



Australian Government

2017-18 Heads of Treasuries Competitive Neutrality Matrix

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SUMMARY

- The Competitive Neutrality Matrix Reports contain each jurisdiction’s assessment of how well their government business enterprises (GBEs) have complied with the principles of competitive neutrality (CN). Specifically, CN compliance assessments are made against 16 criteria derived from the 1995 *Competition Principles Agreement* (CPA) and the 2006 *Competition and Infrastructure Regulation Agreement* (CIRA).
- While the 1995 CPA applied to ‘significant GBEs’ and to the activities of other agencies that undertake ‘significant business activities’, the 2006 CIRA aimed to ‘enhance the application of competitive neutrality principles to government business enterprises engaged in significant business activities in competition with the private sector’. Reflecting the CIRA’s focus on GBEs, most CN Matrix Reports restrict their assessments to GBEs and do not provide assessments for other agencies that are also engaged in significant business activities.
- The 2017-18 Report provides assessments for a total of 95 entities (see table). While most jurisdictions (NSW, Victoria, Queensland, South Australia and Tasmania) reported on 8-15 entities, WA reported on 26 GBEs (including 5 that have not yet been formally assessed as subject to competitive neutrality) while the Commonwealth, Northern Territory and the ACT reported on eight or less. These entities were responsible for, amongst other things, ports, rail tracks, motorways, energy, water, housing, communications and forestry.

| Jurisdiction | Entities | Notes |
|--------------------|----------|---|
| Commonwealth | 8 | The Commonwealth’s CN Policy also applies to significant business activities of non-GBEs but they are not included in this report. |
| NSW | 12 | Note that during 2016-17, NSW divested 50.4 per cent of its ownership in Ausgrid and Endeavour, and retained a 49.6 per cent ownership stake through residual holding entities (which are not State-Owned Companies (SOCs)). Delta Electricity, a wholly State-owned electricity generator, was dissolved by proclamation during 2016-17. Of the 12 entities, 7 are SOCs. |
| Victoria | 8 | Victoria has 32 GBEs that are outside scope because: they are not significant (1 GBE); or they do not face competition (31 GBEs). |
| Queensland | 11 | |
| Western Australia | 26 | WA’s report includes 5 GBEs that have not yet been formally assessed as subject to CN. |
| South Australia | 10 | |
| Tasmania | 13 | |
| ACT | 3 | |
| Northern Territory | 4 | One GBE is outside scope because it is a central borrowing authority. Four Government Business Divisions are subject to the Northern Territory’s CN Policy but are not included in this report. |
| Total | 95 | |

COMPETITIVE NEUTRALITY ASSESSMENT CRITERIA

| Criterion | Details | Source |
|--------------------------------------|--|---|
| Subject to competitive neutrality? | The CPA applies to 'significant GBEs' and the activities of other agencies that undertake 'significant business activities' (clauses 3.4 and 3.5). The CIRA applies to GBEs 'engaged in significant business activities in competition with the private sector' (clause 6.1) where GBEs are 'enterprises that are incorporated under ... legislation and are classified as Public Financial Corporations or Public Non-Financial Corporations, excluding central borrowing authorities, under the Government Financial Statistics Classifications' (clause 1.4). | CPA 3.4 and 3.5 CIRA 1.4 and 6.1 |
| Tax neutrality | Impose taxes or tax equivalent systems in full | CPA 3.4(b)(i) |
| Debt neutrality | Impose debt guarantee fees directed towards offsetting the competitive advantages provided by government guarantees | CPA 3.4(b)(ii) |
| Regulatory neutrality | Impose regulations on an equivalent basis to private sector competitors | CPA 3.4(b)(iii) |
| Commercial objectives | The GBE has clear commercial objectives | CIRA 6.1(a) |
| Non-commercial objectives | Any non-commercial objectives or obligations are specified and publicly reported | CIRA 6.1(b)) |
| Regulatory functions | The GBE does not exercise regulatory or planning approval functions where it is in competition with private sector | CIRA 6.1(c) |
| Governing board responsibilities | The responsibilities of the governing board are published | CIRA 6.1(d) |
| Governing board performance measures | The performance measures against which the board is held accountable are published | CIRA 6.1(d) |
| Appointment of governing board | The governing board is appointed on basis of particular skills needed by board | CIRA 6.1(e) |
| Operational autonomy | The GBE has operational autonomy in day to day management of affairs | CIRA 6.1(f) |
| Dividend policy | The dividend policy applicable to the GBE is clearly and publicly specified | CIRA 6.1(g) |
| Payments to government | All payments to government as shareholder or for purposes of CN are identified in a transparent manner | CIRA 6.1(h) |
| Annual performance reporting | Annual public report on commercial performance and performance of any non-commercial activities | CIRA 6.1(i) |
| Government directions | Any directions given to enterprise by the government are published | CIRA 6.1(j) |
| Legislative derogation from CN | Where the legislation establishing an enterprise derogates from CN, the derogation has been published | CIRA 6.1(k) |

Note: In each matrix report, 'Yes'/'No' signifies that the GBE is compliant/non-compliant with that criterion. For example, a GBE is compliant with the 'regulatory functions' criterion if it does **not** exercise any relevant regulatory or planning approval functions. Furthermore, a GBE may be compliant for various reasons. For example, it may be compliant with tax neutrality because it does not have any special tax exemptions or because it does have such exemptions but pays corresponding tax neutrality payments.

BACKGROUND TO COMPETITIVE NEUTRALITY IN AUSTRALIA

As part of the 1995 *Competition Principles Agreement (CPA)*, Commonwealth, State and Territory governments agreed that:

The objective of competitive neutrality policy is the elimination of resource allocation distortions arising out of the public ownership of entities engaged in significant business activities: Government businesses should not enjoy any net competitive advantage simply as a result of their public sector ownership. (CPA 3.3(a))

This objective was supported by a series of CN principles that applied to all 'significant Government business enterprises' (GBEs) and, where appropriate, to other agencies that undertake 'significant business activities' (CPA 3.5(a)). In summary, these principles are:

- Corporatisation (significant GBEs only): the Parties will, where appropriate, adopt a corporatisation model for significant Government business enterprises (CPA 3.4(a));
- Tax neutrality: impose taxes or tax equivalent systems in full (CPA 3.4(b)(i));
- Debt neutrality: impose debt guarantee fees directed towards offsetting the competitive advantages provided by government guarantees (CPA 3.4(b)(ii));
- Regulatory neutrality: impose regulations on an equivalent basis to private sector competitors (CPA 3.4(b)(iii)); and
- Cost-reflective pricing (non-GBEs only): ensure that prices charged for goods and services reflect full cost attribution for these activities (CPA 3.5(b)).

These principles only apply to the extent that the benefits to be realised from their implementation outweighed the costs (CPA 3.6; CPA 1.3 also provides guidance on the range of factors to be considered in assessing costs and benefits).

Each jurisdiction subsequently published a CN policy statement with an implementation timetable and a complaints mechanism. They also committed to publish an annual report on the implementation of the CN principles. Until the mid-2000s, CN compliance reporting was incorporated within the National Competition Policy (NCP) Annual Reports that were submitted to the National Competition Council (NCC). The NCC then drew on these reports to prepare an annual NCP assessment, including an assessment of CN compliance.¹

In November 2000, the Council of Australian Governments (COAG) clarified some practical issues involved in implementing the competitive neutrality principles set out in clause 3 of the CPA and agreed that governments could have regard to the following factors.²

- GBEs not subject to executive control: Where a government business is not subject to the executive control of a government (for example, a university), a 'best endeavours' approach could be adopted. This would require, at a minimum, that governments provide a transparent statement of competitive neutrality obligations to the business.

