



Australian Government
Productivity Commission

Financial Performance of
Government Trading Enterprises
2004–05 to 2006–07

Productivity Commission
Research Paper

July 2008

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Publications Inquiries:

Media and Publications
Productivity Commission
Locked Bag 2 Collins Street East
Melbourne VIC 8003

Tel: (03) 9653 2244
Fax: (03) 9653 2303
Email: maps@pc.gov.au

General Inquiries:

Tel: (03) 9653 2100 or (02) 6240 3200

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The Productivity Commission

The Productivity Commission, an independent agency, is the Australian Government's principal review and advisory body on microeconomic policy and regulation. It conducts public inquiries and research into a broad range of economic and social issues affecting the welfare of Australians.

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Foreword

This report on the performance of government trading enterprises (GTEs) is the latest in a series that originally commenced in 1991 as a wider, COAG-sponsored exercise (the 'red book'). The present series of reports focuses on financial performance, and forms part of the Commission's research into the performance of Australian industries and the progress of microeconomic reform.

It is imperative that GTEs, as significant providers of infrastructure services, operate efficiently. Those services are key determinants of Australia's international competitiveness as well as being fundamental to community wellbeing.

Despite commitments by governments to operate their businesses on a fully commercial basis, many GTEs continue to be commercially unsustainable. The majority failed to achieve even the risk-free rate of return in 2006-07.

This under-performance impedes efficient capital management, the focus of a three-year research program which concludes with this report. The research has emphasised the inter-relationship between GTEs operating profitably, properly managing their assets and providing efficient services.

The study was undertaken in the Economic Infrastructure Branch under the supervision of Chris Sayers, and with the guidance of Commissioners Michael Woods and Steven Kates. The Commission is grateful for the continuing cooperation of State and Territory governments in the preparation of this annual series.

Gary Banks AO
Chairman

July 2008

Contents

Foreword	III
Contents	V
Abbreviations	VIII
Part A	1
1 Introduction	3
1.1 Scope	3
1.2 Approach	4
1.3 Performance indicators	8
1.4 Capital management research	15
1.5 Report structure	16
Attachment 1.1 Data item definitions	17
2 Financial performance overview	21
2.1 Monitored GTEs	21
2.2 Market environment	23
2.3 Profitability	24
2.4 Financial management	29
2.5 Transactions with government	31
Attachment 2.1 GTE return on assets, 2004-05 to 2006-07	36
3 Community service obligations – funding and capital management	39
3.1 Defining community service obligations	40
3.2 How are CSOs costed, funded and reported in practice?	43
3.3 Investment and incentive issues	48

4	Profitability and capital management	51
4.1	Profitability	52
4.2	Capital management	54
4.3	Implications of poor capital management	57
	Part B	61
5	Electricity	63
5.1	Monitored GTEs	64
5.2	Market environment	67
5.3	Profitability	72
5.4	Financial management	76
5.5	Transactions with government	78
5.6	GTE performance reports	81
6	Water	129
6.1	Monitored GTEs	130
6.2	Market environment	132
6.3	Profitability	137
6.4	Financial management	140
6.5	Transactions with government	142
6.6	GTE performance reports	147
7	Urban transport	197
7.1	Monitored GTEs	198
7.2	Market environment	200
7.3	Profitability	202
7.4	Financial management	205
7.5	Transactions with government	206
7.6	GTE performance reports	211
8	Rail	223
8.1	Monitored GTEs	224
8.2	Market environment	226

8.3	Profitability	231
8.4	Financial management	233
8.5	Transactions with government	235
8.6	GTE performance reports	239
9	Ports	253
9.1	Monitored GTEs	254
9.2	Market environment	255
9.3	Profitability	258
9.4	Financial management	260
9.5	Transactions with government	261
9.6	GTE performance reports	265
10	Forestry	305
10.1	Monitored GTEs	306
10.2	Market environment	307
10.3	Profitability	312
10.4	Financial management	315
10.5	Transactions with government	317
10.6	GTE performance reports	321
11	Other government trading enterprises	335
A	Monitored GTEs	343
	References	347

Abbreviations

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
AERU	Airspace and Environment Regulatory Unit
AIFRS	Australian-equivalent International Financial Reporting Standards
BOOT	Build Own Operate Transfer
COAG	Council of Australian Governments
CPI	Consumer Price Index
CRN	Country Regional Network
CSO	Community service obligation
DTEI	Department of Transport, Energy and Infrastructure (SA)
EBIT	Earnings before interest and tax
ESC	Essential Services Commission (Victoria)
FPQO	Forestry Plantations Queensland Office
GBE	Government business enterprise
GOC	Government-owned corporation

GPOC	Government Prices Oversight Commission (Tasmania)
GTE	Government trading enterprise
GWh	Gigawatt hour
ICRC	Independent Competition and Regulatory Commission (ACT)
IPART	Independent Pricing and Regulatory Tribunal (NSW)
KV	Kilovolt
MDBC	Murray–Darling Basin Commission
MWh	Megawatt hour
NAP	National Action Plan for Salinity and Water Control
NCC	National Competition Council
NEM	National Electricity Market
NEMO	National Electricity Market Operator
NFPS	National Forestry Policy Statement
NRC	National Rail Corporation
NSW	New South Wales
NT	Northern Territory
NTER	National Tax Equivalent Regime
NWI	National Water Initiative
NWC	National Water Commission
PPA	Power-purchase agreement
PTB	Passenger Transport Board
PTE	Public trading enterprise
QCA	Queensland Competition Authority

RAB	Regulatory asset base
RFAs	Regional Forestry Agreements
RNA	Regional Network Access
SA	South Australia
SGARA	Self-generating and regenerating asset
SOC	State-owned corporation
SOE	State-owned enterprises
TCFA	Tasmanian Community Forest Agreement
TOC	Territory-owned corporation
TRP	Timber release plan
TWh	Terawatt hour
WA	Western Australia