



Corporatisation Principles
for
Local Government
Business Activities



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Tasmania

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1. Introduction

1.1 *Corporatisation in the National Competition Policy (NCP) Context*

In accordance with the *Application of the National Competition Policy to Local Government* (the Application Statement) published in June 1996, a Corporatisation Model is to be adopted by local government trading activities where considered appropriate. Specifically, corporatisation must be considered for significant business activities which are Public Trading Enterprises (PTEs), as defined under the Australian Bureau of Statistics' (ABS) Government Financial Statistics classification. For existing councils, these significant business activities are listed in Attachment 1 of the Application Statement.

The Application Statement generally identifies council water and sewerage businesses as those for which the Corporatisation Model may be appropriate. However, the decision to apply the Corporatisation Model to other significant business activities is at the discretion of each respective council.

Background material in relation to the application of NCP to local government is contained in Appendix A of this Paper.

1.2 *Models of Competitive Neutrality*

The application of the competitive neutrality principles, as expressed in the Application Statement, provides for two separate models of competitive neutrality. These models are referred to as the Full Cost Attribution Model and the Corporatisation Model. Additional information in relation to these two competitive neutrality models is contained in Appendix B.

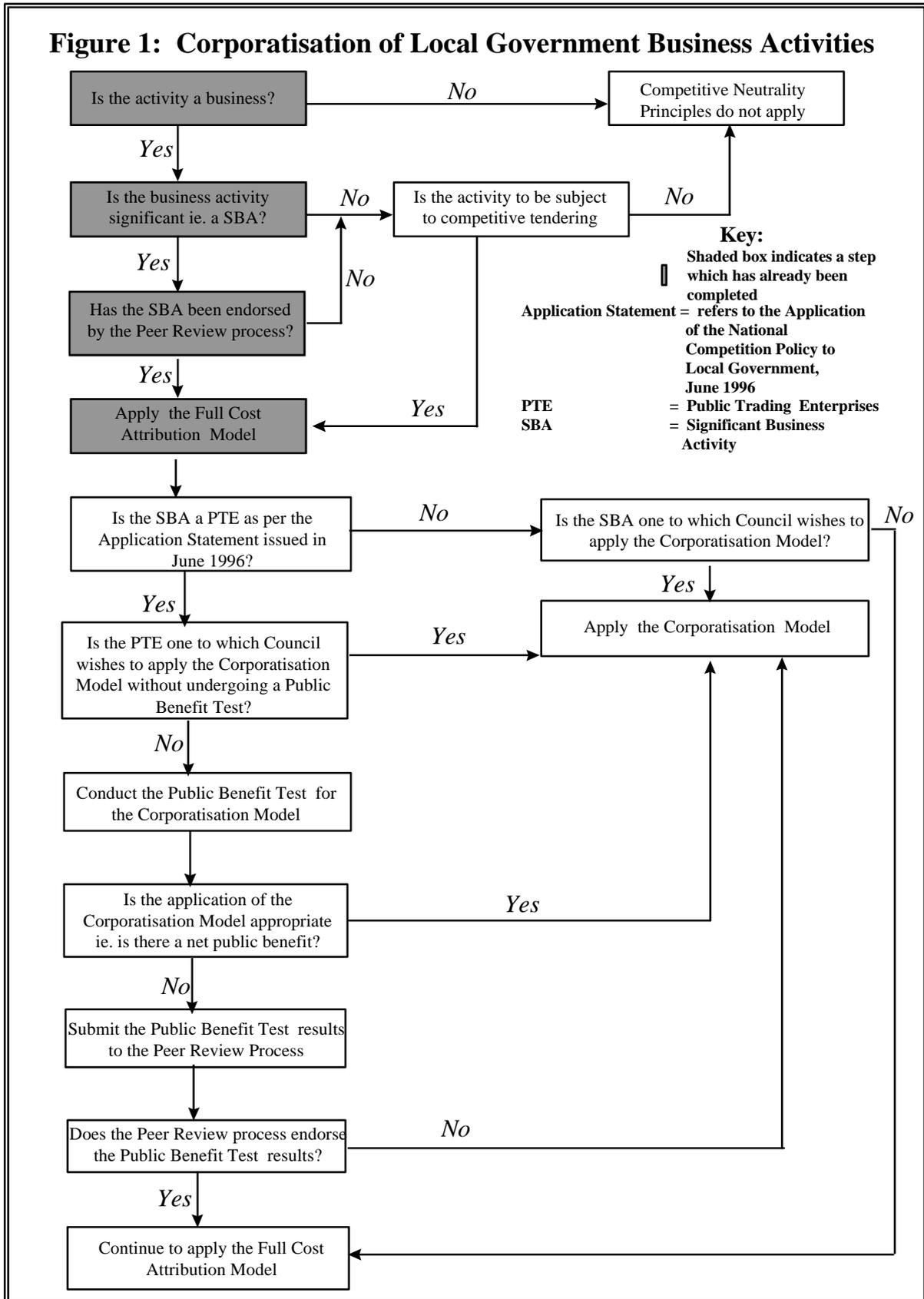
Guidelines have already been issued in relation to the Full Cost Attribution model, namely the *Full Cost Attribution Principles for Local Government*, issued by the Department of Treasury and Finance in June 1997.

The implementation of the Corporatisation Model essentially involves two steps as outlined in the Application Statement. The first step is the public benefit assessment and the second step, given that there is a net public benefit, is the application of the Corporatisation Model to the local government business activity.

Where it is determined that there is no public benefit in adopting the Corporatisation Model, councils are required to continue to apply the Full Cost Attribution Model.

Figure 1 is a simplified decision tree for determining where the application of the competitive neutrality principles is appropriate and whether the Corporatisation Model or the Full Cost Attribution Model is to apply.

Figure 1: Corporatisation of Local Government Business Activities



1.3 Purpose of the Paper

This paper focuses at a strategic level on the general principles underlying corporatisation and the application of the corporatisation framework to local government. The paper aims to promote some common understanding of the “Corporatisation Model” and provide guidance to councils in the implementation of corporatisation.

It should be noted that the Public Benefit Test is not covered in detail in this paper. For further information in relation to the Public Benefit Test, reference should be made to *The Public Benefit Test for the corporatisation of local government Public Trading Enterprises*, issued by the Department of Treasury and Finance in December 1998.

Furthermore, it should be noted that legislative changes to the *Local Government Act 1993* are required to enable the corporatisation model to be implemented. These amendments are presently under consideration by the Government. This paper has been prepared on the basis that the necessary amendments to enable the implementation of the corporatisation model will be effected.

2. What is Corporatisation?

2.1 *Corporatisation Defined*

Broadly defined, corporatisation is the placing of selected publicly-owned enterprises into a position analogous to that of the private sector while retaining public ownership. It involves establishing clear corporate governance and business relationships between the owner and the entity. In this context, “selected” refers to those business activities for which the Public Benefit Test indicates that the advantages of corporatisation outweigh the costs as well as other business activities to which councils choose to apply the corporatisation model without undergoing a Public Benefit Test.

For local government, corporatisation is a structural reform process which changes the conditions under which local government businesses operate, so that they are placed, as far as practicable, on a commercial basis in a competitive environment while allowing a council, as owner, to continue to provide broad direction by setting key financial and non-financial performance targets. The aim of the corporatisation process is to improve the commercial performance of local government businesses and increase the efficiency and effectiveness with which local government delivers its services.

Corporatisation involves the establishment of a separate legal entity to operate a commercial business with the relevant government (in this instance, local government) as its sole shareholder or owner. It does not necessarily involve incorporation under Corporations Law. Tax Equivalents Regimes (TER) established under the *Government Business Enterprises Act 1995* is also extended to apply to corporatised local government business activities. The TER applies to Commonwealth income tax, wholesale sales tax and capital gains tax. It should be noted however, that whilst the Treasurer acts as comptroller for administering the TER to relevant local government business activities, the revenue collected is retained by the owner/s of the business activity, less a minimal administration component.

