0	15.0	19.0	73.0	36.0	47.0	37.0	38.0
GROSS EXTERNAL DEBT ($m)		2,176.3	1,937.8	1,918.5	1,872.1	1,901.7	1,842.0	1,756.0	1,755.0	1,755.0	NA
DEBT / EQUITY		98.0	22.0	20.6	19.7	20.0	16.0	16.0	17.0	16.0	NA
TIMES INTEREST EARNED		2.2	1.8	1.6	1.6	2.0	1.6	1.8	1.6	1.7	NA
FINANCIAL DISTRIBUTION ($m)	*(8)*	121.0	89.3	189.0	93.6	114.0	110.2	132.0	115.0	113.0	124.0
COMMUNITY SERVICE OBLIGATIONS ($m)	*(9)*	83.0	80.3	67.8	67.2	80.4	88.2	82.0	87.8	94.0	98.0
(SOCIAL PROGRAMS)											

NOTES

NA Not available

f Forecast

1 All dollar amounts reported in 1995-96 dollars. All revenue based forecasts are dependent upon assumptions as to Independent Pricing and Regulatory Tribunal determinations.

2 The definitions for these indicators are:

Injury Incidence Rate = the number of occurrences of injury or disease per one hundred workers employed.
Injury Frequency Rate = the number of occurrences of injury or disease for each one million hours worked.

3 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.

4 The figures represent the percentage of samples that have physical characteristics within parameters stated in the 1980 NHMRC guidelines. Sydney Water meets those guidelines if in excess of 90 per cent of samples fall within those parameters.

5 The parameters used to calculate the pollutant discharge figures prior to 1993-94 differ from those applied since, making it impossible to draw valid conclusions based on comparisons with current years.

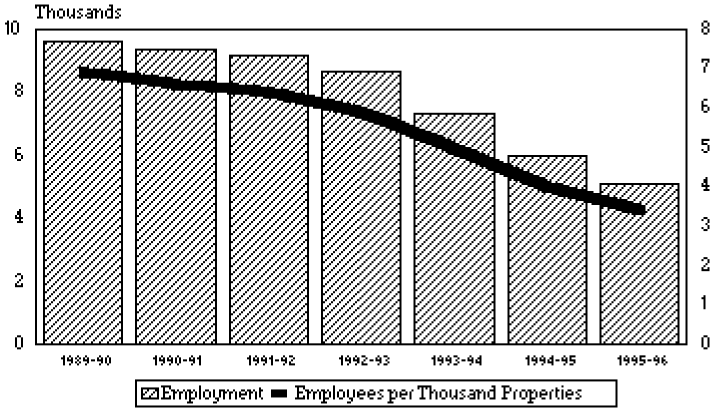
6 Derived from information provided to the Water Services Association of Australia's performance reviewed.

7 All numbers are expressed in 1995-96 dollars. Projections have been based on Sydney Water's Statement Of Corporate Intent.

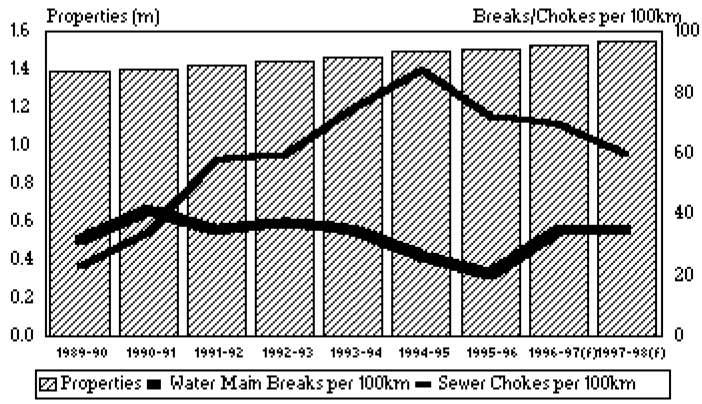
8 Since 1993-94 Financial Distribution includes tax equivalent payments.

9 All figures in 1995-96 dollars. Forecasts excluding any potential reimbursement for sewer backlogs.

Employment & Employees per Thousand Properties

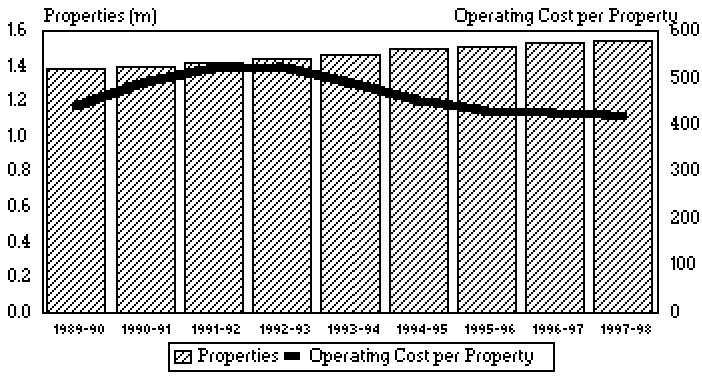


Properties Served and System Reliability



Operating Cost per Property

1995-96 Dollars



TOTALIZATOR AGENCY BOARD

Given the highly competitive nature of the gaming market in NSW, the Totalizator Agency Board (TAB) has continued to focus on improving customer service and expanding its product range. The TAB achieved a 2.8 per cent increase in sales in 1995–96 to a new record level of $3,590 million. This result can be attributed to the TAB's efforts to provide quality service to its customers.