1 Each Government's NCP Annual Reports and the NCC's NCP assessments are available on the NCP website: www.ncp.ncc.gov.au.

2 See NCC 2002, *Assessment of governments' progress in implementing the National Competition Policy and related reforms*, National Competition Council, p2.17 <http://ncp.ncc.gov.au/docs/2002%20assessment.pdf>.

Competitive Neutrality Matrix

- Community service obligations (CSOs): Governments are not required to undertake a competitive process for the delivery of CSOs, and are free to determine who should receive a CSO payment or subsidy, which should be transparent, appropriately costed and directly funded by government.
- Full cost attribution: A range of costing methods, including fully distributed cost, marginal cost and avoidable cost, satisfy the term 'full cost attribution' in subclause 3.5(b).

In the 2006 *Competition and Infrastructure Reform Agreement* (CIRA), all governments agreed to 'enhance the application of competitive neutrality principles to government business enterprises engaged in significant business activities in competition with the private sector'. Accordingly, the following principles only apply to GBEs (and not to other agencies that undertake significant business activities).

- Commercial objectives: The GBE has clear commercial objectives (CIRA 6.1(a))
- Non-commercial objectives (CSOs): Any non-commercial objectives or obligations are specified and publicly reported (CIRA 6.1(b))
- Regulatory functions: The GBE does not exercise regulatory or planning approval functions where it is in competition with private sector (CIRA 6.1(c))
- Governing board responsibilities *and* governing board performance measures: The responsibilities of the governing board and the performance measures against which the board is held accountable are published (CIRA 6.1(d))
- Appointment of governing board: The governing board is appointed on basis of particular skills needed by board (CIRA 6.1(e))
- Operational autonomy: The GBE has operational autonomy in day to day management of affairs (CIRA 6.1(f))
- Dividend policy: The dividend policy applicable to the GBE is clearly and publicly specified (CIRA 6.1(g))
- Payments to government: All payments to government as shareholder or for purposes of CN are identified in a transparent manner (CIRA 6.1(h))
- Annual performance reporting: Annual public report on commercial performance and performance of any non-commercial activities (CIRA 6.1(i))
- Government directions: Any directions given to enterprise by the government are published (CIRA 6.1(j))
- Legislative derogation from CN: Where the legislation establishing an enterprise derogates from CN, the derogation has been published (CIRA 6.1(k))

COAG's *National Competition Policy Review*, which was released on 10 February 2006 and provided the foundation for the 2006 CIRA, stated that the enhanced competitive neutrality principles would be monitored by Heads of Treasuries (HoTs). Since then, HoTs has received Competitive Neutrality Matrix Reports annually. The latest reports (from 2011-12 onwards) are published on the Council of Federal Financial Relations website: www.federalfinancialrelations.gov.au/content/performance-reporting.aspx.

In December 2016, six jurisdictions signed the *Intergovernmental Agreement on Competition and Productivity-Enhancing Reforms* and, in doing so, agreed to be guided by eight competition principles (subject to a public interest test). These principles included the following re-commitment to competitive neutrality:

*Government business activities that compete with private providers, whether for-profit or not-for-profit, should comply with competitive neutrality principles to ensure they do not enjoy a net competitive advantage simply as a result of government ownership.
(IGA CPR 9f)*

Appendix A of the IGA CPR states that each Party should review their competitive neutrality policies so that they continue to fulfil this objective. These reviews should consider: the coverage of CN policies, the application of CN to new government businesses, CN compliance reporting, and CN complaints processes.

COMMONWEALTH COMPETITIVE NEUTRALITY MATRIX 2017-18

| Assessment criteria | ASC Pty Ltd | Australian Postal Corporation | Australian Naval Infrastructure Pty Ltd | Australian Rail Track Corporation Ltd | Defence Housing Australia | Moorebank Intermodal Company Ltd | NBN Co Ltd | WSA Co Ltd |
|---|-------------|-------------------------------|---|---------------------------------------|---------------------------|----------------------------------|------------|------------|
| Subject to CN | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Tax neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Debt neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Regulatory neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Commercial objectives | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Non-commercial objectives ¹ | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Regulatory functions | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board responsibilities ² | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board performance measures ³ | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board appointment | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Operational autonomy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Dividend policy ⁴ | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Payments to government ⁵ | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Annual performance reporting ⁶ | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Government directions ⁷ | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Legislative derogations from CN ⁸ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Commonwealth's CN matrix – explanatory notes

1. *Non-commercial Objectives*: For each GBE, non-commercial objectives are disclosed in their public Corporate Plan (Statement of Corporate Intent) available on their website.
2. *Governing Board Responsibilities*: GBE Board responsibilities are outlined in Part 2 of the Resource Management Guide 126: Commonwealth Government Business Enterprises – Governance and Oversight Guidelines (the GBE Guidelines). For Australia Post, further details are specified in its enabling legislation, the *Australian Postal Corporation Act 1989* (Australia Post Act). The functions of the Defence Housing Australia (DHA) Board are outlined in section 11B of the *Defence Housing Australia Act 1987* (DHA Act).
3. *Governing Board Performance Measures*: Part 3 of the GBE Guidelines requires broad financial and non-financial performance measures to be reported in the Statement of Corporate Intent. Further requirements are outlined in the *Public Governance, Performance and Accountability Act 2013* and the associated *Public Governance, Performance and Accountability Rule 2014*.
4. *Dividend Policy*: The dividend policy is outlined in Part 4 of the GBE Guidelines.
5. *Payments to Government*: Payments to government are required under Section 6.1 of the 2004 CN Guidelines for Managers.
6. *Annual Performance Reporting*: Refer to the 2017-18 Annual Report for the relevant entity.
7. *Government Directions*: Part 1 of the GBE Guidelines requires government policy orders specifying the application of a policy to a GBE to be made in writing and placed on the Federal Register of Legislative Instruments. Other directions for specific GBEs may also include orders, guidance materials, memorandums of understanding and agreements.
8. *Legislative Derogations from CN*: This is not applicable to any Commonwealth GBE. Enabling legislation only exists for Australia Post and DHA; there are no derogations from CN in the enabling legislation for those GBEs.

Commonwealth's CN matrix – discussion

The Commonwealth's competitive neutrality policy applies to all Government Business Enterprises (GBEs) and, in addition, any other 'significant business activities'. An agency is conducting a business activity if: there is user-charging for the goods or services, there are actual or potential competitors, and managers of the activity have some autonomy in the price and supply of the goods or services. A business activity is 'significant' if it is undertaken by a GBE, 'Commonwealth company' or 'business unit' or if it has a commercial turnover of at least \$10 million per year.