Corporatisation also results in the removal of tax and rate exemptions, whereby corporatised local government business activities become subject to State taxes. Furthermore, councils are required to impose guarantee fees which reflect the benefit, in terms of lower interest rates, which the business activity derives from the guarantee which is, implicitly or explicitly, provided by the council. Finally, legislation, including regulations and local government by-laws, from which local government business activities are exempt, will be identified, and, where considered appropriate, be amended so as to remove the exemption. Any council policies which have the effect of restricting competition for the business activity must also be reviewed.

While corporatisation is a powerful reform tool to assist councils in improving the performance of their business activities, it is not, however, always a panacea. In some cases, corporatisation is an inappropriate reform which could impose costs in excess of the possible benefits. Therefore, a key step in the corporatisation model is the completion of a public benefit assessment to ensure that there is a net benefit in adopting the Corporatisation Model.

2.2 *Corporatisation Principles*

The five key principles underpinning the Corporatisation Model are:

- clear and non-conflicting commercial objectives;
- management responsibility, authority and autonomy;
- effective performance monitoring by the owner;
- rewards and sanctions related to performance; and
- competitive neutrality.

2.2.1 **Clear and non-conflicting commercial objectives**

Setting clear and non-conflicting commercial objectives for the entity involves defining the core business of the entity and making commercial objectives paramount. This means the maximisation of the value of a council's investment in the entity.

Wherever possible, there should be an appropriate separation of roles to minimise conflicting objectives. The clear specification of commercial and non-commercial objectives, including the separation of policy, regulatory and social functions:

- focuses attention on core commercial and other non-commercial activities;
- clarifies the responsibilities of management; and
- assists in performance measurement, allowing identification of factors that contribute toward poor commercial performance.

Poor specification of objectives provides an excuse for poor performance.

Separation of the supplier and purchaser roles is also essential to provide transparency in decision making and for 'arms length' trading arrangements.

Any non-commercial obligations which participating councils require the business activity to continue to provide should be the product of explicit contracts between the entity and the council. The contract should provide for funding the costs of the non-commercial activities. Where participating councils do not explicitly require a business activity to provide a non-commercial activity, the Board of Directors must be free to make the decision regarding the continued provision of the service.

2.2.2 **Management responsibility, autonomy and accountability**

Applying this principle means appointing commercially-focussed boards with clear responsibility and accountability for the day to day decisions affecting the performance of the business. The board effectively directs and oversees the management of the business and is accountable for its performance.

Management responsibility, autonomy and accountability increases with the adoption of the Corporatisation Model for a local government business. The business requires increased control over its operational affairs and greater independence to maximise commercial performance. However, notwithstanding the degree of autonomy, a local government business will always remain subject to strategic oversight and be fully accountable to a council for its performance.

Accountability and organisational arrangements must be structured to provide clear lines of authority and accountability, whilst at the same time providing appropriate autonomy for the management of day to day operations.

In order for the business to maximise its efficiency in a commercial environment, the appointment of boards which have a strong commitment to maximise the commercial performance of the business is an imperative.

2.2.3 Effective performance monitoring by the owner

As a consequence of more autonomy being given to a business activity's Board of Directors, participating councils effectively have less direct involvement in the management of the business activity and, therefore, must implement a performance monitoring regime as a means of tracking and overseeing the performance of the councils' investment. Furthermore, the performance monitoring regime must be one that is appropriate to the business.

The performance monitoring regime should include both financial and non-financial performance measures that ensure that council's investment in the business is safeguarded. Reporting on historical trends and the business activity's performance relative to industry standards or relevant benchmarks also enhances the interpretation of the business activity's results.

To be most effective, there should be many facets to the performance monitoring regime, including, but not limited to annual reporting, quarterly performance reporting and submission of Corporate Plans for approval/endorsement.

2.2.4 Rewards and sanctions related to performance

A carefully applied system of rewards and sanctions is essential to provide directors and management with the proper incentives to perform. These must be pre-defined against agreed performance targets, understood and strongly applied if they are to motivate the Board and management to maximise the performance of the business.

Sanctions may include tightening the reporting and oversighting arrangements, removing discretion over investment and borrowing decisions, salary reviews and ultimately the termination of employment and replacement of the Board.

2.2.5 Competitive neutrality

The 'competitive neutrality principles' stated under the Competition Principles Agreement require Government businesses to operate without any net competitive advantage simply as a result of their public ownership. For example, this requires the removal of exemptions from certain taxes, a requirement to return a profit or return on investment, no immunity from bankruptcy, similar costs of borrowing as a private sector competitor etc. Additional examples of the potential advantages and disadvantages which a council business activity may enjoy are provided in Appendix A5.

A further discussion on why competitive neutrality is important is contained in Appendix A6.

A summary of the corporatisation principles is set out in Box 1.

Box 1 Summary of Corporatisation Principles

1. Setting of clear and non-conflicting objectives:

- defining core business;
- set precise commercial performance targets;
- negotiate the provision of non-commercial activities; and
- remove policy, advisory or regulatory functions.

2. Providing for managerial responsibility, authority and autonomy:

- appoint Directors with commercial expertise;
- make CEO responsible to Board of Directors; and
- give managers authority to make operational decisions and limit “shareholder” involvement to:
 - defining “core” business activities;
 - determining debt/equity levels; and
 - setting profit and dividend targets.

3. Existence of independent and objective performance monitoring:

- require annual charter and detailed corporate plan; and
- require quarterly profit/loss, balance sheet and cash flow statements.

4. Rewards and sanctions for performance:

- incentives for Directors and Managers to encourage and reward good performance; and
- sanctions for less than acceptable performance.

5. Competitive neutrality vis a vis private sector:

- establish a fair basis of competition with the private sector;
- impose tax equivalents, guarantee fees and requirement to pay dividends; and
- minimise relative differences between the opportunities available to competing business.

3. Corporatisation Framework

3.1 Background

As was illustrated in Figure 1, councils have already undergone the identification of significant business activities (SBAs) and therefore have already identified those business activities to which the Full Cost Attribution (FCA) Model will apply. The FCA Model, however, is only one model of competitive neutrality, the other model being the Corporatisation Model.

3.2 Comparison of Competitive Neutrality Models

The following table provides a summary of the two models and indicates the similarities and differences between each of the models of competitive neutrality.

<i>Characteristics</i>	<i>Full Cost Attribution Model</i>	<i>Corporatisation Model</i>
Management autonomy and responsibility	Very limited	Yes
Separate employing power	No	Yes
Separate planning, reporting and financial powers and duties	No	No
Governing body	General Manager Council Subcommittee optional	Board of Directors
Purpose	Main purpose is to trade in the goods and services it produces May have minor regulatory functions	Main purpose is to trade in the goods and services it produces No regulatory function
Funding	Funded largely from own activities	Funded from own resources
Direct returns to Council	No	Yes
Tax equivalence regime application	Applies for costing purposes but not paid	Yes
Loan guarantee fees	Applies for costing purposes but not paid	Yes
Compliance with private sector regulations	Applied for costing purposes but not paid	Yes
Clear and non-conflicting commercial objectives	Yes	Yes
Performance monitoring	General Manager reports to Council on business unit performance	In accordance with legislative requirements
Rewards and sanctions related to performance	No or limited	Yes
Suggested legislative model	Legislation not required	Local Government Act S 38 Authority
Duties of Governing body	Advisory only	Equates with Corporations Law
Ministerial power of direction	Yes	Limited and must be made transparent

The Hobart Regional Water Authority (Hobart Water) and the Esk Water Authority (Esk Water) provide an example of the Corporatisation Model in operation. That is, the joint authority framework for local government business activities represents the Corporatisation Model in practice.