The TAB provides off-course betting to the adult population of NSW. Customers may place bets on galloping, harness and greyhound racing, as well as on other sporting events, mainly Rugby League and Soccer.

Since its inception in December 1964, the TAB has progressively expanded its network of branches and agencies to 1,497 outlets operating throughout the State. In areas where sales levels would not economically support a branch or agency, the betting service is provided in association with a local business.

In 1983 the TAB service was extended into Hotels and Clubs. In addition, three account betting centres service over 100,000 PhoneTAB account holders. PhoneTAB enables customers to place a bet by phone at no more than the cost of a local call, from anywhere within the State.

The TAB aims to operate effectively without recourse to Government budgetary support. The TAB, mindful of the range of competitive gaming products available, has given priority to the development and maintenance of high quality customer service standards. The TAB offers its customers opportunities to bet not only on NSW racing, but on all significant racing throughout Australia, and on some feature overseas events.

Customers are provided with regularly updated betting information, including form guides and approximate dividends. Live broadcasts of the vast majority of races may be watched by customers at TAB outlets and all races receive comprehensive radio coverage.

From the total revenue generated by the TAB, about 84 per cent is returned to punters as dividends on winning investments. The remaining 16 per cent of sales revenue is accounted for by commissions payable to the TAB and Government.

The overall TAB commission equates to around 7.75 per cent of sales revenue. The commission for 1995–96 was about $278 million. The TAB is able to meet all operating costs and provide funds for capital expansion from this commission. The remaining share of revenue (about 8.25 per cent) is paid to the State Government on the basis of commissions which vary according to the type of betting product. In 1995–96 the commission exceeded $302 million.

TAB sales increased by 2.8 per cent in 1995–96 to a new record level of $3,590 million reflecting the TAB's commitment to provide a continual improvement in customer service and an expansion of its product range. The TAB faced increased competitive pressure from the opening of the Sydney Casino in September 1995 and increased activity in other forms of gambling. Nonetheless, operating profit increased by $1.5 million to $112.5 million. This largely reflected cost containment programs introduced in recent years. In 1995–96 the TAB made a contribution of $118.5 million to the racing industry.

In 1996–97 the TAB will continue to focus on providing a high level of service to its customers and has budgeted for a further record sales level of $3,690 million. In June 1996 the TAB announced the statewide expansion of BETLINK which is an alternative betting system for hotels and clubs. It is a personal computer system where the costs of equipment and telecommunications are met by the hotels and clubs. It is planned to initially introduce BETLINK operations to areas identified as service gaps before expanding statewide.

TOTALIZATOR AGENCY BOARD

	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97 (e)	1997-98 (e)	1998-99 (e)
EFFICIENCY											
EMPLOYMENT	(2)	781.0	819.0	782.0	768.0	772.0	780.0	797.0	800.0	800.0	800.0
SALES PER EMPLOYEE ($m)		4.9	4.4	4.5	4.6	4.7	4.7	4.5	4.6	4.7	4.9
SALES REVENUE TO GOVT PER											
EMPLOYEE ($000)		381.3	353.4	361.2	388.2	395.9	394.2	380.2	389.3	401.0	415.0
PAYMENTS TO RACING INDUSTRY											
PER EMPLOYEE ($000)		160.8	150.0	148.2	139.6	145.0	154.7	148.7	148.8	150.0	151.2
OPERATING COSTS TO SALES (%)		4.6	4.5	4.9	4.9	4.8	4.9	4.9	4.9	4.9	4.9
HOURS LOST TO INDUSTRIAL											
DISPUTES		0.0	0.0	64.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WORKERS COMPENSATION HOURS											
PAID PER EMPLOYEE		10.0	6.0	5.7	4.7	3.1	8.3	10.8	10.0	9.0	8.0
DAYS SICK LEAVE PER EMPLOYEE		6.1	5.1	5.3	5.4	6.5	5.5	5.7	5.5	5.5	5.5
SERVICE											
SALES ($m)											
- BRANCH AND PHONE TAB		800.8	748.9	702.3	650.6	665.8	677.0	676.3	697.0	722.0	747.0
- AGENCIES AND LIC OUTLETS		2,950.3	2,867.5	2,841.5	2,895.3	2,969.3	2,988.1	2,913.9	2,993.0	3,079.0	3,186.0
SELLING OUTLETS											