The Commonwealth's CN matrix report is restricted to its GBEs, of which there were eight in 2017-18:

- ASC Pty Ltd is responsible for the sustainment of the Collins-class submarine fleet and delivery of three Hobart-class destroyers. ASC has also been announced as the builder of two Offshore Patrol Vessels in Adelaide.
- Australian Postal Corporation provides postal, retail, financial and travel services.
- Australian Naval Infrastructure Pty Ltd is a naval infrastructure company established to hold, manage and upgrade shipbuilding and related infrastructure assets in support of the continuous build programs for major surface warships and minor surface combatants, as outlined in the Naval Shipbuilding Plan.
- Australian Rail Track Corporation Ltd manages most of Australia's interstate rail network across five states. It is also responsible for the delivery of Inland Rail (a rail freight network between Brisbane and Melbourne via Parkes).
- Defence Housing Australia provides housing and related services to members of the Australian Defence Force and their families.
- NBN Co Ltd was established to design, build and operate Australia's first national high-speed wholesale and local access broadband network.
- Moorebank Intermodal Company Ltd oversees the development of the Moorebank intermodal freight precinct located in south-west Sydney.
- WSA Co Ltd was established on 7 August 2017 to design, build and operate the second Sydney airport at Badgerys Creek in South-Western Sydney.

The Commonwealth acquired the New South Wales and Victorian Governments' shares in Snowy Hydro Ltd (SHL) on 29 June 2018, however, SHL was not prescribed as a Commonwealth GBE until 1 July 2018. As such, the Commonwealth will report on SHL commencing from the 2018-19 reporting period.

NEW SOUTH WALES COMPETITIVE NEUTRALITY MATRIX 2017-18

| Assessment criteria | Essential Energy | Hunter Water | Sydney Water | Water NSW | Forestry Corporation of NSW (FCNSW) | Insurance and Care NSW (icare) |
|---|-------------------|-------------------|-------------------|-------------------|-------------------------------------|--------------------------------|
| Subject to CN | Yes | Yes | Yes | Yes | Yes | Yes |
| Tax neutrality | Yes | Yes | Yes | Yes | Yes | No ¹ |
| Debt neutrality | Yes | Yes | Yes | Yes | Yes | N/A ² |
| Regulatory neutrality | Yes | Yes | Yes | Yes | Yes | Yes |
| Commercial objectives ³ | Yes | Yes | Yes | Yes | Yes | Yes |
| Non-commercial objectives ⁴ | Yes | Yes | Yes | Yes | Yes | N/A |
| Regulatory functions | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board responsibilities ⁵ | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board performance measures ⁶ | Yes | Yes | Yes | Yes | Yes ⁶ | Yes |
| Governing board appointment ⁷ | Yes | Yes | Yes | Yes | Yes | Yes |
| Operational autonomy | Yes | Yes | Yes | Yes | Yes | Yes |
| Dividend policy ⁸ | Yes | Yes | Yes | Yes | Yes | N/A |
| Payments to government ⁹ | Yes ⁹ | Yes ⁹ | Yes ⁹ | Yes ⁹ | Yes ⁹ | Yes ⁹ |
| Annual performance reporting ¹⁰ | Yes | Yes | Yes | Yes | Yes | Yes |
| Government directions | Yes ¹¹ | Yes ¹¹ | Yes ¹¹ | Yes ¹¹ | Yes ¹¹ | Yes |
| Legislative derogations from CN ¹² | N/A | N/A | N/A | N/A | N/A | N/A |

Competitive Neutrality Matrix

| Assessment criteria | Landcom | Newcastle Port Corporation (Port Authority of NSW) | Sydney Cricket and Sports Ground Trust (SCSGT) | Sydney Opera House Trust (SOHT) | Venues NSW | Sydney Motorway Corporation (SMC) |
|---|-------------------|--|--|---------------------------------|------------------|-----------------------------------|
| Subject to CN | Yes | Yes | Yes | Yes | Yes | Yes |
| Tax neutrality | Yes | Yes | Yes ¹ | Yes ¹ | Yes | No ¹ |
| Debt neutrality | Yes | Yes | Yes ² | Yes | Yes | Yes ² |
| Regulatory neutrality | Yes | Yes | Yes | Yes | Yes | Yes |
| Commercial objectives ³ | Yes | Yes | Yes | Yes | Yes | Yes |
| Non-commercial objectives ⁴ | Yes | Yes | Yes | Yes | Yes | N/A |
| Regulatory functions | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board responsibilities ⁵ | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board performance measures ⁶ | Yes | Yes | Yes | Yes | Yes | Yes ⁶ |
| Governing board appointment ⁷ | Yes | Yes | No | Yes | No | Yes |
| Operational autonomy | Yes | Yes | Yes | Yes | Yes | Yes |
| Dividend policy ⁸ | Yes | Yes | N/A | N/A | Yes | No ⁸ |
| Payments to government ⁹ | Yes ⁹ | Yes ⁹ | N/A | N/A | Yes ⁹ | Yes ⁹ |
| Annual performance reporting ¹⁰ | Yes | Yes | Yes | Yes | Yes | Yes |
| Government directions | Yes ¹¹ | Yes ¹¹ | Yes | Yes | Yes | Yes |
| Legislative derogations from CN ¹² | N/A | N/A | N/A | N/A | N/A | N/A |

NSW's CN matrix – explanatory notes

1. *Tax neutrality:* SCSGT, SOHT and icare are not-for-profit entities. SMC is not required to make tax equivalent payments.
2. *Debt neutrality:* SMC has project debt from Australian and international lenders, as well as a subordinated Commonwealth Loan. This debt is not guaranteed by the State. The SCSGT sought a Government Guarantee Fee Exemption (GGFE) from the Treasurer in 2014 on the basis that they operate as a not-for-profit entity. The exemption was granted subject to SCSGT utilising the notional guarantee fee to retire debt each financial year. In June 2018 the SCSGT received an extension to the GGFE on the same terms and conditions. icare does not carry debt.
3. *Commercial objectives:* The State Owned Corporations (SOCs) have commercial objectives that are clearly specified in the *State-Owned Corporations Act 1989* (SOC Act) and/or their individual enabling legislation, for example, *Energy Services Corporations Act 1995*. All SOCs in this matrix have a legislated objective to be a successful business and, to this end: to operate at least as efficiently as any comparable businesses; and to maximise the net worth of the State's investment in it. For the five non-SOC entities (that is, SCSGT, SOHT, Venues NSW, SMC, and icare), their commercial and non-commercial objectives are specified in Statements of Business Intent (which are not publicly available) and in Annual Reports.
4. *Non-commercial objectives:* Where any of the SOCs have non-commercial objectives, they are specified in the SOC Act and/or their enabling legislation. For example, most SOCs have legislated objectives to:
 - protect the environment by conducting their operations in compliance with the principles of ecologically sustainable development contained in the *Protection of the Environment Administration Act 1991*, and
 - exhibit a sense of responsibility towards regional development and decentralisation in the way in which they operate.