The *Local Government Act 1993* (the Act) provides two main heads of power which would enable a council to establish a corporation.

Under section 21 of the Act, a council may participate in the formation and operation of a corporation, trust, partnership or other body; hold shares; become a member of a company limited by guarantee; and/or hold units in a trust. Under this scenario, a council could establish a trading activity as a separate entity to the council that would have to comply with the Corporations Law. It is a matter of choice for councils to decide if they wish to adopt the Corporations Law company model.

Currently, the Office of Local Government is reviewing sections of the Act. As a result of the review, it is proposed that section 21 be amended to permit councils to form or participate in the operation of a corporation, trust, partnership or other body. Such an amendment is expected to remove current concerns that a council cannot on its own initiative set up a corporation, trust, partnership or other body.

The other head of power under which councils can establish a corporation is section 38 of the Act. Section 38 enables two or more councils to establish a joint authority.

Section 37 of the Act currently only permits the ringfencing of a business unit. The Office of Local Government are currently reviewing this provision and it is proposed to introduce into the Act the concept of a single authority which would be subject to the same structure and accountability framework as joint authorities. That is, the establishment of a single authority, would be consistent with the joint authority model, but would permit its establishment by one owner council as opposed to the “two or more councils” requirement in section 38.

A summary of the joint authority model, established under section 38 of the Act and the company model as established under section 21 of the Act, appears as Appendix C.

3.3 The framework

The corporatisation framework for local government business activities established as joint authorities in accordance with section 38 of the Act includes the following matters:

- Legal entity, objectives, functions and powers;
- Governance and Accountability Arrangements;
 - ⇒ member councils and their representatives;
 - ⇒ Board of Directors;
 - ⇒ Duties of Directors;
 - ⇒ Chief Executive Officer and Staff;

- Strategic Direction and Planning;
 - ⇒ Charter, corporate plan and statement of corporate intent;
- Financial Affairs and Reporting;
- Financial Returns;
 - ⇒ Tax Equivalents; and
 - ⇒ Dividends and Guarantee Fees.

Adoption of the corporatisation framework requires consideration of the following issues:

3.3.1 Legal Structure

The corporatised entity is established as a separate legal entity, has clearly articulated objectives, and clearly defined functions and powers. A separate legal entity can sue and be sued and, generally, the protection of the Crown is withdrawn. That is, exemptions which it may have previously had from legislation as a result of its government ownership, is effectively removed. This results in an organisation operating in an environment identical to that of the private sector, albeit that the councils remain the owners.

A joint authority established under section 38 of the Act is a body corporate and has the powers and functions specified in its rules. The rules of a joint authority established under section 38 must provide for:

- the membership of the joint authority;
- the term of office and remuneration of members of the joint authority;
- the proceedings of the joint authority;
- financial contributions to the joint authority by the participating councils;
- the functions and powers of the joint authority;
- the rules of conduct of the business of the joint authority;
- the manner in which property of the joint authority is to be distributed in the event of it being wound up;
- the withdrawal of a participating council from membership of a joint authority;
- the proportions in which the participating councils are to be responsible for the liabilities of the joint authority in the event of its insolvency;
- accounts and audit to be carried out in accordance with the *Financial Management and Audit Act 1990*; and
- any other prescribed matter.

Furthermore, in the case of a joint authority to which Part 3A - Payments by Joint Authorities applies (that is, certain provisions of the *Government Business Enterprises Act 1995* applies) the rules must provide for:

- dividends payable by the joint authority in respect of the results of the financial transactions of the authority during each financial year;
- the method by which payments received from the Treasurer and comptroller under Part 3A are to be distributed between participating councils; and
- the method by which a comptroller is to be appointed for the purposes of Part 3A and the requirements for any such appointment.

Under section 38 of the Act, two or more councils can establish a “joint authority”. Hobart Water and Esk Water are two examples of such entities where a number of councils have joined resources together to operate an essential service for their ratepayers.

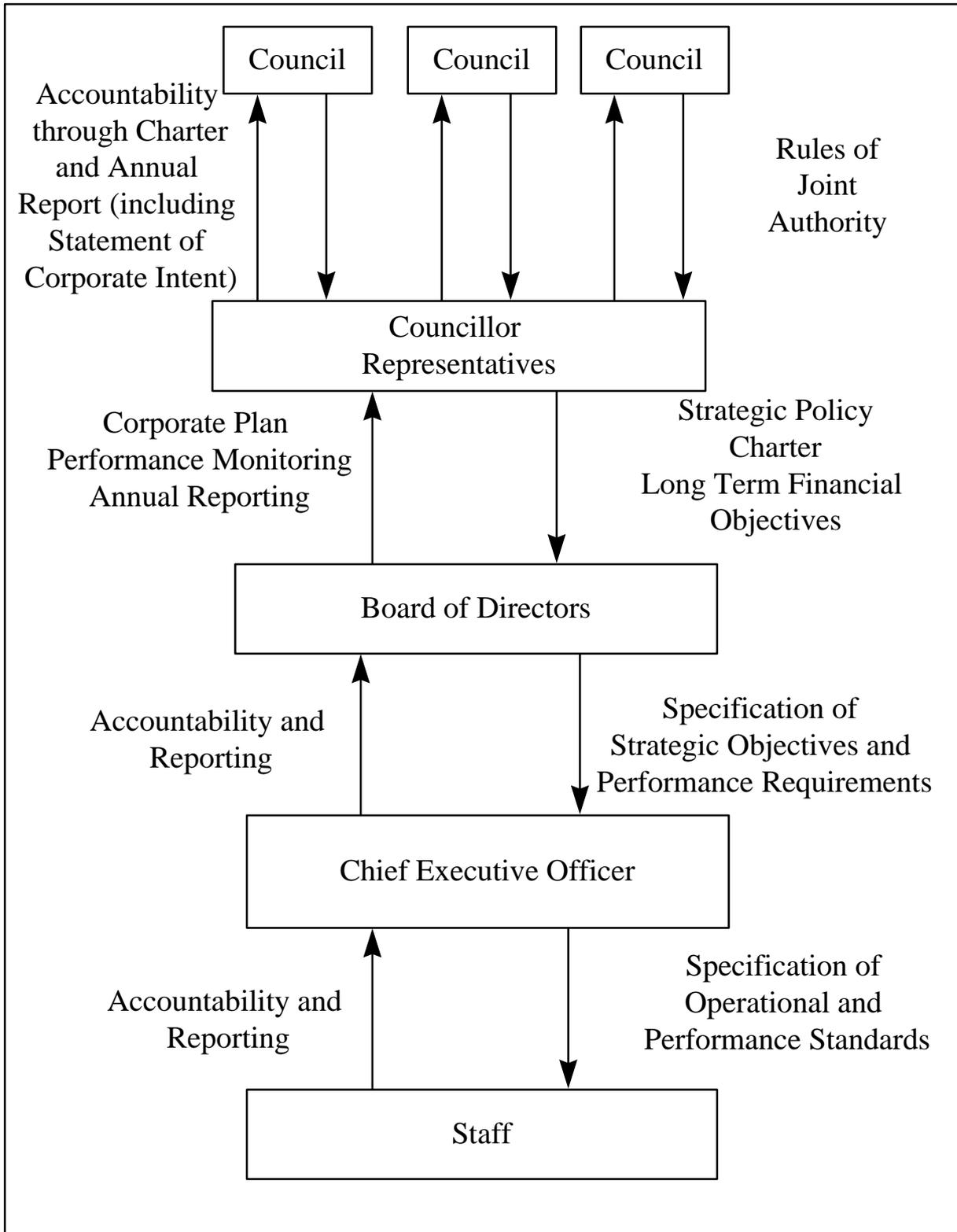
3.3.2 Governance and Accountability Arrangements

Clarification of the ownership role is a central issue in applying the Corporatisation Model to local government business activities. As far as possible, corporate governance structures should minimise the risk that conflicting commercial and non-commercial objectives undermine performance.