- OWN BRANCHES		46	45	41	39	39	38	42	39	35	35
- AGENCIES AND LIC OUTLETS		1,187	1,207	1,205	1,357	1,374	1,399	1,455	1,490	1,600	1,700
TELEPHONE BETTING A/Cs (000)		108.3	98.7	87.0	82.0	100.0	100.0	103.0	107.0	115.0	125.0
SALES OUTLETS WHICH ARE											
ECONOMIC (PERCENT OF TOTAL)		95.2	95.1	98.1	98.4	98.0	98.0	99.0	99.5	100.0	100.0
SALES PER CAPITA ($)	*(3)*	833.8	828.7	799.2	786.3	804.8	804.0	780.0	794.0	809.0	829.0
DISTRIBUTION TO RACING											
INDUSTRY ($m)		125.6	120.9	115.9	107.3	112.0	120.7	118.5	119.0	120.0	121.0
FINANCES											
OPERATING PROFIT ($m)		143.2	130.7	110.4	107.3	109.7	111.0	112.5	114.0	116.0	118.5
RETURN ON ASSETS (%)		51.4	51.6	52.1	53.6	54.9	53.0	57.9	58.9	62.2	65.8
RETURN ON EQUITY (%)		98.1	94.7	91.2	85.5	90.5	118.0	126.6	135.9	145.2	153.1
ASSET SALES ($000)		1791.9	4104.1	5556.5	0.0	2.3	1.8	3.3	3.5	1.0	1.0
GROSS EXTERNAL DEBT ($000)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

NOTES

NA *Not available*

e *Estimate*

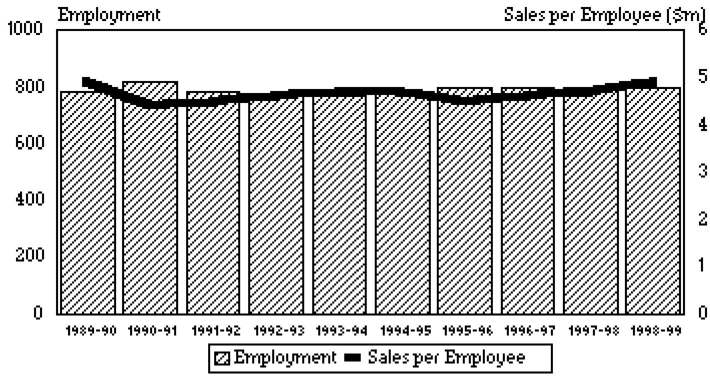
f *Forecast*

1 *All dollar amounts are reported in 1995-96 prices.*

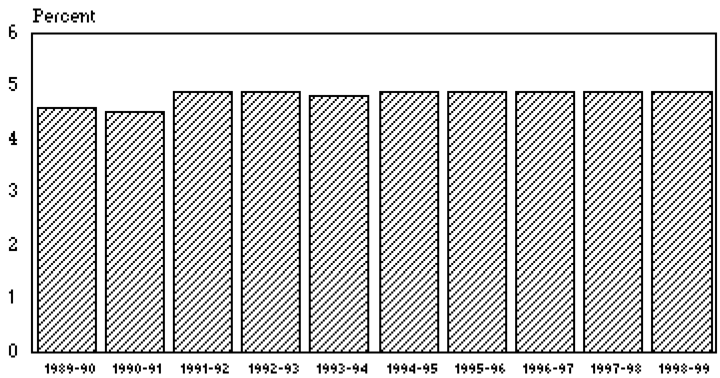
2 *Excludes employment in Agencies and Licensed outlets.*

3 *Sales per head of NSW population over 18 years.*

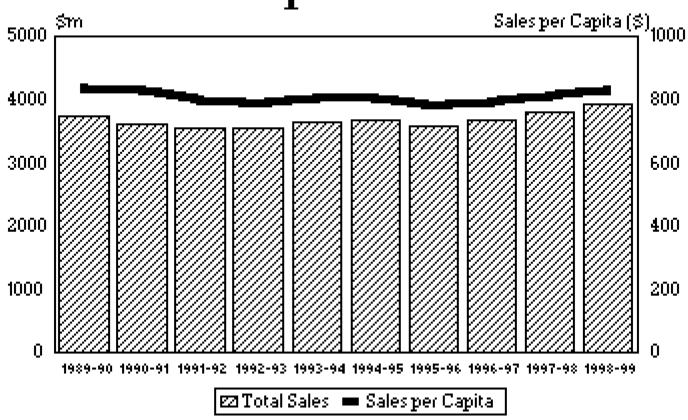
Sales per Employee



Operating Costs to Sales



Sales per Head of NSW Population



TRANSGRID

TransGrid is the authority responsible for managing the State's high voltage electricity transmission network as well as the State's electricity market. The process of market reform dominated all aspects of the electricity industry in NSW during 1995–96. In June 1995 the Electricity Legislation Amendment Act 1995 was proclaimed giving TransGrid the role of developing and implementing a wholesale electricity market. The new trading arrangements officially commenced on 1 March 1996.

