

NATIONAL COMPETITION COUNCIL

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NATIONAL COMPETITION COUNCIL

Section 1: Agency overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

The National Competition Council (NCC) makes recommendations under the National Access Regime in Part IIIA of the *Competition and Consumer Act 2010* (CCA) and recommendations and decisions under the National Gas Law (NGL).

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

As an alternative to the National Access Regime, state and territory governments may implement access regimes specific to their circumstances or implement (cooperatively) parallel regulation in each jurisdiction (as has occurred for the gas and electricity industries). The NCC is responsible for recommending whether a state or territory access regime should be certified as effective, with the result that services covered by that access regime are exempt from declaration under the CCA.

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

In recent years access applications under Part IIIA and the NGL have been sporadic, and the NCC's workload has consequently been highly variable. To maintain the sustainability and efficiency of its operations, the NCC will replace its secretariat staff with an arrangement whereby the ACCC will provide the NCC with the secretariat services it requires. These new arrangements will come into effect on 1 July 2014.

The NCC remains as an independent entity with its current responsibilities and membership but rather than directly engaging staff (and other resources) to provide secretariat services, it will draw on ACCC resources as required. A number of NCC staff will transfer to the ACCC as part of this arrangement. The new arrangements will maintain the NCC's independence and its ability to respond to access issues and provide high quality and timely recommendations.

National Competition Council Budget Statements

The NCC will ensure it provides appropriate advice and makes recommendations and decisions that reflect the relevant law and economic and policy developments. In particular it will ensure that its recommendations are in accord with the CCA and the NGL and that its websites and other information resources remain relevant.

1.2 AGENCY RESOURCE STATEMENT

Table 1.1 shows the total resources for the NCC.

Table 1.1: National Competition Council resource statement — Budget estimates for 2014-15 as at Budget May 2014

	Estimate of prior year amounts available in 2014-15 \$'000	+	Proposed at Budget 2014-15 \$'000	=	Total estimate 2014-15 \$'000	Actual available appropriation 2013-14 \$'000
Ordinary annual services						
Departmental						
Prior year departmental appropriation	1,299	¹	-		1,299	-
Departmental appropriation ²	-		1,945	³	1,945	2,775
Total net resourcing for the NCC	1,299		1,945		3,244	2,775

1. Estimated adjusted balance carried forward from previous year.

2. Includes \$0.03 million in 2014-15 for the departmental capital budget (also refer to Table 3.2.5).

3. Appropriation Bill (No. 1) 2014-15.

Third party payments from and on behalf of other agencies

	2013-14 \$'000	2014-15 \$'000
Payments made on behalf of the NCC	2,775	1,945

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

1.3 BUDGET MEASURES

Budget measures relating to the NCC are summarised below.

Table 1.2: National Competition Council 2014-15 Budget measures

		2013-14	2014-15	2015-16	2016-17	2017-18
	Programme	\$'000	\$'000	\$'000	\$'000	\$'000
Expense measures						
Efficiency Dividend - temporary increase in the rate ¹	1.1	-	(28)	(64)	(98)	(98)
Efficiency Dividend - a further temporary increase of 0.25 per cent	1.1	-	(7)	(14)	(21)	(21)
Smaller Government - National Competition Council Secretariat - transfer	1.1	-	(808)	(946)	(929)	(964)
Public Service efficiencies ²	1.1	(1)	(4)	(9)	(12)	(12)
Reforms to APS management and efficient procurement of agency software ¹	1.1	(1)	(3)	(8)	(11)	(11)
Total expense measures		(2)	(850)	(1,041)	(1,071)	(1,106)

1. This measure was included in the *Economic Statement 2013* and has not previously appeared in a portfolio statement.

2. This measure was included in Budget Paper No. 2, *Budget Measures 2013-14* and has not previously appeared in a portfolio statement.

Prepared on a Government Finance Statistics (fiscal) basis.

Section 2: Outcomes and performance information

2.1 OUTCOMES AND PERFORMANCE INFORMATION

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programmes are the primary vehicle by which government agencies achieve the intended results of their outcome statements. Agencies are required to identify the programmes which contribute to Government outcomes over the budget and forward years.