Figure 2 provides an overview of the accountability framework for local government business activities using the Joint Authority.

The joint authority structure used for Hobart Water and Esk Water provides a clear separation of the ownership and managerial roles.

Figure 2 - An Overview of Accountability Framework for Local Government Business Activities Corporatised using a Joint Authority Model



Representatives of member councils and the Board of Directors constitute the joint authority. The role of representatives of member (or participating) councils is to act as shareholders do in the case of corporations. These representatives act as owners, appoint the Board and monitor performance. The representatives refer only major policy matters to the member councils and report agreed information. The Board of Directors reports on performance against targets set by representatives of owner councils. The member councils agree on the role and functions of the corporatised business, the scope of the business and any community service activities to be undertaken.

The success of corporatisation is highly dependent on the professional skills, experience and commitment of the Board of Directors. It is critical that the Directors should not have a conflict of interest which may impede or influence their decision making for the organisation. To assist in the achievement of an impartial Board, an appropriate selection process for the Board of Directors is essential. Directors should be appointed on the basis that they possess the appropriate commercial skills and experience, both in terms of nature and quality, for the business activity concerned, and that the appointment creates a well balanced Board with the necessary range of skills and experience.

To enhance the independence of the Board of Directors, it is recommended that a Board number no less than five members, and Councillors should not be appointed to the Board of Directors. This will help to prevent conflicts of interest for Councillors 'wearing two hats'.

Directors have a duty to:

- act honestly;
- exercise due care and diligence;
- prevent insolvent trading; and
- declare to the Board where they have an interest or conflict of interest in matters discussed by the Board.

In addition to a Board of Directors, the Corporatisation Model includes the appointment of a Chief Executive Officer (CEO). The CEO is appointed by, and is responsible to, the Board of Directors and performs any functions and exercises any powers delegated to the CEO by the Board.

The Corporatisation Model also permits the corporatised business activity to have its own powers of employment and not be subject to those of the owner councils(s). Adoption of the Corporatisation Model requires transitional decisions to be made concerning the treatment and recognition of any continuing employee entitlements, such as superannuation, annual leave and long service leave liabilities.

3.3.4 Strategic Direction and Planning

The most favoured mechanism for enabling owner councils to have influence, whilst minimising owner interference in the management of the corporatised activity, is through the use of a Charter, a Corporate Plan and a Statement of Corporate Intent.

The Charter

The Charter specifies the broad policy expectations of the council(s) for the business activity and any associated subsidiaries over a period and the means by which the performance of the business activity will be measured. It effectively represents a contract between the owner council(s) and the Board of Directors which covers such matters as:

- the objectives of the business activity, including any community service activities;
- the broad scope of its activities;
- its key financial parameters;
- financial and service performance targets; and
- the liability of the business for the same State and Local Government taxes, charges and regulations as for a private sector competitor.

The Corporate Plan

The Corporate Plan typically covers a period of three years to provide a longer term focus for the business. The Corporate Plan generally:

- identifies the nature of the business;
- provides an assessment of the business environment;
- identifies key risks and strategies to be adopted to address these risks;
- contains a summary of the projected financial results of the current financial year and three years following, a summary of the financial results of the preceding financial year, and an estimate of any likely dividends;
- includes a Statement of Corporate Intent; and
- specifies the undertakings and assets of the business.

The Corporate Plan should be consistent with and reflect the expectations of the Charter. Representatives of member councils should have a review and approval function in relation to the Corporate Plan to ensure that it is consistent with the Charter. Once the council(s) has endorsed the Corporate Plan of the business activity, the Board of Directors is free to manage and direct the business in a manner consistent with the approved Corporate Plan.

The Statement of Corporate Intent

The Statement of Corporate Intent represents a summary of the Corporate Plan but does not disclose any information which may be commercial in confidence. The Statement of Corporate Intent typically is a public document and informs council members and the general public of the purpose and intent of the council business activity.

3.3.5 Financial Affairs and Reporting

The Corporatisation Model requires the business activity to keep proper records of accounts, such that the results of the business activities are properly documented. Compliance with Australian Accounting Standards is compulsory, as well as the preparation of audited annual financial statements. These annual audited financial statements, which should be required to be reported in a timely and efficient manner (typically 60 days after the end of the financial year), should be presented to the council at the business activity's annual general meeting.

The corporatised business activity, in accordance with the performance monitoring regime agreed to in the Charter, should also report to council on a regular basis. It is recommended that, as a minimum, councils receive performance information both in terms of financial and non-financial performance measures, on a quarterly basis. Additional information in the form of an overview of the strategic issues facing the business activity during the forthcoming quarter could also be provided.

As a separate legal entity, the corporatised business activity will have its own power to invest, divest and borrow for its operations. However, whilst it is a separate publicly owned legal entity, the business activity will still be subject to the Loan Council borrowing allocation limits.

3.3.6 Financial Returns

A substantial part of the competitive neutrality issues which relate to government activities involve eligibility for exemption from Commonwealth taxation regimes. To ensure equity with private sector participants, the Corporatisation Model requires the adoption of a taxation equivalent regime, a guarantee fee regime and a dividend regime.

The Corporatisation Model as applied to the two joint water authorities, Hobart Water and Esk Water, includes a taxation equivalent regime (TER) and a guarantee fee regime consistent with that applied to the State's Government Business Enterprises. However, to ensure that local government receives the benefits from the adoption of the Corporatisation Model, the Treasurer acts as comptroller for the regimes and, net of a minor administration fee, returns the balance of the money collected to the participating councils based on a distribution arrangement and at such times as are negotiated and agreed between the participating councils. These arrangements are reflected in the Rules of the joint authority.

To ensure consistency of these regimes (TER and guarantee fees) across local government, it is recommended that a similar arrangement regarding the administration and distribution of the money collected be adopted when applying the Corporatisation Model to local government business activities where corporatisation is considered appropriate.

Participating councils should have an expectation of the corporatised business activity returning dividends from profitable dealings to them as compensation for the risks associated with investing capital in the business. As part of the competitive neutrality principles, councils need to impose on the business activity a dividend payment regime. The participating councils should define any dividend expectations of the corporatised business activity through the Charter.

Synonymous with the definition of dividend expectations from participating councils, is the

requirement for the Board of Directors to define an appropriate capital structure (debt to equity mix) for the business. The debt to equity mix is a key factor influencing the rate of return on the participating council's investment. The Board of Directors should review and recommend to participating councils what it considers to be an appropriate capital structure. Thereafter, the Board of Directors should regularly review the capital structure, to ensure that as the business matures, the market grows and economic circumstances alter, the capital structure continues to be appropriate.

Box 2 Summary of Benefits and Costs of Corporatisation

Benefits

- Commercial focus
 - allows application of commercial business thinking
 - governance structure and members
 - planning and performance review
 - investment decisions
- Cultural change
- Ability to set employment policies
- Financial reporting system focussed on business needs
- Enables council to focus on core policy and regulatory activities

Costs

- Costs of implementation
 - incorporation
 - legal and tax advice
 - establishment of corporate image
 - information systems
- Costs of maintaining structure
 - Board fees
 - compliance fees (accounting, tax, audit etc.)
 - performance monitoring
- Employee issues
 - separation of council staff into client and provider roles
 - may have fear of performance measurement
 - fear of competition

4. Corporatisation Issues

4.1 Public Benefit Assessment

In accordance with the *Application of the National Competition Policy Statement to Local Government* (the Application Statement), councils are required to:

- undertake public benefit assessments of the corporatisation of those business activities which are classified as Public Trading Enterprises (PTEs) under the Australian Bureau of Statistics' Government Financial Statistics Classification as outlined in the Application Statement; and
- corporatise those PTEs where a public benefit assessment indicates that the benefits outweigh the costs of doing so.