TransGrid (the trading name of the Electricity Transmission Authority) was established on 1 February 1995 under the Electricity Authority Act 1994 as part of the Government's process of restructuring the State's electricity supply industry to promote greater competition. The organisation is responsible for:

- operating, controlling and maintaining the State's high voltage transmission network (including the balancing of supply and demand of electricity, coordinating the dispatch of electricity generating units and ensuring reliability and security of supply);
- planning new transmission network investments;
- coordinating the transmission of electricity between transmission networks;
- developing, implementing and administering the State's wholesale electricity market; and
- the market and system operations of the State's wholesale electricity market.

Following proclamation of the Electricity Legislation Amendment Act 1995 the interim State Electricity Market commenced on 1 March 1996 with an administered price mode. On 10 May 1996 the Electricity Supply Act was proclaimed and from that date the second stage of the market commenced and the price of electricity has been each half hour on the basis of supply and demand.

TransGrid manages assets of $2.1 billion. It has a debt of about $900 million, about 1,265 staff and an annual turnover of nearly $400 million. TransGrid achieved a pre tax operating profit for the 1995–96 financial year of $95.7 million. This was equivalent to a rate of return on assets of 9.2 per cent. Debt levels and returns will fluctuate around these levels depending on the organisation's position in its capital investment cycles.

TransGrid's objectives are to provide a safe, reliable, environmentally effective and economic bulk electricity network service to its customers and the community by:

- developing, maintaining and operating the State's electricity transmission grid to world's best practice;
- improving the skills and practices of its work teams to enhance safety, productivity and job satisfaction; and
- applying a total quality approach to achieve technical excellence, commercial rigour and environmental sensitivity.

To enable the identification of best practice and continued improvement in its network operations, TransGrid is participating in two transmission network benchmarking studies with electricity utilities around the world.

In August 1995, the Minister for Energy endorsed the recommendations of the Independent Efficiency Review undertaken as part of the process of TransGrid's establishment. One outcome of the review was a commitment by TransGrid to achieve a 25 per cent real reduction in controllable costs by June 1998. The financial statements for 1995–96 show a controllable cost reduction outcome of $116 million, which represents a reduction of 8.8 per cent.

	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96(e)
EFFICIENCY								
EMPLOYMENT		NA	NA	NA	NA	NA	1295	1265
TRANSMISSION SYSTEM RELIABILITY								
(1/MILL.)	*(2)*	66.6	4.0	5.1	7.1	3.7	4.5	1.8
TRANSMISSION EQUIPMENT								
UTILISATION FACTOR	*(3)*	0.248	0.252	0.256	0.257	0.260	0.260	0.266
TRANSMISSION LOSSES (%)		3.8	3.1	3.2	3.0	2.8	2.9	2.7
SERVICE								
TRANSMISSION TRANSFORMER								
CAPACITY (MVA)	*(4)*	26,354	26,204	25,984	26,954	26,954	27,519	24,179
TRANSMISSION CIRCUIT KM	*(5)*	13,549	13,115	12,632	12,840	12,839	12,778	12,861
OPERATING & MAINTENANCE COSTS								
EXCLUDING FIXED COSTS								
PER CIRCUIT KM ($/km)		11,484	10,931	9,839	9,880	9,958	9,661	9,625
PER MWH SOLD ($/MWh)	*(6)*	3.32	2.94	2.56	2.42	2.50	2.14	2.20
INCLUDING FIXED COSTS								
PER CIRCUIT KM ($/km)		NA	NA	23,830	26,678	21,996	24,887	23,724
PER MWH SOLD ($/MWh)	*(6)*	NA	NA	6.11	6.72	5.43	5.49	5.42
TOTAL FACTOR PRODUCTIVITY	*(7)*	NA	NA	NA	NA	NA	1.00	1.06
FINANCES	*(8)*							
RETURN ON TOTAL ASSETS (%)		NA	NA	NA	NA	NA	8.7	9.2
RETURN ON EQUITY (%)		NA	NA	NA	NA	NA	6.8	8.9
DIVIDEND TO EQUITY RATIO		NA	NA	NA	NA	NA	5.2	5.6
DIVIDEND PAYOUT RATIO		NA	NA	NA	NA	NA	85	85
DEBT TO EQUITY (%)		NA	NA	NA	NA	NA	50	45
GROSS EXTERNAL DEBT ($m)		NA	NA	NA	NA	NA	995.0	893.0
INTEREST COVER (Times)		NA	NA	NA	NA	NA	1.6	1.9

NOTES

NA *Not available*

e *Estimate*

1 *All dollar amounts reported in 1995-96 prices.*

2 *Calculated as units not supplied divided by million units demanded. The 1989-90 results include the impact of the Newcastle earthquake.*

3 *Calculated as annual energy delivered by the Network divided by aggregate transformer capacity multiplied by hours in the period.*

4 *Excludes station spare (or disconnected) transformers, auxiliary transformers, tie transformers, static var compensator transformers and all transformers less than 77kV.*

Before 1995-96, figures include tie and SVC transformers. Capacity in 1995-96 includes transformers transferred to distributors but still maintained by TransGrid.