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

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

Outcome 1 strategy

To achieve its outcome the NCC will provide comprehensive, objective, timely and transparent recommendations and decisions that accord with the relevant law (including time limits) and good regulatory practice.

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

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

The NCC will revise its approach to obtaining secretariat services to increase the efficiency and sustainability of its operations. The NCC will continue to review its processes and the structure of its recommendation reports and decisions. It will also ensure its published guidelines and other information in relation to access regulation to ensure these remain up-to-date.

Outcome expense statement

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

Table 2.1: Budgeted expenses for Outcome 1

Outcome 1: Competition in markets that are dependent on access to nationally significant monopoly infrastructure, through recommendations and decisions promoting the efficient operation of, use of and investment in infrastructure	2013-14 Estimated actual expenses \$'000	2014-15 Estimated expenses \$'000
Program 1.1: National Competition Council		
Departmental expenses		
Departmental appropriation	2,743	1,913
Expenses not requiring appropriation in the budget year	50	59
Total expenses for Outcome 1	2,793	1,972
	2013-14	2014-15
Average staffing level (number)	12	4

Contributions to Outcome 1

Programme 1.1: National Competition Council

Programme objective

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

Programme expenses

The NCC's programme expenses in 2014-15 are lower than in 2013-14, representing savings arising from the NCC obtaining its secretariat services from the ACCC.

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

Table 2.2: Programme expenses

	2013-14 Revised budget \$'000	2014-15 Budget \$'000	2015-16 Forward year 1 \$'000	2016-17 Forward year 2 \$'000	2017-18 Forward year 3 \$'000
Annual departmental expenses					
Departmental items	2,793	1,972	1,812	1,815	1,764
Total program expenses	2,793	1,972	1,812	1,815	1,764

Programme deliverables

The NCC has the following deliverables:

- makes recommendations to Ministers pursuant to Part IIIA of the CCA in relation to applications for the declaration of services provided by monopoly infrastructure and the certification of state and territory access regimes;
- makes recommendations to Ministers pursuant to the NGL relating to the coverage of natural gas pipelines and on price regulation and greenfields incentives;
- makes decisions pursuant to the NGL relating to the form of regulation and classification of natural gas pipelines; and
- advises the Parliament on the operation of the National Access Regime in accordance with section 290(2) of the CCA.

Programme key performance indicators

The NCC has the following key performance indicators:

- recommendations on declaration applications made within statutory time limits (consideration period of 180 days) and meet advice requirements of Ministers;
- recommendations on certification applications made within statutory time limits (consideration period of 180 days) and meet advice requirements of Ministers;
- recommendations and decisions under the NGL made within specified time limits and recommendations under the NGL meet advice requirements of Ministers;
- accessible information on all access regulation matters for which the NCC is responsible is provided on the NCC website;
- up-to-date and informative guidelines on all the NCC's areas of responsibility are maintained on the NCC website;
- case law developments, legislative amendments and developments in the NCC's processes or policies are reflected in the NCC's information resources within 30 days; and
- the NCC's annual report to the Parliament includes a comprehensive report that meets the requirements of section 290(2) of the CCA and is provided within 60 days of the end of the financial year.

Section 3: Explanatory tables and budgeted financial statements

Section 3 presents explanatory tables and budgeted financial statements which provide a comprehensive snapshot of agency finances for the 2014-15 budget year. It explains how budget plans are incorporated into the financial statements and provides further details of the reconciliation between appropriations, programme expenses, movements in administered funds, special accounts and government Indigenous expenditure.

3.1 EXPLANATORY TABLES

3.1.1 Movement of administered funds between years

The NCC does not have any administered funds.

3.1.2 Special accounts

The NCC does not have any special accounts.

3.1.3 Australian Government Indigenous expenditure

The NCC does not have any Australian Government Indigenous expenditure.

3.2 BUDGETED FINANCIAL STATEMENTS

3.2.1 Differences in agency resourcing and financial statements

There are no material differences between agency resourcing and financial statements.