Councils may consider business activities other than PTEs for corporatisation, if they choose.

Where a council has already identified that it wishes to corporatise a business activity, whether or not it is classified as a PTE, there is no need to undertake a public benefit assessment for the corporatisation model implementation.

Whilst more detail is provided in the paper, *The Public Benefit Test for the corporatisation of local government Public Trading Enterprises*, issued by the Department of Treasury and Finance in December 1998, Box 2 provides a brief summary of the benefits and costs of Corporatisation.

4.2 Business Issues

In conjunction with the public benefit assessment, there is a range of factors that need to be researched and/or considered when evaluating the use of the Corporatisation Model. The factors include:

- the purposes of the business activity;
- whether the business activity needs to be retained within local government ownership;
- the level of management autonomy and accountability required;
- the comparable structures of competing organisations;
- the structure that will best facilitate maximum efficiency and effectiveness for the delivery of the good or service provided by the business activity;
- the size of the business activity;
- whether there needs to be a legal separation of the section undertaking the business activity from the purchasing council (separation of the purchaser and provider functions);
- whether the business activity can be separated from any regulatory function; and
- whether there are any synergies or economies of scale to be gained.

Figure 3 illustrates the impact of four of these factors in selecting the appropriate organisational model: contestability, regulatory role, size and the degree of independence.

Figure 3 - Factors influencing selection of an organisational model for a local government business activity

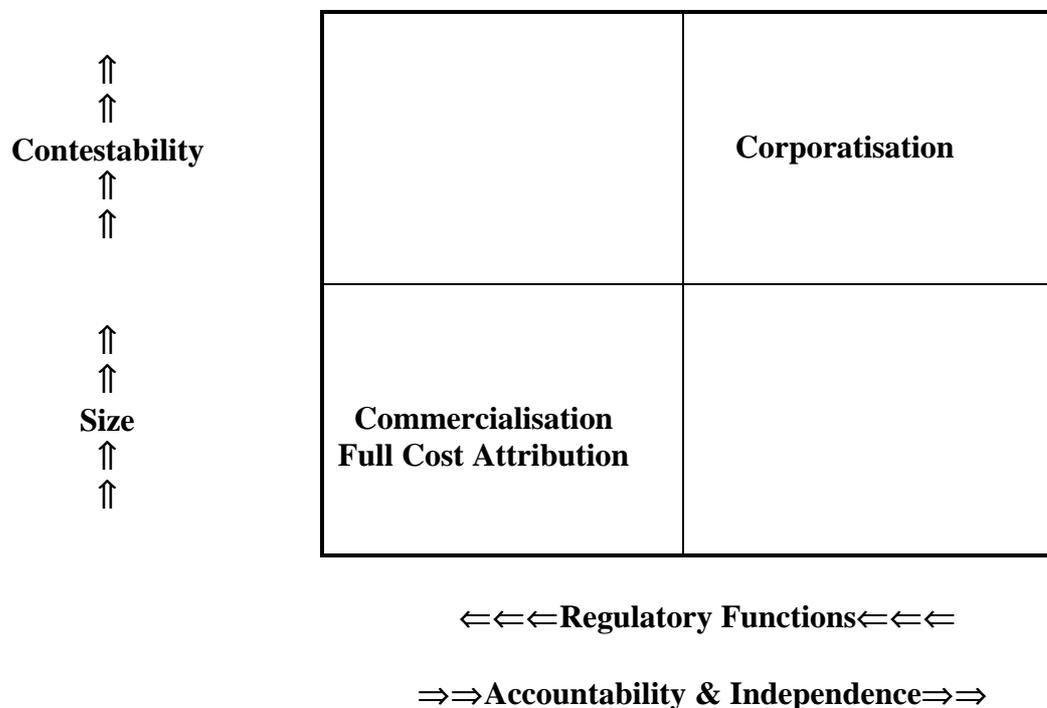


Figure 3 demonstrates that, as the size of the business activity increases, the contestability of markets within which it operates grow, its regulatory functions are removed and it is given greater independence, it moves closer to the corporatisation model.

4.2.1 The purpose of the activity

Consideration must be given as to what is the purpose of the business activity. Does the business activity deal in a competitive market or potentially competitive market? Does the business activity provide an opportunity for profit making? Or does the activity really provide more of a regulatory function, with only a small potential for true commercial activities? When determining responses to these questions, a long term view should be considered to ensure that future developments in a market are not excluded from consideration.

4.2.2 Whether the business activity needs to be retained within local government ownership

Is it a long-term objective to retain the business activity in council ownership, or would the private sector provide a better or more efficient service? Whilst delivery of a service may ultimately be performed by the private sector, is the activity one the council would still like to control? That is, should the service delivery be contracted to the private sector but with council still being accountable for the service delivery, or is it an activity that ultimately council does not require any influence over and it would be better delivered by the private sector?

4.2.3 The level of management autonomy and accountability required

Is a full Board of Directors required to manage the business activity or is only an advisory board or subcommittee of council necessary? If council requires the Board of Directors to be fully accountable for the performance of the business activity, then the Board of Directors must also be given the autonomy to manage the business on a commercial basis.

4.2.4 The comparable structures of competing organisations

A business structure identical to that of competitors may only put the business on the same footing as its competitors and may limit any innovative opportunities to differentiate the business' products and/or services from its competitors. However, often it also is a good indicator of a structure that operates efficiently in the industry concerned. Therefore, both the benefits and disadvantages of competitors' structures should be considered before deciding the appropriate method of structuring the business.

4.2.5 The structure that will best facilitate maximum efficiency and effectiveness

This point should be considered in parallel to the structure of competing organisations.

4.2.6 The size of the business activity

If a business activity is not large enough to support the full Corporatisation Model, then adopting the Model could be inappropriate. Implementation of the Corporatisation Model can entail some costs, both in the establishment and its ongoing operation. To impose the Corporatisation Model on a small operation may not produce sufficient benefits to outweigh the associated costs.

4.2.7 The need for legal separation

Legal separation may not be warranted in some circumstances, whereas in other instances there could be considerable benefits from establishing a business activity as a separate legal entity.

4.2.8 Separation of the business activity from any regulatory function

It may not always be possible, or easy, to separate the business activity from any regulatory activity, depending on the nature of the activity. Alternatively, some legislative amendments may be required to facilitate the separation, thereby enabling the business activity to focus on its core business without the financial impost of the non-profitable regulatory activities.

4.2.9 Synergies and economies of scale to be gained

There may be synergies or economies of scale to be gained by conducting complementary activities within the one organisation or across a number of councils. Alternatively, it may be appropriate to separate activities which may have little or no common directions and/or goals. By best structuring the activities in this manner, a Board of Directors and management team appropriate for the particular business activities, can be appointed.

It is vital that, when considering the application of the Corporatisation Model, all of these factors are taken into consideration. Otherwise, the reform undertaken may only have a short-term perspective and deliver an inappropriate reform model. Furthermore, consideration of these issues should be an ongoing exercise, such that the business activity's structure is continually monitored for its degree of appropriateness in light of current circumstances and conditions.

4.3 Practical Corporatisation Issues

A summary of the practical corporatisation issues which councils will face when implementing the Corporatisation Model is outlined in Box 3.

4.4 Additional costs

The implementation of the Corporatisation Model will incur additional costs. These include the costs of:

- separate incorporation;
- legislative and regulatory amendment;
- governance;
- changes to management systems and processes and meeting private sector accounting standards;
- obtaining information and undertaking analysis to assess appropriate levels for tax equivalents, debt guarantees etc; and
- compliance and monitoring of compliance.