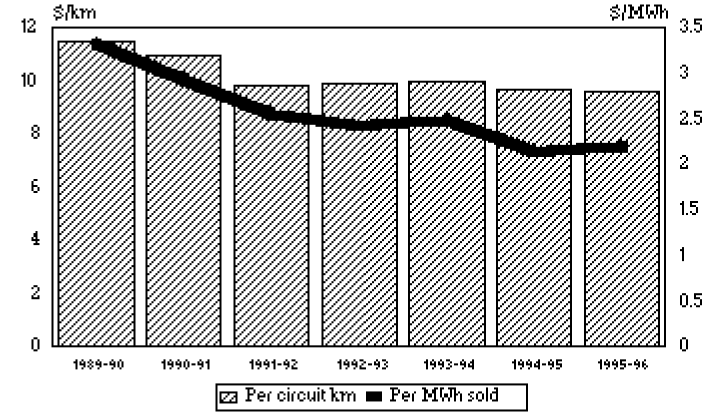
5 *Includes transmission overhead lines and underground cables, 77kV and above. Also includes lines transferred to distributors but still maintained by TransGrid.*

6 *Utilises total MWh supplied through TransGrid's network.*

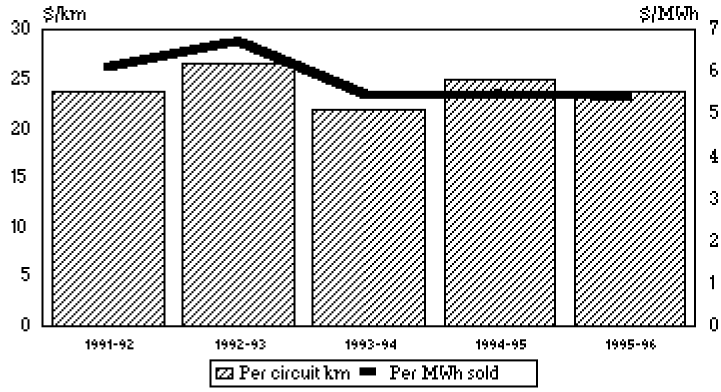
7 *TransGrid's total factor productivity (TFP) series uses the unilateral definition which measures the enterprise's change in productivity over time. The series does not reflect absolute TFP levels and therefore can not be compared to the results of other GTEs presented in this publication.*

8 *1994-95 figures are annualised and based on 5 months of data.*

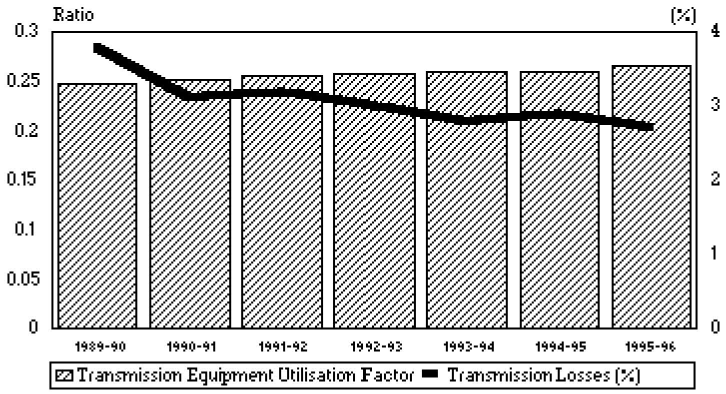
Operating & Maintenance Costs
Excluding Fixed Costs



Operating & Maintenance Costs
Including Fixed Costs



Transmission Efficiency



WASTE SERVICE NSW

Waste Service NSW provided waste management services in 1995–96 in an efficient and increasingly commercial manner without sacrificing its service and environmental focus. The Waste Service continued to exceed both its own and others' expectations in 1995–96.

Waste Service NSW is the trading name of the Waste Recycling and Processing Service of New South Wales whose predecessors were the Waste Management Authority (WMA) and the Metropolitan Waste Disposal Authority (MWDA).

The Waste Service's core business is the provision of waste management services to local government, industry and the general community. It provides:

- a regional system of solid waste recycling, processing and disposal centres comprising six transfer stations and five landfills;
- a system for treating and disposing of industrial liquid waste and special wastes using the liquid waste treatment plant at Lidcombe and the Castlereagh secure landfill; and
- a consulting service to provide site rehabilitation management and specialised waste management advice.

