

2007/08

COMMERCE COMMISSION
ANNUAL REPORT



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LIST OF ABBREVIATIONS	
Commerce Commission	Commission
Telecommunications Service Obligations	TSO
LEGISLATION ENFORCED BY THE COMMERCE COMMISSION	
Commerce Act 1986	Commerce Act
Credit Contracts and Consumer Finance Act 2003	CCCF Act
Dairy Industry Restructuring Act 2001	DIR Act
Electricity Industry Reform Act 1998	EIR Act
Fair Trading Act 1986	Fair Trading Act
Telecommunications Act 2001	Telecommunications Act

CHAIR'S FOREWORD

The Commerce Commission's role is to foster competition - this impacts the lives of all New Zealanders.

By promoting competition and regulating where competition does not naturally exist, the Commission delivers benefits for consumers and businesses. Consumers reap the rewards of competitive prices, better quality and greater choice, and businesses thrive when given the opportunity to compete on a level playing field.

United States President Herbert Hoover was a proponent of competition. He said, "Competition is not only the basis of protection to the consumer, but is the incentive to progress." In a small island economy New Zealand must constantly seek out opportunities for progress whilst avoiding the pitfalls inherent in concentrated markets, such as monopolies and high barriers to entry.

Through our enforcement of the Commerce, Fair Trading, and Credit Contracts and Consumer Finance Acts, the Commission is observing growing awareness of the benefits of competition. While no single result is a measure of our success, the Commission has had many favourable rulings in the courts this year. These rulings have helped to confirm the stance the Commission is taking in enforcing these laws for the benefit of consumers.

Under the Commerce Act cartel investigations remain a high priority due to the insidious nature of collusion in business, which robs companies and consumers of the benefits of competition.

We have also been reaching further into our enforcement tool kit, and have been utilising other means of resolution such as warnings and out-of-court settlements, particularly in the Fair Trading area. Through these means we have been able, in many cases, to achieve a desirable outcome in a more timely way than might have been achieved had the cases been determined by the courts. Our enforcement of the Credit Contracts and Consumer Finance Act has returned hundreds of thousands of dollars to consumers this year.

In the telecommunications market the Commission is actively involved in facilitating new entry and ensuring fair competition. This is an incredibly fast-moving sector and the Commission is making good use of new tools which allow proactive studies that can identify and deal with issues at an early stage rather than waiting for roadblocks in the industry to arise.

Consumers are reaping the rewards as a result of our work in regulating the gas distribution and electricity lines businesses. Administrative settlements with Transpower and Vector put money back in the pockets of electricity consumers but with significantly lower compliance costs than would be the case if regulatory control was imposed.

I would like to acknowledge the experience and skills that Commission Members bring to bear in their decision-making. We have been fortunate to have had David Caygill as a Deputy Chair, and now, having taken up the role of Chair of the Electricity Commission, to have him reappointed as an Associate Member of the Commerce Commission.

The Commission is constantly growing and adapting to new demands and legislative change. In recognition of this the role of General Manager was expanded to that of Chief Executive, upon the departure of Geoff Thorn in February 2008. Geoff had given 14 years of dedicated service to the Commission in a variety of roles. The appointment in June 2008 of Nicholas Hill as the new Chief Executive heralded the start of a new era.

The Commission could not have achieved its impressive work rate and ongoing successes from investigations without a dedicated, expert workforce. Our strength is our people and the integrity and rigour they apply in pursuing the Commission's objective of dynamic, competitive markets.

I applaud their hard work, which is so evident here in this Annual Report.



Paula Rebstock
Chair

CHIEF EXECUTIVE'S OVERVIEW

The Commerce Commission plays a critical role in ensuring New Zealanders enjoy the benefits of competition. We all experience these benefits directly through lower prices and better quality, improved productivity and greater innovation. In 2007/08 the Commission has continued to make significant progress towards the goal of dynamic, competitive markets.

Our success was once again evident in the fight against cartels. The Commission has made a major commitment as part of a global effort to uncover, dismantle and prosecute businesses and individuals taking part in this highly insidious anti-competitive behaviour.

Cartel cases are characterised by complex investigations, requiring significant resources and often raising issues of international jurisdiction. This year further guilty pleas and penalties in the wood chemicals case, the Commission's largest cartel investigation to date, have brought the total penalties in the case to \$7.5 million. Proceedings are continuing against three overseas individuals who are protesting jurisdiction.

We have also acted to prevent aggregation of market power. The application by Foodstuffs or Woolworths Limited to acquire The Warehouse was one of the Commission's most important cases this year. In November 2007 the High Court overturned the Commission's decision to decline the clearance. Subsequently the Commission appealed the judgment due to the precedent it set for the application of competition law in New Zealand, and the implications for consumers. The Court of Appeal hearing was held in April 2008, and the judgment endorsing the Commission's original decision was issued in July 2008.

The Commission has a significant role in ensuring consumers understand their rights and when legislation is being breached. One case under the Fair Trading Act, which educated both industry and consumers, involved the prosecution of an office chair manufacturer over 'New Zealand made' claims. This case helped to define what is acceptable in country of origin labelling.