Some of the additional costs are transitional or transactional, that is, they are incurred as “one-off” during the reform process (eg changes to management systems and processes). Other costs are permanent extra charges associated with corporatisation (eg governance costs associated with a new Board of the entity, the preparation of corporate plans and general compliance requirements).

Box 3 Summary of Practical Corporatisation Issues

- Determine the activities that form the best business mix
 - synergies and focus
 - economies of scale
 - long term value of business kept in mind
- Define corporate governance arrangements
 - clarity in the charter and corporate plan
 - clarify owner/ Board/ management roles and responsibilities
- Set up appropriate costing systems
- Deal with market perceptions about “level playing field” if competing
- Determine policies regarding asset, liability and equity transfers
 - what assets and liabilities are to be transferred?
 - should assets be owned or leased?
 - employee entitlements
 - what is an appropriate debt/ equity mix and what Return On Equity should be applied?
 - what is an appropriate dividend policy
- Continually identify CSA’s

5. Implementing Corporatisation

5.1 Implementation Checklist

Following is a series of checklists which will assist councils in implementing the Corporatisation Model. The checklists are designed as a series of “memory jolts” with check boxes to guide councils through corporatisation. Whilst not all matters identified will apply in all instances, the checklists will ensure that, at a minimum, the matters identified have been considered. Thereafter, councils will determine whether the issue is relevant, applicable and/or requires any action to be taken.

5.1.1 Legal Structure

Issue	Issue Considered	Action Taken
• Is enabling legislation necessary or does current legislation permit the proposed structure?		
• Is a business name registration necessary?		
• Are any trademarks/patents/copyrights required to be established?		
• Has consideration been given to transferring/establishing licensing arrangements (eg computer software)?		
• Are service agreements/licenses/leases required to formalise any undocumented arrangements?		
• Is Ministerial approval required?		

5.1.2 Governance Arrangements

Issue	Issue Considered	Action Taken
• Have the entity’s objectives and core functions been clarified?		
• Have the powers and functions of the separate Board of Management and the Chief Executive Officer been clearly articulated ?		
• Has a set of Rules of Operation or Constitution been prepared?		
• How much autonomy is management to be given?		

5.1.3 Strategic Direction and Planning

Issue	Issue Considered	Action Taken
<ul style="list-style-type: none"> • Has a Statement of Corporate Intent, outlining the entity's mission and objectives, main undertakings, scope and scale of operations, accounting policies, capital structure, performance indicators and targets etc, been prepared? 		
<ul style="list-style-type: none"> • Has a preliminary corporate plan, spanning three years, and confirming the viability of the entity been prepared? 		
<ul style="list-style-type: none"> • Is a Business Plan covering one year required? 		
<ul style="list-style-type: none"> • Have service contracts between the council and the entity been based on competitive neutrality principles? Do these contracts limit competition or institute exclusive arrangements (unless only for a limited period)? 		
<ul style="list-style-type: none"> • Are all regulatory functions to be removed from the current activity? 		
<ul style="list-style-type: none"> • Are there any Community Service Activities (CSAs) inherent in the business activity and if so, are they still required? 		
<ul style="list-style-type: none"> • If CSAs are required to continue, are there suitable and appropriate funding arrangements to ensure transparency? 		

5.1.4 Financial Affairs and Reporting

Issue	Issue Considered	Action Taken
<ul style="list-style-type: none"> • Are performance measures applicable and monitoring arrangements in place? 		
<ul style="list-style-type: none"> • What reporting requirements are to be applied, how frequently and in what format? 		
<ul style="list-style-type: none"> • Does the entity have its own powers to borrow and invest, or are appropriate measures in place for this? 		
<ul style="list-style-type: none"> • Has an appropriate debt to equity ratio been determined? 		
<ul style="list-style-type: none"> • Have appropriate accounting/costing/management systems been determined and established? 		
<ul style="list-style-type: none"> • Are separate banking systems required? 		

Issue	Issue Considered	Action Taken
<ul style="list-style-type: none"> • Have any necessary funding arrangements been determined? 		
<ul style="list-style-type: none"> • Has the transfer of necessary property rights and liabilities been identified and invoked? 		
<ul style="list-style-type: none"> • Have any necessary human resource policies been determined and established? 		
<ul style="list-style-type: none"> • Is there ability to assign or novate any pre-existing contracts? 		
<ul style="list-style-type: none"> • Has consideration been given to risk management issues (eg insurance and liabilities for future claims)? 		
<ul style="list-style-type: none"> • Are separate accommodation arrangements desirable? 		

5.1.5 Financial Returns

Issue	Issue Considered	Action Taken
<ul style="list-style-type: none"> • Has a commercial rate of return on assets been established for the business? 		
<ul style="list-style-type: none"> • Has a dividend policy, based on an agreed percentage of after tax profit, been established? 		
<ul style="list-style-type: none"> • Has an appropriate capital structure (mix of debt to equity) been considered within a reasonable commercial range? 		
<ul style="list-style-type: none"> • Has the application of a tax equivalent regime (income tax and wholesale sales tax) been considered? 		

5.1.6 Transitional Arrangements

Issue	Issue Considered	Action Taken
<ul style="list-style-type: none"> • Is there a strategy in place to ensure any cultural changes are properly articulated? 		
<ul style="list-style-type: none"> • Is retraining necessary? 		
<ul style="list-style-type: none"> • What is the impact on employee entitlements (eg unused long service leave, annual leave and sick leave) and award conditions? 		
<ul style="list-style-type: none"> • What is the impact on employee superannuation arrangements? Are new arrangements required? 		
<ul style="list-style-type: none"> • Is any marketing strategy required to advise the community of the new focus and/or arrangements and how it impacts on their dealings with council? 		
<ul style="list-style-type: none"> • Has the public benefit test been undertaken and properly documented? 		
<ul style="list-style-type: none"> • Have all relevant interest groups been consulted? 		
<ul style="list-style-type: none"> • Has all necessary legal and tax advice been received and considered? 		
<ul style="list-style-type: none"> • Have policy, planning and regulatory functions been reviewed and separated wherever possible so as to be delivered by other sections of council? 		

5.3 Timetable for Implementation

The following timetable for implementation of the corporatisation model for local government businesses has been agreed between State and local government in mid-1998.

From 1 November 1998

Councils to commence public benefit assessments of the corporatisation of PTEs.

Where a decision has already been made to corporatise a PTE, implementation of corporatisation to commence.

By 31 January 1999

Councils submit their first NCP report to the Department of Treasury and Finance.

By 30 March 1999

Councils submit public benefit assessments to peer group for review where assessment indicates that corporatisation is not in the public interest.

By 31 May 1999

Peer group reviews of public benefit assessments completed and advice provided to the Treasurer.

By 30 June 1999

The Treasurer advises his decision on public benefit assessments.

From 1 July 1999

PTEs for which no public benefit assessment was undertaken must be fully corporatised.

Implementation of the corporatisation process in respect of other selected business activities to be commenced.

From 1 July 2000

For those PTEs which the public benefit test indicated corporatisation should be applied, full corporatisation process must be completed.

APPENDIX A - BACKGROUND MATERIAL

A 1 Background on NCP

At the April 1995 Council of Australian Governments (COAG) Meeting, Heads of Government signed a number of agreements designed to boost the competitiveness and growth prospects of the national economy into the future. The Agreements gave effect to many of the recommendations contained in the Hilmer Report on National Competition Policy (NCP), which was released in August 1993. One of these Agreements was the Competition Principles Agreement (CPA).

The CPA effectively committed Governments to progressing micro-economic reforms in a wide range of areas in accordance with a set of well-defined principles.