Non-commercial obligations are also specified in the SOC's Statement of Corporate Intent (SCI), which is tabled in Parliament. For four of the non-SOC entities (SCSGT, SOHT and Venues NSW and icare), their commercial and non-commercial objectives are specified in Statements of Business Intent (which are not publicly available) and in Annual Reports. Finally, SMC does not have any non-commercial objectives.
5. *Governing board responsibilities:* Director's duties are published in the SOC Act. Requirements of *Corporations Act 2001* (Cth) apply to the directors of SMC. Members of the SCSGT are governed by the *Sydney Cricket and Sports Ground Act 1978*; members of the SOHT are governed by the *Sydney Opera House Trust Act 1961*; and Venues NSW as provided in the *Sporting Venues Authorities Act 2008*. Directors of icare are governed by the *State Insurance and care Governance Act 2015*.
6. *Governing board performance measures:* All SOCs have a SCI, which is an annual agreement between the Board and its shareholders. It represents the performance measures against which the Board is accountable to the shareholders. SCIs are tabled in Parliament.
 - Performance benchmarks for SMC, icare, SCSGT and Venues NSW are specified in the Statement of Business Intent (SBI), although these documents are not published. The SOHT has a Trustee Code of Conduct, which includes seven core performance requirements. The Trustee Code of Conduct is reviewed and individually signed by Trustees on an annual basis.
 - All commercial entities are subject to the requirements set out in the Treasury Policy Paper TP17-10 *Guidelines for Governing Boards of Government Businesses*.
7. *Governing board appointments:* SCSGT and Venues NSW do not have formal requirements to appoint board members on the basis of required skills, but in practice appointments reflect the skills needed.
8. *Dividend policy:* For the SOCs and Venues NSW, see TPP14-04 *Financial Distribution Policy for Government Businesses*. SCSGT, SOHT and icare do not pay dividends as they operate as a not-for-profit. SMC does not pay dividends as it is currently in the construction phase of the WestConnex project, and does not make a profit. All its funds are being reinvested into the WestConnex project.

Competitive Neutrality Matrix

9. *Payments to government:* Forecast dividend payments for the SOCs are reported in SCIs. Year-end actual dividend and income tax payments are reported in Annual Reports. Debt guarantee fees are reported at the aggregate level in Budget Papers, but not at individual business level. icare makes payments to Government where required through the Net Asset Holding Level Policy. SMC does not make payments to Government as it does not pay dividends presently (during the construction phase of the WestConnex project).
10. *Annual performance reporting:* All businesses (excluding SMC) are subject to the *Annual Reports (Statutory Bodies) Act 1984* and as such are required to prepare an Annual Report that includes commercial and non-commercial performance issues. SMC is required to submit its annual director's reports and audited financial statements to the Australian Securities and Investment Commission (ASIC), and these reports are published online on the ASIC register.
11. *Government directions:* For SOCs, Directions given under sections 200 and 20P of the SOC Act are to be published in the gazette and tabled in Parliament. Directions given under section 21 of the SOC Act do not need to be published in the gazette but must be tabled in Parliament. Directions given under section 20N do not need to be published in the gazette or tabled in Parliament, but are identified in the SCI for that SOC. For the other businesses, there are no directions specified in their Constitution, enabling legislation or other legislation (as applicable).
12. *Legislative derogations from CN:* The legislation establishing the businesses does not derogate from competitive neutrality principles.

NSW's CN matrix – discussion

The 2006 Competition and Infrastructure Reform Agreement (CIRA) enhanced the application of competitive neutrality principles to 'government business enterprises engaged in significant business activities in competition with the private sector'. Neither the CIRA nor the 1995 Competition Principles Agreement formally define the term 'significant' so this is addressed in NSW Treasury's *Policy Statement on the Application of Competitive Neutrality* (2002). This states that an assessment of whether a business activity has a significant impact on a market can only be made on a case-by-case basis. Considerations include:

- the size of the business;
- influence on the market;
- resources commanded; and
- the effect of poor performance.

These criteria have been used in assessing the significance of government businesses for the purposes of the Competitive Neutrality matrix. Similarly, for the purposes of the Competitive Neutrality matrix, government businesses have been assessed as being 'in competition with the private sector' if the business has actual competitors or if it was judged that there was likely potential for competition.

In 2017-18 NSW had 12 entities subject to the CN principles, seven of which are State Owned Corporations (SOCs) that are subject to the *State Owned Corporations Act 1989* (SOC Act). Five businesses, icare, SCSGT, SHOT, Venues NSW and SMC are not SOCs. Note that during 2016-17, NSW divested 50.4 per cent of its ownership in Ausgrid and Endeavour, and retained a 49.6 per cent ownership stake through residual holding entities (which are not SOCs). Further, Delta Electricity, a wholly State-owned electricity generator, was dissolved by proclamation during 2016-17.

All NSW government businesses are subject to NSW's Commercial Policy Framework. This Framework seeks to replicate appropriate disciplines and incentives that lead private sector businesses towards efficient commercial practices and promotes the principles of competitive neutrality between Government businesses and private sector enterprises of similar risk.

VICTORIA COMPETITIVE NEUTRALITY MATRIX 2017-18

| Assessment criteria | State Trustees Ltd | Development Victoria | Docklands Studios Melbourne | Fed Square | Vic Interpreting & Translating Service | South East Water | VicTrack | Port of Hastings Development Authority (PoHDA) |
|---|--------------------|----------------------|-----------------------------|---------------------|--|------------------|----------|--|
| Subject to CN | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Tax neutrality ¹ | Yes | Yes | Exempt ¹ | Exempt ¹ | Yes ¹ | Yes | Yes | Yes |
| Debt neutrality ² | Yes ² | Yes | N/A | Yes ² | Yes ² | Yes | N/A | N/A |
| Regulatory neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Commercial objectives ³ | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Non-commercial objectives ⁴ | No | Yes | N/A | Yes | N/A | Yes | Yes | N/A |
| Regulatory functions ⁵ | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Governing board responsibilities ⁶ | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board performance measures ⁷ | Yes | Yes | No | Yes | Yes | Yes | Yes | Yes |
| Governing board appointment | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Operational autonomy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Dividend policy ⁸ | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Payments to government ⁹ | Yes | Yes | N/A | N/A | Yes | Yes | N/A | N/A |
| Annual performance reporting | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Government directions ¹⁰ | N/A | Yes | N/A | N/A | N/A | Yes | Yes | Yes |
| Legislative derogations from CN ¹¹ | N/A | Yes ¹¹ | N/A | N/A | N/A | N/A | N/A | N/A |

Victoria's CN matrix – explanatory notes

1. *Tax neutrality:*

- Development Victoria and South East Water (SEW) pay income tax equivalent payments in accordance with the National Tax Equivalent Regime (NTER). VicTrack and Port of Hastings Development Authority (PoHDA) are also subject to the NTER but currently generate accounting losses. State Trustees Ltd (STL) is required under Tax Compliance Framework to observe obligations of the NTER. S88 of the SOE Act also requires STL's compliance with Directions from Treasurer in respect of tax equivalency payments. Payments are detailed in Annual Reports.
- Docklands Studio Melbourne (DSM) and Fed Square are exempt due to ATO private rulings that their income is exempt from income tax pursuant to S24AM of the *Income Tax Assessment Act 1936* (Cth) as it is considered to be owned 'beneficially' by the State. DSM and Fed Square are not subject to tax under the National Tax Equivalent Regime.
- Victorian Interpreting & Translating Service (VITS): does not pay income tax equivalent payments in accordance with the National Tax Equivalent Regime (NTER) as it is deemed to be too small. However, pays dividends based on a benchmark of 65 per cent of Net Profit before Tax (c.f. standard government benchmark of 50% net profit after tax). This increased dividend rate fully compensates for the absence of NTER.

2. *Debt neutrality:* N/A means that the agency currently does not have any debts.