3.2.2 Analysis of budgeted financial statements

Budgeted departmental income statement

The NCC is budgeting for a break-even operating result for 2014-15 and the forward years. This break-even result will occur after adding back non-appropriated depreciation and amortisation expenses.

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

Operating revenues

Total NCC revenue in 2014-15 is estimated to be \$1.945 million.

Operating expenses

Total expenses in 2014-15 are estimated to be \$1.945 million.

National Competition Council Budget Statements

Budgeted departmental balance sheet

In 2014-15 the NCC's equity position will be positive \$2.168 million.

Assets

The NCC's assets are mainly financial assets consisting of other receivables and cash.

Liabilities

The NCC's liabilities are mainly supplier payables.

Administered income

The NCC is estimated to receive own source income of \$8,000 in 2014-15 being fees for applications made to it under the NGL.

3.2.3 Budgeted financial statements tables

**Table 3.2.1: Comprehensive income statement (showing net cost of services)
(for the period ended 30 June)**

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
EXPENSES					
Employee benefits	1,482	193	189	182	182
Supplier	1,285	1,744	1,580	1,583	1,574
Depreciation and amortisation	26	35	43	50	8
Total expenses	2,793	1,972	1,812	1,815	1,764
LESS:					
OWN-SOURCE INCOME					
Gains					
Other	24	24	24	24	24
Total gains	24	24	24	24	24
Total own-source income	24	24	24	24	24
Net cost of (contribution by) services	2,769	1,948	1,788	1,791	1,740
Appropriation revenue	2,743	1,913	1,745	1,741	1,732
Surplus (deficit) attributable to the Australian Government	(26)	(35)	(43)	(50)	(8)

Note: Impact of Net Cash Appropriation Arrangements

	2013-14 \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000
Total Comprehensive Income (loss) less depreciation/amortisation expenses previously funded through revenue appropriations	-	-	-	-	-
plus depreciation/amortisation expenses previously funded through revenue appropriations	(26)	(35)	(43)	(50)	(8)
Total Comprehensive Income (loss) - as per the Statement of Comprehensive Income	(26)	(35)	(43)	(50)	(8)

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
ASSETS					
Financial assets					
Cash and equivalents	51	51	51	51	51
Trade and other receivables	2,510	2,141	2,141	2,141	2,141
Total financial assets	2,561	2,192	2,192	2,192	2,192
Non-financial assets					
Land and buildings	29	6	8	2	25
Infrastructure, plant and equipment	8	17	10	3	4
Intangibles	-	11	5	-	-
Other	10	10	10	10	10
Total non-financial assets	47	44	33	15	39
Total assets	2,608	2,236	2,225	2,207	2,231
LIABILITIES					
Provisions					
Employees	369	-	-	-	-
Other	10	10	10	10	10
Total provisions	379	10	10	10	10
Payables					
Suppliers	21	21	21	21	21
Other	37	37	37	37	37
Total payables	58	58	58	58	58
Total liabilities	437	68	68	68	68
Net assets	2,171	2,168	2,157	2,139	2,163
EQUITY					
Contributed equity	(3,279)	(3,247)	(3,215)	(3,183)	(3,151)
Reserves	232	232	232	232	232
Retained surpluses or accumulated deficits	5,218	5,183	5,140	5,090	5,082
Total equity	2,171	2,168	2,157	2,139	2,163
Current assets	2,571	2,202	2,202	2,202	2,202
Non-current assets	37	34	23	5	29
Current liabilities	58	58	58	58	58
Non-current liabilities	379	10	10	10	10

Prepared on Australian Accounting Standards basis.

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

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services	-	-	-	-	-
Appropriations	6,168	1,920	1,756	1,759	1,750
Total cash received	6,168	1,920	1,756	1,759	1,750
Cash used					
Employees	1,482	200	200	200	200
Suppliers	1,261	1,720	1,556	1,559	1,550
Total cash used	2,743	1,920	1,756	1,759	1,750
Net cash from or (used by) operating activities	3,425	-	-	-	-
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	32	32	32	32	32
Total cash used	32	32	32	32	32
Net cash from or (used by) investing activities	(32)	(32)	(32)	(32)	(32)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	(3,393)	32	32	32	32
Total cash received	(3,393)	32	32	32	32
Net cash from or (used by) financing activities	(3,393)	32	32	32	32
Net increase or (decrease) in cash held	-	-	-	-	-
Cash at the beginning of the reporting period	51	51	51	51	51
Cash at the end of the reporting period	51	51	51	51	51

Prepared on Australian Accounting Standards basis.