The principles included in the CPA require:

- consideration to be given to the introduction of a regime to oversee prices charged by Government Business Enterprises (GBEs) that are monopoly, or near monopoly, suppliers of goods or services;
- government businesses to operate such that they do not enjoy any net competitive advantage simply as a result of their public ownership;
- the conduct of an independent review before either privatising, or introducing competition to, a traditional monopoly;
- the review and, where the Government considers it appropriate, the reform by the year 2000 of all legislation that restricts competition; and
- consideration to be given to introducing a legislated right for third parties to negotiate access to essential infrastructure facilities.

A 2 Application of NCP to Local Government

Clause 7(1) of the CPA specifies that the principles set out in that Agreement are to apply to Local Government, notwithstanding that Local Governments are not signatories to the Agreement. Furthermore, each State and Territory Government is responsible for applying these principles to Local Government.

The Agreement requires each State and Territory Government to publish a statement specifying the application of the competitive neutrality, structural reform and legislative review principles to particular Local Government activities and functions. In accordance with this requirement, the Government of Tasmania issued the Application Statement in June 1996.

A 3 Progress to Date

A number of steps have been taken in the Local Government sector in respect of implementing the NCP reforms. These include:

- publication of the Application of the National Competition Policy to Local Government;
- publication of the Full Cost Attribution Principles for Local Government;
- identification of significant business activities (SBAs);
- peer review of SBAs undertaken;
- nomination of activities to which Full Cost Attribution will be applied; and
- Full Cost Attribution applied to the SBAs.

Progress has also been made with the application of the Corporatisation Model to the Local Government sector. The Hobart Regional Water Authority (Hobart Water) and Esk Water Authority (Esk Water) are two examples of corporatised Local Government entities.

Whilst some progress has been made, there is the potential for a wider application of the Corporatisation Model. Councils should investigate, wherever possible, opportunities for the application of the Corporatisation Model and undertake public benefit analysis of its application.

A 4 Background to the current timetable for implementation of the corporatisation model

In June 1996, the Tasmanian Government published a policy statement, entitled *Application of the National Competition Policy to Local Government* (Application Statement), on the application of the CPA principles to particular local government activities and functions in this State. The Application Statement was developed in close consultation with local government, as required by the CPA, and there is ongoing consultation with local government regarding its implementation. It specified the application of the competitive neutrality, structural reform and legislative review principles to particular local government activities and functions.

The Application Statement contained a staged approach to the application of the competitive neutrality principles to local government which involved, as a first step, the implementation of full cost attribution (FCA) to significant local government businesses by 1 July 1997. Under FCA, local government is required to separately attribute to its significant business activities the full costs of production, including:

- State, Commonwealth and local taxes;
- loan guarantee fees;
- full indirect as well as direct costs (including corporate overheads and a component for a return on capital); and
- the cost of complying with the regulations that apply to the private sector.

The FCA stage was to be followed, where appropriate, by the application, by 1 July 2000, of the corporatisation model, to significant local government business activities.

This staged approach to the implementation of competitive neutrality was developed to assist local government adjust to the significant changes that were expected to arise from the movement to FCA before embarking on the more involved process of assessing whether to continue to corporatisation.

During the initial stage of implementation of the competitive neutrality principles, Tasmanian councils were required to provide the then Minister for Finance with a list of significant business activities, together with an explanation of the basis for selection. This list was provided by 31 December 1996 as required by the Application Statement.

The second stage of implementation required the lists of significant business activities to be reviewed by a “peer group” (established by the Local Government Association of Tasmania (LGAT) in conjunction with Treasury), in order to recommend to the then Minister for Finance, by 31 March 1997, whether the lists should be accepted or amended. An information package containing the recommendations from the peer group on the significant business activities of Tasmanian councils was provided to the then Minister for Finance on 11 April 1997 by the LGAT.

The application of NCP to local government was temporarily suspended in May 1997 as a result of the former Government's proposed local government amalgamation program. Councils are now beginning to refocus on these issues.

Officers from Treasury recommenced negotiations with local government in mid-1998 in relation to an updated agreement on the application of NCP to local government, incorporating a revised implementation timetable pending the finalisation of council amalgamations. A draft agreement was discussed at a meeting of local government general managers on 18 June 1998. This was subsequently revised, based on the comments made by council representatives, and approved by the Local Government Association of Tasmania (LGAT) General Management Committee on 30 July 1998. The resultant timetable is provided in Chapter 5 of this paper.

Despite the new Government's decision not to proceed with the council amalgamation process, it is still necessary to proceed with the application of NCP to local government. Preliminary discussions with the LGAT have suggested that the agreement and the revised implementation timetable are still appropriate, especially in relation to the implementation of the corporatisation process.

A 5 Potential Advantages and Disadvantages resulting from council ownership

Potential Advantages

- Exemptions from Commonwealth, State and Local taxes;
- No requirement to return a profit, a return on investments or interest on internal borrowings;
- Tied clients and the opportunity to cross-subsidise commercial operations from council funded departmental activities;
- Immunity from bankruptcy and the threat of take-over;
- Exemptions from various Commonwealth and State legislation applicable to private sector equivalent entities;
- Access to various corporate overheads free of charge or at reduced rates, including office accommodation, payroll services, human resource services, and marketing and information technology services;
- Cheaper costs of borrowing, where the business is perceived as being backed by an explicit or implicit council borrowing guarantee; and
- Preferential input to tender specifications.

Potential Disadvantages

- Difficulty in accessing taxation benefits of depreciation, investment allowances and other deductions (e.g. through the transfer of taxation losses);
- Public sector award conditions and higher public sector superannuation contributions;
- Lower degree of managerial autonomy, due to the requirement to comply with council directives;
- Higher accountability costs given the public sector's reporting and regulatory requirements;
- Lack of flexibility in reducing or restructuring corporate overheads;
- Constitutional and legal constraints, e.g. being subject to Freedom of Information and Ombudsman legislation;
- Lack of direct access to capital markets; and
- Requirement to undertake non-commercial activities.

A 6 Why is competitive neutrality important?

The fundamental objective of the competitive neutrality principles is to promote resource use efficiency in business activities. In particular, the principles seek to ensure that resources are not misallocated by virtue of systemic distortions in the regulatory and pricing arrangements of government businesses arising from their public sector ownership. As a result, the community stands to secure social and financial benefits.

Where competitive neutrality arrangements are not in place, resource allocation distortions can occur because prices charged by Government businesses may not fully reflect the resource costs. Consequently, this can distort decisions on production and consumption, for example, where to purchase goods and services, and the mix of goods and services provided by the Government sector. In turn, these decisions can distort investment and other decisions of private sector competitors.

Competitive neutrality means more efficient use of limited economic resources. With government businesses operating along similar lines to the private sector, all markets within the economy that depend on those businesses for services can function more efficiently. Ultimately, more efficient use of resources means lower costs and/or improved services to consumers.

Competition allows clients and suppliers to deal directly with each other to establish the value that goods and services represent. Clients have the ability to choose the service provider and to vary the scope and level of demand while service providers must subject the quality of products and services and prices offered to a contestable market.

The general aim of the National Competition Policy is to promote free and open competition where this is in the public interest, which in turns increases efficiency and productivity throughout the economy.

Competition, if properly harnessed, can provide substantial benefits to all areas of the economy:

- to consumers - through lower prices, more product choice and better service;
- to business - through cheaper inputs, better service from input suppliers, greater choice of suppliers and access to improved technology, all of which lead to greater competitiveness;
- to councils - through increased revenue from an expanding economy, lower expenditure and improvements in council services; and
- to the economy as a whole - through lower inflation, increased growth, greater investment, a greater choice of jobs and improved standards of living.