The Waste Service operates from a view that all waste is a potential resource and allocates a substantial proportion of its resources to environmental management.

The Independent Pricing and Regulatory Tribunal (IPART) indicated in its 1995–96 review that Waste Service's pricing policies were efficient. These efficiencies contributed to Waste Service once again surpassing its financial performance targets. Operating surplus in 1995-96 was $1.8 million above target and $7.4 million above the 1994–95 result. Accordingly there were large jumps in return on assets and equity to 16.3 per cent and 17.6 per cent respectively.

Not only was Waste Service's financial performance good in 1995–96, so was its service performance. In the annual survey of small vehicle customers, all waste management centres exceeded customer expectations and the overall level of satisfaction remained high, at over 82 per cent. A second successive *Vision for Australia Award* was received for Waste Service's commitment to the generation of electricity from landfill gas, as well as a *Rivercare 2000 Award* for the Haslams Creek remediation.

The Waste Service's environmental performance was likewise positive. The single largest annual increase in recycling tonnes (34,800) occurred in 1995–96. This is consistent with the trend since 1992–93. There was also a large increase (of 23.2 per cent) in the average charge for solid waste services in order to discourage wasteful disposal and use of scarce landfill resources and to assist in funding the Government's waste initiatives.

The future for Waste Service NSW is one of comprehensive resource recovery with increasing commercialisation, research and development, and use of new technologies. The Government intends to corporatise the Waste Service under the *State Owned Corporations (NSW) Act 1989* on 1 July 1997. In line with this is the intended refinement of accounting systems during 1996–97. The Waste Service is developing relocatable facilities using a suite of technologies to treat a range of scheduled wastes (previously referred to as intractable wastes).

WASTE SERVICE NSW

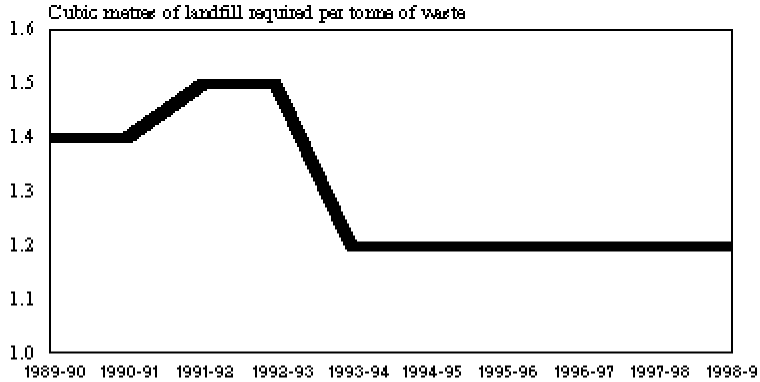
	(1)	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96 (e)	1996-97 (f)	1997-98 (f)	1998-99 (f)
EFFICIENCY											
EMPLOYMENT	*(2)*	120	141	106	116	121	125	129	136	136	136
OUTPUT PER EMPLOYEE	*(3)*	521	498	649	560	592	608	729	847	930	1033
LANDFILL UTILISATION											
(CUBIC METERS PER TONNE)	*(4)*	1.4	1.4	1.5	1.5	1.2	1.2	1.2	1.2	1.2	1.2
RECYCLING TONNES (000)	*(5)*	6.8	6.7	7.6	22.8	34.2	54.2	89.0	121.0	180.0	213.0
TONNES TO LANDFILL (Mt)	*(6)*	2.3	2.1	1.9	1.7	1.7	1.7	1.7	1.6	1.6	1.6
SERVICE											
AVAILABILITY OF SERVICE											
DAYS LOST AT FACILITIES		0	0	6	0	2	1	0	0	0	0
AVE WASTE CHARGE INCREASE											
SOLID	*(7)*	8.4	5.9	4.9	8.1	8.5	8.1	23.2	4.1	4.5	8.7
LIQUID		8.4	8.5	4.8	3.0	3.4	6.8	8.0	6.0	6.0	5.0
REAL PRICE INDEX											
SOLID WASTE	*(8)*	100.0	101.0	104.2	111.7	119.7	125.2	148.0	149.1	NA	NA
LIQUID WASTE	*(8)*	100.0	103.6	106.8	109.1	111.2	114.9	118.4	121.5	NA	NA

