

# COMFIN NEWS

## Introduction

Welcome to the July edition of COMFIN NEWS. Our last newsletter outlined a more streamlined process for reviewing corporate/business plans. I would like to thank those Government businesses that provided a presentation of the corporate/business plan to the stakeholder/shareholder Ministers. The presentations were well received by the Ministers and other officers that attended.

The review of the GBE Act has been finalised by the Review Group process and, prior to submitting recommendations to Cabinet, we have provided all GBEs and Portfolio agencies with an opportunity to comment on the report. If you have any comments in relation to the recommendations in the report, please provide them as soon as possible as we are aiming to have the amendments go to the Spring session of Parliament.

On the staffing front, I would like to introduce a new member to the Comfin team. Michael Sward joins us as a Senior Business Analyst, having previously worked in the Finance and Administration Branch within Treasury. We also congratulate Melissa Ford who has been promoted to Principal Business Analyst within Comfin. We must also regrettably say goodbye to Nic Waldron for a short period as he has been seconded to the Energy Markets Branch within Treasury.

Enclosed you will also find information on:

- Ratings Agency Visits;
- National Tax Equivalent Regime (NTER);
- Outcome of Corporate/Business Plan Presentations; and

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- Review of the Community Service Obligations (CSO) Framework.

Please feel free to follow up any area of particular interest with the appropriate contact officer. Likewise, we would welcome your views on the material presented, and invite you to contact Maree or Sue for items to be included in future issues of COMFIN NEWS.

**Nell Fontyn**  
**Director**

## Implementation National Tax Equivalent Regime (NTER)

The National Taxation Equivalent Regime (NTER) commenced on 1 July 2001. All Tasmanian Government Business Enterprises (GBEs) and State-owned Companies (SOCs) (including subsidiaries of GBEs and SOCs and Local Government Joint Authorities operating under the State Taxation Equivalent Regime, as at 30 June 2001) with the exception of the Tasmanian Public Finance Corporation have been included in the NTER from 1 July 2001.

The NTER Manual, which specifies the administration and technical operating features of the NTER, has been endorsed by Heads of Treasuries and issued to businesses participating in the NTER. Treasurer's Instructions were issued to Government businesses advising them of their obligation to adhere to the NTER Manual, replacing the existing Income Tax Equivalent Treasurer's Instructions. The NTER Manual is operational from 1 July 2001. The NTER Manual is very similar to the framework provided in the *Income Tax Assessment Act 1936* and *1997* (ITAA). State and Territory Government businesses are not subject to the ITAA for Constitutional reasons but, for competitive neutrality reasons, will continue to pay income tax equivalents to their respective State and Territory Governments.

The Australian Taxation Office (ATO) has been contracted by each State and Territory Government to undertake the administration of the NTER and will charge an administration fee for the service. Government businesses will now liaise with the ATO on all taxation matters, including the lodging of all relevant taxation material. However, NTER instalments of income tax equivalents, and any penalties or interest payable under the NTER instalment system will continue to be paid to the Department of Treasury and Finance.

### Further information:

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## Corporate/Business Plan Presentations

Thank you to Government businesses that provided a presentation of the corporate/business plan to the stakeholder/shareholder Ministers and their advisers.

The presentations were well received by the Ministers and were very informative for the relevant departmental officers.

## Ratings Agency Visit

Standard and Poor's (S&P) will be visiting Hobart on 10 August 2001 for the purpose of undertaking a rating review of the State.

The rating that is assigned to the State of Tasmania represents an independent assessment of Tasmania's economic management and credit worthiness. The primary importance of the credit rating is that it influences the interest rate margin Tasmania must pay over Commonwealth debt or debt of a State with a AAA credit rating. Ratings, therefore, impact on interest paid on State debt and thus on the State Budget.

S&P issued its most recent credit rating report for the State in October 2000. In this report, S&P re-affirmed its AA- rating for Tasmanian Government long-term debt. However, the rating outlook was upgraded from stable to positive for the first time since 1991. The positive rating moves Tasmania towards a credit upgrade.

Moody's will visit Hobart later in the year.

### Further information:

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## CSO Benchmark Framework

The Treasurer was assigned the Purchasing Minister role for the Public Trustee Community Service Obligation (CSO) contract during 2000-01 and Comfin was given the responsibility of administering the CSO contract. To this end, when the previous Public Trustee CSO contract expired on 30 June 2000, a working group was established with representatives from The Public Trustee and Treasury to review the framework and incentives in the CSO contract.

The working group reviewed interstate contracts, existing CSO contracts and consulted with relevant parties to develop a framework that provides the appropriate incentives to all parties.

As a consequence, a CSO contract was developed for The Public Trustee that requires:

- A number of performance indicators for each individual category of CSO;
- An improved internal management information system in The Public Trustee to capture CSO information; and
- A more commercial CSO arrangement whereby satisfactory achievement of agreed performance benchmarks for the delivery of the CSOs is rewarded.

The inclusion of these elements will provide incentives for The Public Trustee to deliver CSOs efficiently and effectively at an agreed level of service.

Comfin is planning to review the CSO policy framework and guidelines during 2001-02. The review will provide the opportunity to consider the inclusion of the above elements in all Community Service Obligation and Community Service Agreements contracts (CSA). CSA contracts are developed on the same basis as the CSO policy framework.

### Further information:

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## Looking Ahead



### Financial Statements

Financial statements, including a statement of Income Tax Equivalent payments, are to be provided to the Auditor-General by 29 August 2001.

### Dividends for 2000-01

Just a reminder that the dividend recommendation for the 2000-01 financial year outcome is to be provided to the Stakeholder and Portfolio Minister by 29 August 2001.

### Income Tax Equivalent Instalments

Pay As You Go has commenced and, accordingly, Government businesses subject to the National Tax Equivalent Regime are required to pay tax instalments on a quarterly basis. The following Income Tax Equivalent instalments are falling due:

2000-01 Instalment 3 due by 1 September 2001

2001-01 Instalment 1 due by 28 October 2001

## For The Less Serious

### INSURANCE CLAIM

“Only in America”

A man from North Carolina having purchased a box of very rare, very expensive cigars, insured them against fire among other things.

Within a month, having smoked the entire box, the man filed a claim against the insurance company. His claim stated the cigars were lost in a series of small fires.

The insurance company refused to pay, citing the obvious reason; that the man had smoked the cigars in the normal fashion.

The man sued and won! In delivering the ruling, the judge agreed that the claim was frivolous. He stated nevertheless that the man held a policy from the company in which it had warranted that the cigars were insurable and also guaranteed that it would insure against fire, without defining what was considered to be “unacceptable fire”, and was obligated to pay the claim.

The claim was paid and when the man cashed the cheque, the insurance company had him arrested on 24 counts of ARSON!

With his own testimony from the previous case being used against him, the man was convicted of intentionally burning his insured property and sentenced to 24 months jail.

## GBE/SOC Contact Officers

Government Business Enterprises	Liaison Officer	Email address
Civil Construction Corporation	Pam Marriott	<a href="mailto:pam.marriott@treasury.tas.gov.au">pam.marriott@treasury.tas.gov.au</a>
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If you would like to have a say or express a view in future editions of *COMFIN NEWS*, we would be only too happy to hear from you. Please contact Maree Shaft or Sue Musgrave on 03 6233 2470.

Also, if you have any suggestions or ideas on issues you would like us to address, please give us a call or email us.

**ISSN 1442-2727**

**Published quarterly by the Commercialisation and Financing Branch (COMFIN) of the Department of Treasury and Finance, 21 Murray Street, Hobart, Tasmania 7000**