- Development Victoria and SEW pay the Financial Accommodation Levy in accordance with the relevant legislation (the *Borrowing and Investment Powers Act 1987*).
- STL receives a limited government guarantee to the extent that insurance is inadequate and State Trustees assets are insufficient to satisfy liabilities. The Treasurer may require reasonable fee for any guarantee provided. STL is not listed in Schedule 1 of *Borrowing and Investment Powers Act 1987*.
- Fed Square: Debt neutrality does not apply to borrowings relating to the completion of the construction of Federation Square but will apply to any new borrowings.
- VITS: The Governor in Council approved an Order in Council on 15 March 2011 to provide VITS with borrowing powers under the *Borrowing and Investment Powers Act 1987*. This allowed VITS to undertake borrowing through Treasury Corporation of Victoria. However, as VITS' total debt is less than \$5 million, VITS is relieved from paying the Financial Accommodation Levy.
- PoHDA did not have any debt during the reporting period, but any future borrowings will be subject to the Financial Accommodation Levy.

3. *Commercial objectives:* For five entities – STL, DSM, VITS, Fed Square and VicTrack – commercial objectives are documented in Strategic Plan and/or Corporate Plan that is submitted to the Department of Treasury and Finance (DTF) while for the other three – Development Victoria, PoHDA and SEW – commercial objectives are outlined in legislation and annual reports. Further details:

- Fed Square is expected to conduct its activities according to commercially acceptable practices, as published in Fed Square's Corporate Plan.
- Although VicTrack has a custodial role which is non-commercial, it has other activities that have commercial objectives in its core business. These commercial objectives are documented both in legislation – subsection 199(2) of the *Transport Integration Act 2010* – and a Corporate Plan submitted to the DTF.

4. *Non-commercial objectives:* N/A means that the agency is not required to fulfil any non-commercial objectives. The non-commercial objectives of agencies are published in their annual reports, with the exception of Federation Square. Its non-commercial objectives (ie, all the events and programming conducted at FSPL's expense and free of charge for the public to enjoy) are documented in the Cultural and Civic Charter, which is referred to in the company's Constitution.

- Development Victoria's legislation states that all of its functions are to be carried out on a commercial basis but that the responsible Minister may (with the approval of the Treasurer) direct Development Victoria to undertake certain non-commercial activities for urban renewal projects. These requirements would be disclosed in the Annual Report. Currently there are no such directions.
 - VicTrack's primary object as the custodial owner of State's transport-related assets is specified in Section 119 (1) of the *Transport Integration Act 2010*. Details of VicTrack's custodial (non-commercial) role is published in its annual report.
 - STL: Its CSO Agreement is not publicly reported other than by reference in the Annual Report and is essentially a commercial contract that may be entered into with State Trustees and Department of Health and Human Services.
13. *Regulatory functions*: N/A means that the agency does not exercise any regulatory or planning approval functions.
 14. *Governing board responsibilities*: These responsibilities, including the Director's responsibilities, are published in each agency's annual report. In the case of STL, see specifically the Directors' Report and the Corporate Governance Statement within its annual report.
 15. *Governing board performance measures*: Performance measures are published in each agency's annual report except for DSM. While DSM has a range of performance measures in its corporate plan, performance reporting is not reported in its annual report.
 16. *Dividend policy*: Dividend policies are generally published in annual reports. Development Victoria is required by legislation to pay a dividend as determined by the Treasurer. Similarly, SEW is required by legislation to pay a dividend as determined by the Treasurer in consultation with the portfolio Minister and the Board.
 17. *Payments to government*: This is 'N/A' for four entities – DSM, Fed Square, VicTrack and PoHDA - because they are not currently making any dividend payments. DSM, Fed Square and VicTrack have been reporting accounting losses and are expected to continue to do so due to annual depreciation expenses related to property, plant and equipment.
 18. *Government directions*: N/A means that no directives have been issued. (For DSM and Fed Square, as *Corporations Act 2001* companies, there is no provision for power of direction.) Where directions are given, they are published in the annual report (and/or, in the case of SEW, the government gazette).
 19. *Legislative derogations*: N/A means that establishing legislation does not derogate from CN or that there is no establishing legislation. The legislation for Development Victoria provides for the Governor in Council, on recommendation of Minister, to declare an urban development project. As a result, Development Victoria can exercise particular powers to facilitate development, which exempts declared projects from competitive neutrality requirements. Similarly, Development Victoria has functions conferred by the *Docklands Act 1991* that provide for development in Docklands to also be exempt from CN in some instances.

Victoria's CN matrix – discussion

In line with the Competition Principles Agreement (CPA), competitive neutrality policy applies only to the significant business activities of publicly owned entities, and not to the non-business non-profit activities of those entities. The CPA does not provide a definition of 'significant business activities'. Victoria's *Competitive Neutrality Policy* states that in assessing significance:

... relevant considerations include the size of the relevant business activity in relation to the size of the relevant market and its influence or competitive impact in the relevant market. An activity should not be regarded as significant or insignificant solely because of its size relative to the overall size of the public or local government business.³

In 2016-17, Victoria had 39 GBEs of which eight were assessed within scope of competitive neutrality (that is, eight GBEs were assessed to be both 'significant' and subject to actual or potential competition from the private sector). Victoria's assessment of CN coverage is summarised in the table below.

Victoria: assessment of CN coverage

| Agency | GBE | Significant | Competitors | CN applies |
|--|-----|-------------|-------------|------------|
| Victorian Rail Track (VicTrack) | Yes | Yes | Yes | Yes |
| Development Victoria | Yes | Yes | Yes | Yes |
| Docklands Studios Melbourne | Yes | Yes | Yes | Yes |
| Fed Square Pty Ltd | Yes | Yes | Yes | Yes |
| Victorian Interpreting & Translating Service | Yes | Yes | Yes | Yes |
| South East Water Corp | Yes | Yes | Yes | Yes |
| State Trustees Ltd | Yes | Yes | Yes | Yes |
| Port of Hastings Development Authority | Yes | Yes | Yes | Yes |
| Victorian Ports Corporation (Melbourne) | Yes | Yes | No | No |
| Victorian Regional Channels Authority | Yes | Yes | No | No |
| V/Line Passenger Corp | Yes | Yes | No | No |
| Australian Grand Prix Corp | Yes | Yes | No | No |
| Energy Safe Victoria | Yes | No | No | No |
| Barwon Region Water Corp | Yes | Yes | No | No |
| Central Gippsland Region Water Corp | Yes | Yes | No | No |
| Central Highlands Region Water Corp | Yes | Yes | No | No |
| Coliban Region Water Corp | Yes | Yes | No | No |
| East Gippsland Region Water Corp | Yes | Yes | No | No |
| Gippsland & Southern Rural Water Corp | Yes | Yes | No | No |

³ Competitive Neutrality Policy (Sept 2012, p3): <http://www.dtf.vic.gov.au/Publications/Victoria-Economy-publications/Competitive-neutrality-policy>.