APPENDIX B - TWO MODELS OF COMPETITIVE NEUTRALITY

As outlined in the Application Statement, there are two separate models of competitive neutrality. These are:

- the Full Cost Attribution Model; and
- the Corporatisation Model.

The Full Cost Attribution Model enables a council's business activity to focus more on its commercial activities, whilst not necessarily departing from the traditional council structure.

The key features of the FCA Model compared to the Corporatisation Model are provided in Table 1.

B 1 The Full Cost Attribution Model

The Full Cost Attribution (FCA) Model requires councils to recognise the full cost of their significant business activities consistent with them being subject to the same requirements as the private sector. That is, accounting for indirect as well as direct costs, inclusion of overheads, rents and a component for return on capital.

It is also desirable, when applying FCA, to separate policy and regulatory functions from operational or service delivery functions to remove conflicts of interest, or regulatory advantage of business activities over their private sector competitors. Whilst ring-fencing activities to achieve this separation is ideal, in some instances the separation may be limited to merely an accounting separation.

For further information on the principles of the Full Cost Attribution Model reference should be made to the *Full Cost Attribution Principles for Local Government*, issued by the Department of Treasury and Finance in June 1997.

It should be noted that where a council competitively tenders an activity and permits an in-house bid, FCA must be applied to the in-house bid.

B 2 The Corporatisation Model

Corporatisation involves establishing a separate legal entity to run a commercial business with the relevant government as its sole shareholder/owner. The form of corporatisation proposed for local government business activities, where net public benefits have been identified, is a joint authority under the *Local Government Act 1993*, and not a company under Corporations Law. Adoption of the company model is at each council's discretion.

More specifically, the Corporatisation Model requires that, where appropriate:

- the business activity be corporatised;
- full Commonwealth, State and Territory taxes or tax equivalent systems be imposed;

- debt guarantee fees, which are directed towards offsetting the competitive advantages provided by government guarantees on borrowings, be imposed; and
- those regulations to which private sector business are normally subject be imposed on an equivalent basis to private sector competitors.

If this has not already occurred in the application of FCA, there will also need to be a separation of policy and regulatory functions from operational or service delivery functions.

APPENDIX C - TWO MODELS OF CORPORATISATION

C 1 Joint Authority Model

Description of the model

A Joint Authority satisfies the requirements of the corporatisation model under the competitive neutrality principles.

Characteristically this model will apply to a business activity:

- where a legal separation of the purchaser/provider roles is essential;
- the activity is large;
- the most efficient and effective provision of the service requires a high degree of management autonomy;
- there are no regulatory functions associated with the service delivery and there is to be a clear commercial focus; and
- the application of the full corporatisation model under the NCP is appropriate.

Accountability and management of the Joint Authority

A Joint Authority will be headed by a Board which has overall responsibility for the effective operation of the Joint Authority. The Board will be responsible for:

- establishing, in conjunction with the participating councils, the strategic policy directions of the Joint Authority, the objectives, nature and scope of the Joint Authority 's activities, including any non-commercial components; and,
- ensuring any approved non-commercial activity (CSA) is made transparent by way of a contract and specific funding.

The appointment of the Board rests with the participating councils and should comprise people with an appropriate mix of skills. The Directors will have a similar level of skill and the same level of responsibility as Directors appointed in accordance with the Corporations Law. The participating councils, upon the recommendation of the Board, will also appoint the CEO who will be responsible for the management of the Joint Authority.

The participating councils will provide the Board with a Charter for the Joint Authority. The Board will report regularly to the participating councils through the performance monitoring, planning and reporting processes.

The Board will implement an appropriate rewards and sanctions regime and have its own employing power.

The Joint Authority will comply with policies of the participating councils as they relate to financial (eg capital investment and dividends) and non financial (eg human resource management) issues.

The Joint Authority will be subject to the payment of all State and Local Government taxes and charges and will be subject to guarantee fee, tax equivalent and dividend regimes.

Community Service Activities undertaken by a Joint Authority on behalf of participating councils will be costed and funded in accordance with negotiated contracts.

C 2 Company model

Description

The shares in a company are held by the council as a body corporate. Authorisation for the establishment of a company is provided under section 21 of the *Local Government Act 1993* and the company is incorporated under the Corporations Law.

This model will apply to a business activity with similar characteristics to a Joint Authority, but with the additional factors that:

- there is a perceived need for the business activity to be undertaken at some distance from participating councils eg limited liability available under a company structure is required to minimise the participating council's exposure to risk; or
- the activity is a candidate for future privatisation.

Accountability and management of the company

The company will be headed by a Board which has overall responsibility for the company's effective operation and for establishing the strategic policy directions.

The appointment of the Board rests with the participating councils and should comprise people with an appropriate mix of skills. The Board will appoint the CEO.

The Board will report to the participating councils through the reporting processes provided under the Corporations Law.

The Board will implement an appropriate rewards and sanctions regime and have its own employing power.

The company will be subject to the payment of all State and Local Government taxes and charges and be subject to State tax equivalent and dividend regimes. The State tax equivalent regimes mirror the Commonwealth Income Tax Assessment Act 1936 (ITAA), the Taxation Administration Act 1953 (as amended) and wholesale sales tax legislation. The company will have limited access to council borrowing guarantees and will only pay guarantee fees if an implicit or explicit guarantee is provided.

The participating councils will contract with the company for any services, commercial or non-commercial, which the participating councils wish the company to provide.

APPENDIX D - RELATED PAPERS AND GUIDELINES

Papers And Guidelines Relating To Commercialisation and Competitive Neutrality Issues

Application of the Competitive Neutrality Principles generally within Tasmania

- *Application of the National Competition Policy to Local Government*, issued by the Government of Tasmania in June 1996.
- *Application of the Competitive Neutrality Principles under National Competition Policy*, issued by the Government of Tasmania in June 1996.

Legislation Review

- *Legislation Review Program: 1996-2000 Tasmanian Timetable for the Review of Legislation that Restricts Competition*, issued by the Department of Treasury and Finance in June 1996.

Public Benefit Analysis

- *National Competition Policy – Guidelines for Considering the Public Benefit under the National Competition Policy*, issued by the Department of Treasury and Finance in March 1997.
- *The Public Benefit Test for the corporatisation of local government Public Trading Enterprises*, issued by the Department of Treasury and Finance in December 1998.

Cost Allocation and Full Cost Pricing

- *Accrual Accounting Manual*, issued by the Department of Treasury and Finance in December 1995.
- *Guidelines for the Costing of Outputs*, issued by Department of Treasury and Finance in June 1996.
- *Full Cost Attribution Principles for Local Government*, issued by the Department of Treasury and Finance in June 1997.

Competitive Tendering and Contracting (CTC)

- *Competitive Tendering and Contracting Implementation Manual*, issued by the Department of Treasury and Finance in May 1997.

Debt Guarantee Fees

- *Government Business Enterprises Act 1995 and Treasurer's Instructions* issued by the Treasurer under that Act.

Competitive Neutrality Complaints Mechanism

- *Government Prices Oversight Act 1995* and Regulations.

Taxation and Tax Equivalent Regimes

- *Government Business Enterprises Act 1995* and *Treasurer's Instructions* issued by the Treasurer under that Act.
- *Wholesale Sales Tax Equivalent Regime – Discussion Paper on Framework and Methodology*, issued by the Department of Treasury and Finance and Arthur Andersen in January 1995.
- *Wholesale Sales Tax Equivalence Regime – Guidelines on the Conduct of Sampling by Government Business Enterprises*, issued by the Department of Treasury and Finance in April 1995.

Trade Practices

- *Competitive Policy Reform (Tasmania) Act 1996*
- *Extension of Part VI of the Trade Practices Act to all Businesses in Tasmania*, issued by the Department of Treasury and Finance in July 1996.

APPENDIX E - CONTACTS

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