FINANCES											
OPERATING SURPLUS ($m)	*(9)*	18.5	24.2	20.5	13.2	8.7	9.3	16.7	14.5	17.2	22.2
RETURN ON											
ASSETS (%)	*(10)*	19.9	23.6	15.1	10.0	8.7	9.4	16.3	13.2	14.2	17.5
EQUITY (%)	*(11)*	21.4	24.6	15.4	10.3	8.6	9.4	17.6	14.9	16.8	20.4
GROSS EXTERNAL DEBT ($m)	*(12)*	3.7	2.9	2.6	4.0	9.2	16.7	14.1	43.2	45.9	37.8
DEBT TO EQUITY (%)		4.0	3.0	2.0	5.0	10.0	21.7	18.0	51.1	51.1	38.9
DISTRIBUTION TO GOVERNMENT											
DIVIDEND PAYMENT ($m)	*(13)*	NA	3.5	6.0	31.5	7.7	2.6	5.4	5.6	4.9	5.9
TAX PAYMENT		NA	NA	NA	NA	NA	3.7	6.3	7.0	5.7	7.1
CREDIT MANAGEMENT - DAYS O/S		41.0	32.0	30.0	30.0	28.0	35.0	28.0	35.0	35.0	35.0
PROPORTION OF COSTS CONTRACTED OUT											
SOLID WASTE SYSTEM (%)	*(14)*	88	90	89	91	91	91	93	91	90	90
LIQUID WASTE SYSTEM (%)		76	85	84	86	62	73	81	70	70	70

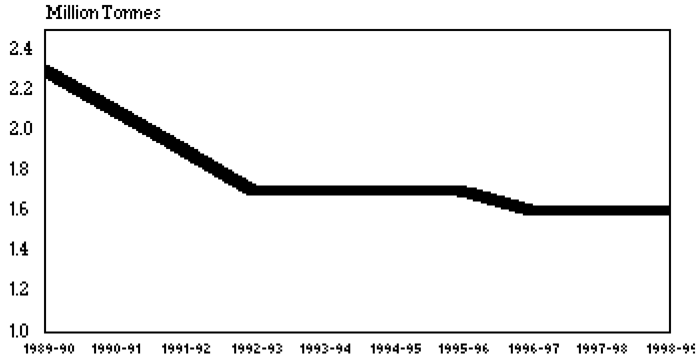
NOTES

NA	*Not available*
e	*Estimate*
f	*Forecast*
1	*All dollar amounts are reported in 1995-96 prices. For the 1990-91 financial year, 15 months converted to 12 months on a pro-rata basis.*
2	*Permanent and full-time equivalent staff at 30 June.*
3	*Output per employee is based on 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 Services introduced 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(e) 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 reflects the higher than average capital works program which is funded by borrowing.*
13	*Costs paid to private sector including operating and capital expenditure, and including section 29 statutory charge.*
14	*The 1992-93 financial distribution included a special dividend of $20 million. From 1994-95 on the dividend figures are separate from tax.*

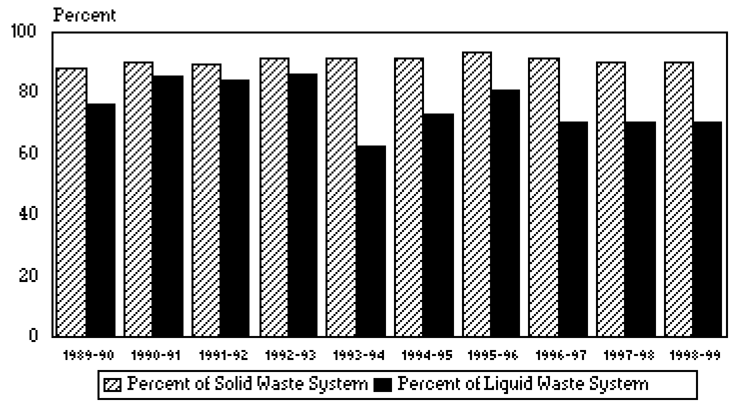
Management of Landfill Capacity



Tonnes to Landfill



Percentage of Costs Contracted Out



Costs paid to private sector including operating and capital expenditure

(III) GLOSSARY OF TERMS

The performance of each organisation 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 1995–96 prices, using the Sydney year-average Consumer Price Index, apart from the current and forecast year estimates which are in 30 June 1996 dollars (consistent with the approach in previous publications). Removing the impact of inflation assists analysis of the underlying trends in the indicators.

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.

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.

The 1995–96 Performance Book has incorporated last years' introduction of a new method of reporting on the Real Price Index. For those agencies which appear both in the Government

Charges Index (GCI) and the Performance Book, a series constructed from the movement in charges reported in the GCI is used.

The change was implemented to ensure consistency between the GCI and the data reported by agencies in the rest of the Performance Book.

A consequence of this change is that forecasts of the Real Price Index are not available for the last three years of forecasts. However, for those agencies which are subject to IPART determinations, it was not considered valid to include forecasts of price movements. The Government Charges Index does not contain separate price movements for each of the electricity agencies. Therefore, the indexes supplied by the various electricity agencies were utilised.

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 measures real decreases in charges to consumers.

FINANCIAL INDICATORS

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).

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 should be separately identified, where appropriate.

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.

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 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.

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.

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.

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.

TIMES INTEREST EARNED:

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.

SOCIAL PROGRAMS:

The value of NSW Government payments to the enterprise in return for meeting the provision of Social Programs. 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.