Victoria: assessment of CN coverage (continued)

| Agency | GBE | Significant | Competitors | CN applies |
|--|-----|-------------|-------------|------------|
| Goulburn-Murray Rural Water Corp | Yes | Yes | No | No |
| Goulburn Valley Region Water Corp | Yes | Yes | No | No |
| Grampians Wimmera-Mallee Water Corp | Yes | Yes | No | No |
| Lower Murray Urban & Rural Water Corp | Yes | Yes | No | No |
| North East Region Water Corp | Yes | Yes | No | No |
| South Gippsland Region Water Corp | Yes | Yes | No | No |
| Western Region Water Corp | Yes | Yes | No | No |
| Westernport Region Water Corp | Yes | Yes | No | No |
| Wannon Region Water Corp | Yes | Yes | No | No |
| Melbourne Water Corp | Yes | Yes | No | No |
| City West Water Corp | Yes | Yes | No | No |
| Yarra Valley Water Corp | Yes | Yes | No | No |
| State Electricity Commission of Victoria | Yes | Yes | No | No |
| Victorian Plantations Corp | Yes | No | No | No |
| VicForests | Yes | Yes | No | No |
| Transport Accident Commission | Yes | Yes | No | No |
| Victorian WorkCover Authority | Yes | Yes | No | No |
| Victorian Managed Insurance Authority | Yes | Yes | No | No |
| Treasury Corporation of Victoria | Yes | Yes | No | No |
| Victorian Funds Management Corp | Yes | Yes | No | No |

QUEENSLAND COMPETITIVE NEUTRALITY MATRIX 2017-18

| Assessment criteria | Ports North* | Gladstone Ports | Nth Old Bulk Ports | Port of Townsville | Old Rail | SunWater | SEQ Water | CS Energy | Stanwell Corp | Energy Queensland | Powerlink Qld# |
|--------------------------------------|--------------|-----------------|--------------------|--------------------|----------|----------|-----------|-----------|---------------|-------------------|----------------|
| Subject to CN | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Tax neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Debt neutrality | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes | Yes | Yes | Yes |
| Regulatory neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Commercial objectives | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Non-commercial objectives | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Regulatory functions | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board responsibilities | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board performance measures | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board appointment | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Operational autonomy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Dividend policy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Payments to government | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Annual performance reporting | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Government directions | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Legislative derogations from CN | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

* Ports North is also known as Far North Queensland Ports Corporation Limited.

Powerlink Queensland is also known as Queensland Electricity Transmission Corporation Limited.

Queensland's CN matrix – explanatory notes

Debt neutrality (SEQ Water): in line with Government's decision to accept only a cost-of-debt return on all SEQ Water assets as a measure to moderate bulk water prices, the application of the debt neutrality charge was discontinued with effect from 1 January 2013.

Part 1: Public non-financial corporations (PNFCs) (continued)

| Assessment criteria | Lotteries Commission (Lotterywest) | Metropolitan Cemeteries Board | Metropolitan Redevelopment Authority | Mid-West Ports | Pilbara Ports | Public Transport Authority ⁸ | Racing & Wagering WA ⁸ |
|--------------------------------------|------------------------------------|-------------------------------|--------------------------------------|----------------|---------------|---|-----------------------------------|
| Subject to CN | Yes | No | No ¹ | Yes | Yes | No | No ¹ |
| Tax neutrality | No ² | No | No | Yes | Yes | No | Yes ² |
| Debt neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Regulatory neutrality | Yes | No | No | Yes | Yes | Yes | Yes |
| Commercial objectives | Yes ³ | Yes ³ | No | Yes | Yes | Yes ³ | Yes ³ |
| Non-commercial objectives | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Regulatory functions | Yes | Yes | No | Yes | Yes | Yes | Yes |
| Governing board responsibilities | Yes | Yes | Yes | Yes | Yes | N/A ⁵ | Yes |
| Governing board performance measures | Yes | Yes | Yes | Yes | Yes | N/A ⁵ | Yes |
| Governing board appointment | Yes | Yes | Yes | Yes | Yes | N/A ⁵ | Yes |
| Operational autonomy | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Dividend policy | N/A ⁴ | N/A ⁴ | N/A ⁴ | Yes | Yes | N/A ⁴ | N/A ⁴ |
| Payments to government | N/A ⁴ | N/A ⁴ | N/A ⁴ | Yes | Yes | N/A ⁴ | N/A ⁴ |
| Annual performance reporting | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Government directions | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Legislative derogations from CN | Yes | Yes | Yes | N/A | N/A | Yes | Yes |

Part 1: Public non-financial corporations (PNFCs) (continued)

| Assessment criteria | Regional Power Corp (Horizon Power) | Rottnest Island Authority | Southern Ports ⁸ | State Housing Authority ⁸ | Water Corp | WA Land Authority (Landcorp) |
|--------------------------------------|-------------------------------------|---------------------------|-----------------------------|--------------------------------------|------------|------------------------------|
| Subject to CN | Yes | Yes | Yes | No ¹ | Yes | Yes |
| Tax neutrality | Yes | No ² | Yes | No | Yes | Yes |
| Debt neutrality | Yes | No | Yes | Yes | Yes | Yes |
| Regulatory neutrality | Yes | Yes | Yes | Yes | Yes | Yes |
| Commercial objectives | Yes | Yes ³ | Yes | Yes ³ | Yes | Yes |
| Non-commercial objectives | Yes | Yes | Yes | Yes | Yes | Yes |
| Regulatory functions | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board responsibilities | Yes | Yes | Yes | N/A ⁵ | Yes | Yes |
| Governing board performance measures | Yes | Yes | Yes | N/A ⁵ | Yes | Yes |
| Governing board appointment | Yes | Yes | Yes | N/A ⁵ | Yes | Yes |
| Operational autonomy | Yes | Yes | Yes | Yes | Yes | Yes |
| Dividend policy | Yes | N/A ⁴ | Yes | N/A ⁴ | Yes | Yes |
| Payments to government | Yes | N/A ⁴ | Yes | N/A ⁴ | Yes | Yes |
| Annual performance reporting | Yes | Yes | Yes | Yes | Yes | Yes |
| Government directions | Yes | Yes | Yes | Yes | Yes | Yes |
| Legislative derogations from CN | N/A | Yes | N/A | Yes | N/A | N/A |

Part 2: Public financial corporations (PFCs)

| Assessment criteria | Country Housing Authority | Insurance Commission of WA | Keystart Housing Scheme ^{7,8} | WA Treasury Corp |
|--------------------------------------|---------------------------|----------------------------|--|------------------|
| Subject to CN | No ¹ | Yes | No ¹ | No |
| Tax neutrality | No | Yes | No | Yes |
| Debt neutrality | Yes | Yes | Yes | No |
| Regulatory neutrality | Yes | Yes | No | Yes |
| Commercial objectives | Yes ³ | Yes | No | Yes ³ |
| Non-commercial objectives | Yes | Yes | No | Yes |
| Regulatory functions | Yes | Yes | Yes | Yes |
| Governing board responsibilities | Yes | Yes | No | Yes |
| Governing board performance measures | Yes | Yes | No | Yes |
| Governing board appointment | Yes | Yes | No | Yes |
| Operational autonomy | Yes | Yes | Yes | Yes |
| Dividend policy | N/A ⁴ | Yes | N/A ⁴ | Yes |
| Payments to government | N/A ⁴ | Yes | N/A ⁴ | Yes |
| Annual performance reporting | Yes | Yes | Yes ⁶ | Yes |
| Government directions | Yes | Yes | Yes | Yes |
| Legislative derogations from CN | Yes | N/A | N/A | N/A |