Table 3.2.4: Departmental statement of changes in equity — summary of movement (Budget year 2014-15)

	Retained surpluses \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Contributed equity/ capital \$'000	Total equity \$'000
Opening balance as at 1 July 2014					
Balance carried forward from previous period	5,218	232	-	(3,279)	2,171
Adjusted opening balance	5,218	232	-	(3,279)	2,171
Comprehensive income					
Surplus (deficit) for the period	(35)	-	-	-	(35)
Total comprehensive income recognised directly in equity	(35)	-	-	-	(35)
Transactions with owners					
<i>Contributions by owners</i>					
Appropriation (departmental capital budget)	-	-	-	32	32
Total transactions with owners	-	-	-	32	32
Estimated closing balance as at 30 June 2015	5,183	232	-	(3,247)	2,168

Prepared on Australian Accounting Standards basis.

Table 3.2.5: Departmental capital budget (DCB) statement

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
NEW CAPITAL APPROPRIATIONS					
Capital budget - Bill 1 - DCB	32	32	32	32	32
Total new capital appropriations	32	32	32	32	32
Provided for:					
Purchase of non-financial assets	32	32	32	32	32
Total Items	32	32	32	32	32
PURCHASE OF NON-FINANCIAL ASSETS					
Funded by capital appropriation - DCB	32	32	32	32	32
TOTAL	32	32	32	32	32
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	32	32	32	32	32
Total cash used to acquire assets	32	32	32	32	32

Prepared on Australian Accounting Standards basis.

Table 3.2.6: Statement of asset movements — departmental

	Buildings \$'000	Other infrastructure, plant and equipment \$'000	Intangibles \$'000	Total \$'000
As at 1 July 2014				
Gross book value	66	13	7	86
Accumulated depreciation/amortisation and impairment	(37)	(5)	(7)	(49)
Opening net book balance	29	8	-	37
Capital asset additions				
By purchase - appropriation ordinary annual services	-	15	17	32
Total asset additions	-	15	17	32
Other movements				
Depreciation/amortisation expense	(23)	(6)	(6)	(35)
Total other movements	(23)	(6)	(6)	(35)
As at 30 June 2015				
Gross book value	66	28	24	118
Accumulated depreciation/amortisation and impairment	(60)	(11)	(13)	(84)
Closing net book balance	6	17	11	34

Prepared on Australian Accounting Standards basis.

Table 3.2.7: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
OWN-SOURCE INCOME					
Own-source revenue					
Non-taxation revenue					
Fees and fines	8	8	8	8	-
Total non-taxation revenue	8	8	8	8	-
Total own-source revenues administered on behalf of Government	8	8	8	8	-
Total own-sourced income administered on behalf of Government	8	8	8	8	-

Prepared on Australian Accounting Standards basis.

**Table 3.2.8: Schedule of budgeted administered cash flows
(for the period ended 30 June)**

	Estimated actual 2013-14 \$'000	Budget estimate 2014-15 \$'000	Forward estimate 2015-16 \$'000	Forward estimate 2016-17 \$'000	Forward estimate 2017-18 \$'000
OPERATING ACTIVITIES					
Cash received					
Fees	8	8	8	8	-
Total cash received	8	8	8	8	-
Net cash from or (used by) operating activities	8	8	8	8	-
Net increase or (decrease) in cash held	8	8	8	8	-
Cash at beginning of reporting period	-	-	-	-	-
Cash to Official Public Account for:					
- Transfers to other entities (Finance - whole-of-government)	8	8	8	8	-
	8	8	8	8	-
Cash at end of reporting period	-	-	-	-	-

Prepared on Australian Accounting Standards basis.