(IV) LIST OF CONTACTS

Mr Craig Murray
Chief Executive Officer
Advance Energy
PO Box 172
Bathurst NSW 2795
Tel: (063) 382 990

Mr A Ray
Manager Network
Australian Inland Energy
PO Box 800
Broken Hill NSW 2880
Tel: (080) 889 299

Mr David Stephenson
Manager, Accounting
Delta Electricity
201-217 Elizabeth Street
Sydney NSW 2000
Tel: (02) 9285 2708

Mr Don Audet
Manager Corporate Planning
Hunter Water Corporation
PO Box 5171B
Newcastle West 2302
Tel: (049) 267 542

Ms Christine Chew
Strategic Business Analyst
Integral Energy
PO Box 6366
Blacktown NSW 2148
Tel: (02) 9853 6840

Mr Colin Donohue
Manager, Budget & Finance
Land Titles Office
Queens Square
SYDNEY NSW 2000
Tel: (02) 99228 6704

Mr John Adams
General Manager, Energy Services
North Power
PO Box 786
Port Macquarie NSW 2444
Tel: (065) 828 693

Mr Tony Saker
Manager, Benchmarking and Performance
EnergyAustralia
570 George St
Sydney 2000
Tel: (02) 9269 2721

Mr Bruce Campbell
Chief Financial Officer
Great Southern Energy
PO Box 363
Albury NSW 2640
Tel: (060) 418 301

Ms Margaret Gollan
Coordinator, Planning & Review
Department of Housing
PO Box 466
Liverpool 2170
Tel: (02) 9821 6363

Mr Ray Rolph
Finance Officer
Macquarie Generation
34 Griffiths Road
Lambton NSW 2299
Tel: (049) 676 122

Mr Mark Richards
NSW Lotteries
14 Railway Parade
Burwood 2134
Tel: (02) 9563 5500

Mr Colin Norman
Commercial Manager
Newcastle Port Corporation
PO Box 663
Newcastle 2300
Tel: (049) 27 2400

Ms D Morgan
Manager, Executive Support
Department of Public Works & Services
Level 6, McKell Building
2-24 Rawson Place
Sydney 2000
Tel: (02) 9372 8729

Mr Darren Gustard
Management Accountant
Pacific Power
Level 24, The Pacific Power Building
Cnr Park and Elizabeth Streets
Sydney NSW 2000
Tel: (02) 9268 6355

Mr Mike Hickman
Manager, Corporate Support
State Forests of NSW
Locked Bag 23
Pennant Hills 2120
Tel: (02) 9980 4168

Mr Warwick Reader
Manager, Information & Strategic Development
Port Kembla Port Corporation
PO Box 89
Port Kembla NSW 2505
Tel: (042) 74 0201

Mr David Enever
State Rail Authority of NSW
Level 8,
201-201 Kent Street
Sydney NSW 2000
Tel: (02) 9379 4141

Mr Paul Thomas
Management Accountant
State Transit Authority of NSW
PO Box 1327
North Sydney 2060
Tel: (02) 9245 5724

Mr Joe Zahra
Manager Administration
TransGrid
PO Box A1000
Sydney South 2000
Tel: (02) 9284 3000

Ms Alison Seale
Public Relations Executive
Sydney Ports Corporation
PO Box 25
Millers Point NSW 2000
Tel: (02) 9296 4999

Mr Frank Jordan
Director, Economic Strategy
Economics and Revenue Division
NSW Treasury
Governor Macquarie Tower
1 Farrer Place
Sydney 2000
Tel: (02) 9228 4284

Mr Michael Tegg
Business Development Manager
Sydney Water Corporation
PO Box A53
Sydney South 2000
Tel: (02) 9350 6334

Mr Ray Moran
Acting Managing Director
Waste Services of NSW
PO Box 699
Chatswood 2057
Tel: (02) 9934 7092

Mr G J Yeo
Financial Controller
Totalizator Agency Board of NSW
495 Harris Street
Ultimo 2007
Tel: (02) 9211 0188

(V) BIBLIOGRAPHY

Bureau of Industry Economics 1995, *International Benchmarking—Waterfront 1995*, AGPS, Canberra.

Filmer and Dao (Economic Planning Advisory Council) 1994, *Economic Effects of Microeconomic Reform*, EPAC Background Paper no. 38, AGPS, Canberra.

Industry Commission 1995, *The Growth and Revenue Implications of Hilmer and Related Reforms: A report by the Industry Commission to the Council of Australian Governments, Final Report,* AGPS, Canberra.

IPART 1996, *IPART 1995-96 Annual Report,* Sydney.

National Commission of Audit 1996, *Report to the Commonwealth Government,* AGPS, Canberra.

NSW Government 1996, *NSW Government Policy Statement on the Application of Competitive Neutrality,* Sydney.

Productivity Commission 1996, *Stocktake of Progress in Microeconomic Reform,* AGPS, Canberra.