Western Australia's CN matrix – explanatory notes

1. *Assessed subject to CN*: these GBEs have not been formally assessed as subject to CN, and this will be considered for further review in 2019: Metropolitan Redevelopment Authority, Racing and Wagering Western Australia, Housing Authority, Country Housing Authority, Keystart Housing Scheme.
2. *Tax neutrality* (Lotteries Commission, Racing and Wagering Western Australia, and Rottnest Island Authority):
 - Legislation requires that the Lotteries Commission pays revenue to State Government, which is designated for funding of health, sports and arts programs.
 - Racing and Wagering Western Australia pays tax, at the rates imposed by and in accordance with the sections 4 and 5 of the *Racing and Wagering Western Australia Tax Act 2003*, on moneys received by it in respect of wagers made but does not make National Tax Equivalent Regime (NTER) payments. These tax rates are only payable by Racing and Wagering WA.
 - The Rottnest Island Authority is exempt from paying tax or tax equivalents, and dividend payments. Similar to formal dividend requirements, the *Rottnest Island Authority Act 1987* currently provides for the Treasurer to determine an amount to be paid by the Authority for the credit of the Consolidated Account, from the net profits of the Authority for a financial year.
3. *Commercial and non-commercial objectives*: these GBEs have a mix of commercial and non-commercial objectives but recover all or most of their costs through fees and charges.
4. *Dividend policy and payments to government*: each of the 11 GBEs noted, with the exception of the Country Housing Authority, do not pay dividends and therefore do not have published dividend policies. The Country Housing Authority pays profit distributions to its owner.
5. *Governing board* (Public Transport Authority and State Housing Authority): neither the Public Transport Authority nor the State Housing Authority has a governing board. Consequently, they are assessed as 'N/A' for board responsibilities, performance measures and board appointments.
6. *Annual performance reporting* (Keystart Housing Scheme): The Housing Authority's annual report contains the relevant annual information for the Keystart Housing Scheme program.
7. *Keystart Housing Scheme*: The Keystart Housing Scheme is listed in the WA Budget Papers as a Public Financial Corporation (PFC) and is wholly owned by the Western Australian Government via a Trust arrangement. It is considered a PFC for the purposes of credit rating and Australian Bureau of Statistics classification of government entities, though it is not administered by Western Australian legislation, nor is it listed under the National Taxation Equivalent Regime. Dividends are paid under a preference share arrangement directly to its shareholding entity, the Housing Authority of WA (a Public Non-financial Corporation). The preference shareholding arrangement between the two agencies is required to enable Keystart borrowings to be sourced from the WA Treasury Corporation via the Housing Authority of WA, in the absence of a direct capacity to borrow from WATC. In September 2016, the State Government sold 31% of Keystart's loan book to Bendigo and Adelaide Bank.
8. The 2017-18 Annual report for these agencies had not been released at the time of submitting this report and as such the answers have been left unchanged from the 2016-17 matrix.
9. *Government directions*: these entities have not published anything about ministerial directions in their annual report

SOUTH AUSTRALIA COMPETITIVE NEUTRALITY MATRIX 2018-17

| Assessment criteria | Forestry SA | Urban Renewal Authority | Adelaide Cemeteries Authority | Public Trustee | SA Water Corp | HomeStart Finance | West Beach Trust | Motor Accident Commission ³ | Adelaide Festival Centre Trust | Adelaide Venue Management Corp |
|--------------------------------------|-------------|-------------------------|-------------------------------|------------------|---------------|-------------------|------------------|--|--------------------------------|--------------------------------|
| Subject to CN | Yes | Yes | Yes | Yes | Yes | Yes | Yes | N/A | Yes | Yes |
| Tax neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No | Yes |
| Debt neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Regulatory neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Commercial objectives | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Non-commercial objectives | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Regulatory functions | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board responsibilities | Yes | Yes | Yes | N/A ¹ | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board performance measures | Yes | Yes | Yes | N/A ¹ | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board appointment | Yes | Yes | Yes | N/A ¹ | Yes | Yes | Yes | Yes | Yes | Yes |
| Operational autonomy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Dividend policy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | N/A | N/A | Yes |
| Payments to government | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | N/A | Yes |
| Annual performance reporting | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Government directions | Yes | N/A ² | Yes | N/A ² | Yes | N/A ² | N/A ² | Yes | Yes | Yes |
| Legislative derogations from CN | Yes | Yes | Yes | Yes | Yes | Yes | Yes | N/A | Yes | Yes |

South Australia's CN matrix – explanatory notes

1. *Public Trustee*: The Public Trustee does not have a Board but it does have an Audit and Risk Management Committee, and an Investment and Advisory Committee. The responsibilities of the Public Trustee are set out in the *Public Trustee Act 1995*.
2. *Government directions*: there is no legislative requirement for the Urban Renewal Authority, the Public Trustee, HomeStart Finance, or the West Beach Trust to publish any directions given to the enterprise by the Government.
3. *Motor Accident Commission*: As part of the 2014-15 State Budget it was announced that from 30 June 2016, the Motor Accident Commission (MAC) would cease its statutory role as the sole provider of Compulsory Third Party (CTP) insurance in SA, with provision of CTP insurance opened to the private sector (Approved Insurers) from 1 July 2016. The MAC is still responsible for the management of CTP insurance claims for accidents that occurred up to and including 30 June 2016 until such time as the MAC either divests itself of that business or winds up that business.

TASMANIA COMPETITIVE NEUTRALITY MATRIX 2017-18

| Assessment criteria | Sustainable Timbers Tasmania | Hydro Tas. | Aurora Energy | TasNetworks | Motor Accidents Insurance Board | TT-Line Company | Tas. Irrigation | Metro Tas. | Port Arthur Historic Site Mgmt Authority | Tas. Ports Corp. | The Public Trustee | Tasrail | Tasracing |
|--------------------------------------|------------------------------|------------|---------------|-------------|---------------------------------|-----------------|-----------------|------------|--|------------------|--------------------|---------|-----------|
| Subject to CN | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Tax neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No (1) | Yes | Yes | Yes | Yes |
| Debt neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No (2) | Yes | Yes | Yes | Yes |
| Regulatory neutrality | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Commercial objectives | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Non-commercial objectives (3) | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Regulatory functions | Yes | Yes | Yes | No (4) | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board responsibilities | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board performance measures | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governing board appointment | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Operational autonomy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Dividend policy (5) | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | No (5) | Yes | Yes | Yes | Yes |
| Payments to government | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Annual performance reporting | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Government directions | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Legislative derogations from CN | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |

Tasmania's CN matrix – explanatory notes

1. *Tax neutrality*: The Port Arthur Historic Site Management Authority is not a prescribed entity for the National Tax Equivalent Regime (NTER).
2. *Debt neutrality*: The Port Arthur Historic Site Management Authority is not subject to debt neutrality charges (guarantee fees), in accordance with section 77 and Schedule 3 of the *Government Business Enterprises Act 1995* (the GBE Act).
3. *Non-commercial objectives*: Any non-commercial objectives or obligations imposed on Tasmanian Government businesses are set out in publicly available governance documents in the form of Ministerial Charters for Government Business Enterprises (GBEs), and Members' Statements of Expectation for State-Owned Companies (SOCs).
4. *Regulatory approvals*: TasNetworks has, or may have, a role in planning approval in situations where developers use contractors for work involving minor connection assets.
5. *Dividend policy*: The Dividend Guidelines for Tasmanian Government Businesses apply to all GBEs and SOC's except for the Port Arthur Historic Site Management Authority. This policy is publicly available and provides sufficient flexibility for individual arrangements to be entered into with each business to appropriately reflect specific circumstances. The dividend amount that is paid to the Government is published in the Government business annual reports and in the Tasmanian Government December Quarterly Report each year. The Port Arthur Historic Site Management Authority is excluded from paying dividends in accordance with section 82 and Schedule 4 of the GBE Act.

Tasmania's CN matrix – discussion

The Tasmanian Economic Regulator (TER) is an independent authority responsible for regulatory activities in respect of: the electricity industry; the gas industry; the water and sewerage industry; and a range of prices oversight issues. The TER is also responsible for conducting investigations into competitive neutrality complaints and investigations into the pricing policies of monopoly service providers. The TER incorporates the functions of the former Government Prices Oversight Commission. Tasmania considers it has an appropriate regulatory framework for ensuring that competitive neutrality principles are applied to GBEs engaged in competition with the private sector.

The Tasmanian Public Finance Corporation (Tascorp) has been excluded from the Competitive Neutrality Matrix as being outside scope due to its classification as a Public Financial Corporation central borrowing authority under the Government Financial Statistics classifications. Tascorp is not considered to be in competition with the private sector.

AUSTRALIAN CAPITAL TERRITORY COMPETITIVE NEUTRALITY MATRIX 2017-18

| Assessment criteria | CIT Solutions ¹ | Suburban Land Agency (SLA) ⁵ | City Renewal Authority (CRA) ⁵ |
|--------------------------------------|----------------------------|---|---|
| Subject to CN | Yes | Yes | Yes |
| Tax neutrality | Yes ² | Yes | Yes |
| Debt neutrality | N/A | Yes | Yes |
| Regulatory neutrality | Yes | Yes | Yes |
| Commercial objectives | Yes | Yes | Yes |
| Non-commercial objectives | N/A | Yes | Yes |
| Regulatory functions | N/A | Yes | Yes |
| Governing board responsibilities | Yes ³ | Yes | Yes |
| Governing board performance measures | Yes ³ | Yes | Yes |
| Governing board appointment | Yes | Yes | Yes |
| Operational autonomy | Yes | Yes | Yes |
| Dividend policy | Yes ³ | Yes | Yes |
| Payments to government | Yes | Yes | Yes |
| Annual performance reporting | Yes ⁴ | Yes | Yes |
| Government directions | N/A ¹ | Yes | Yes |
| Legislative derogations from CN | N/A | N/A | N/A |

ACT's CN matrix – explanatory notes

1. *CIT Solutions Pty Limited (CIT Solutions)*: CIT Solutions is a proprietary limited company wholly owned by the Canberra Institute of Technology (CIT), which is a Territory Authority. CIT Solutions operates under CIT's status as a Registered Training Organisation and has been the commercial arm of the CIT since 1988. CIT Solutions' audited financial statements are consolidated within CIT's financial statements on a calendar year basis. Unlike most other public trading enterprises, its relationship with Government is indirect, in that it is the CIT Board who holds the shares in CIT Solutions rather than a Government Minister. In this respect, directions are not given to the enterprise by Government directly. Directions could only be considered to come from Government in the sense that 100 per cent of the shares are held by the Board of a Territory Authority.
2. *Tax neutrality*: CIT Solutions is liable to all state taxes but is assessed as being exempt from income tax or income tax equivalents, due to its status as an educational institution managed by a public body.
3. *Governing board*: The Board's responsibilities, performance measures and dividend policy are published in the CIT Annual Report which is due for release in March each year.
4. *Annual performance reporting*: Annual reporting of CIT Solutions' performance is included in the CIT Annual Report.

5. On 1 July 2017, the Suburban Land Agency (SLA) and City Renewal Authority (CRA) commenced operating in the Territory. These two entities have replaced the Land Development Agency (LDA), which ceased operations on 30 June 2017.

NORTHERN TERRITORY COMPETITIVE NEUTRALITY MATRIX 2017-18

| Assessment criteria | Power and Water Corporation | Jacana Energy | Territory Generation | Land Development Corporation |
|--------------------------------------|-----------------------------|------------------|----------------------|------------------------------|
| Subject to CN | Yes | Yes | Yes | Yes |
| Tax neutrality | Yes | Yes | Yes | Yes |
| Debt neutrality | Yes | Yes | Yes | Yes |
| Regulatory neutrality | Yes | Yes | Yes | Yes |
| Commercial objectives | Yes | Yes | Yes | Yes |
| Non-commercial objectives | Yes | Yes | Yes | Yes |
| Regulatory functions | Yes | Yes | Yes | Yes |
| Governing board responsibilities | Yes | Yes | Yes | N/A ¹ |
| Governing board performance measures | Yes | Yes | Yes | N/A ¹ |
| Governing board appointment | Yes | Yes | Yes | N/A ¹ |
| Operational autonomy | Yes | Yes | Yes | Yes |
| Dividend policy | Yes | Yes | Yes | Yes |
| Payments to government | Yes | Yes | Yes | Yes |
| Annual performance reporting | Yes | Yes | Yes | Yes |
| Government directions | Yes | Yes | Yes | Yes |
| Legislative derogations from CN | Yes ² | Yes ² | Yes ² | N/A |

Northern Territory's CN Matrix – explanatory notes

1. *Governing board*: The Land Development Corporation may appoint a specialist Advisory Board as and when required on a needs basis to suit its commercial needs.
2. *Legislative derogations from competitive neutrality*: The enabling legislation for Power and Water Corporation (PWC), Jacana Energy (Jacana) and Territory Generation (T Gen) exempts these agencies from local government rates (PWC: Sn19, *Power and Water Corporation Act*. Jacana: Sn13, *Power Retail Corporation Act*. T Gen: Sn13, *Power Generation Corporation Act*). However, each agency pays rate equivalents under the Northern Territory Local Government Rate Equivalent Scheme. These equivalent payments are reported annually in Government budget papers.

Northern Territory's CN matrix – discussion

Significant GBEs: The Northern Territory Government's threshold for determining whether a GBE is significant is as follows:

- does the GBE have considerable presence in the local market; and
- is the GBE in direct competition with the private sector?

The following GBEs are classified as significant: Power and Water Corporation, Jacana Energy, Territory Generation, and Land Development Corporation. All four GBEs are Public Non-Financial Corporations.

Excluded GBEs: The Northern Territory Treasury Corporation is excluded because it is classified as a central borrowing authority under the Government Financial Statistics Classifications. (The 2006 Competition and Infrastructure Reform Agreement states that GBEs 'are enterprises that are ... classified as Public Financial Corporations or Public Non-Financial Corporations, *excluding central borrowing authorities...*' (clause 1.4, emphasis added))

Other Northern Territory Government entities subject to principles of Competitive Neutrality: The Northern Territory Government also operates the following Government Business Divisions (GBDs): Central Australia Health Service, Data Services Centre, NT Fleet, NT Home Ownership, Territory Wildlife Park and Top End Health Service. Due to not meeting the threshold for a significant GBE, these enterprises have been commercialised rather than corporatised. It is Northern Territory Government policy that all GBDs comply with the principles of competitive neutrality.