Compliance with and understanding of the Credit Contracts and Consumer Finance Act is still an area of concern, and an area in which consumers are very directly benefitting from the Commission's intervention. Almost 19,000 consumers have received refunds, totalling over \$1.5 million, as a result of convictions and settlements reached during the year. The Commission also made a concerted effort, along with other agencies, to educate credit providers lending to the Tongan community after prosecuting one provider and warning ten others.

The Commission has been playing an active role in the telecommunications industry to ensure barriers to competition are broken down and consumers reap the benefits of better services, prices and greater choice.

We have focused on developing competition in two key markets: broadband and mobile services. The Commission set wholesale terms and conditions for key broadband services which led to innovative retail products being launched during the year. We also facilitated new entry in the mobile services market by providing certainty around the terms and conditions for vital ancillary services such as national roaming and co-location. As a result, New Zealand Communications is expected to launch services in 2009.

In the energy sector, the Commission's work is ensuring consumers are charged fair prices, through the upcoming reset of the price path and quality thresholds in electricity distribution businesses, and progress towards final authorisations for the gas companies Powerco and Vector.

During the year we established a new project to develop generic cross-industry regulatory principles. The outcome will be greater transparency and certainty for the industries the Commission regulates, and those that may be regulated in future.

A key change in 2007/08 has been a decision, supported by Government, to expand the Commission's internal major litigation resource. This change was needed to achieve greater efficiency and to equip the Commission for the increasing major litigation work programme.

The scale of the litigation programme is demonstrated by the more than \$9.5 million in compensation to consumers and penalties achieved as a result of the Commission's enforcement action during the 2007/08 year. This demonstrates the significant impact achieved as a result of strategically focusing on maximising impact, especially in areas of greatest detriment.

The Commission recognises that a key component of promoting dynamic competitive markets is communication. We enjoy a strong and positive media profile, driven by major litigation successes, and achievements such as successful settlements and refunds to consumers. Reporting of significant cases such as The Warehouse case has allowed the Commission many opportunities to explain the benefits of competition.

The Commission is fortunate to have dedicated and professional staff, many of whom are experts in their field. Our ability to deliver on our objectives is determined by the quality of our staff and the systems and processes that support their work. A focus this year has been on recruiting the best people and offering professional development that ensures our staff are effective and successful in their work.

In the few months since I took up the newly created role of Chief Executive I have been fortunate to experience the commitment and professionalism of staff, the expert guidance of Commission Members and an overall feeling that the Commission has achieved many significant successes in 2007/08 in its work to promote dynamic, competitive markets.



Nicholas Hill
Chief Executive

ACHIEVING
OUR
OUTCOMES

The Commerce Commission is constantly adapting to changing markets to ensure it is effective in promoting and encouraging competition. As the environment changes and new challenges arise, the Commission examines its priorities, the tools it uses to achieve outcomes, and the effectiveness of its interventions to ensure it continues to have maximum impact on promoting competitive markets.

The Commission's outputs contribute to four strategic outcomes:

- Markets are dynamic and all goods and services are provided at competitive prices;
- Consumers are confident of the accuracy of information they receive when making choices;
- Participants in regulated industries are constrained from earning excess profits, face incentives to invest appropriately and share efficiency gains with consumers; and
- New Zealanders understand the benefits of competition and regulation in a market economy.

During the 2007/08 year the Commission identified three strategic priorities to assist in delivering these outcomes.

Strategic Priority 1 – Maximising the impact of our actions

Strategic Priority 2 – Enhancing our capability

Strategic Priority 3 – Best practice approaches.

It is against these priorities that we report in this document on the progress made.

COMPETITIVE MARKETS

Consumers benefit from markets that are dynamic and efficient with the result that goods and services are provided at competitive prices.

The Commission enforces and adjudicates under generic competition law that prohibits anti-competitive behaviour and structures (Commerce Act, EIR Act). It aims to detect, stop and deter anti-competitive conduct such as cartels, bid-rigging, market sharing and abuses of market power. It also aims to ensure that business mergers and acquisitions do not lead to a substantial lessening of competition.

To achieve its objective of increasing its impact on markets, the Commission focused on completing non-discretionary clearance work more quickly and efficiently so that resources could be freed to investigate and prosecute coordinated activity, especially international cartel investigations

initiated by leniency applications, and on completing longer-running abuse of market power cases.

We also prioritised the cases that would make the greatest contribution to achieving these aims and streamlined processes and systems. We created a team to undertake work on the implementation of new policy, undertake surveillance, learn from our international counterparts and run development projects.

These strategies enabled the Commission to achieve considerable success: it won two important court cases, completed 20 investigations, made significant progress on its large cartel investigations, and completed a historically high number of clearance applications. At the same time the Commission had a large portfolio of cases in the litigation phases, and responded to an increased need for guidelines that give greater clarity and certainty to the business community. We also achieved a reduction in the average number of days taken to complete clearances, and ended the year with only four market behaviour cases that had been open longer than one year.

Most notably, the Commission improved its rating as an enforcer from three to three and a half stars, as evaluated by the annual Rating the Enforcers survey.

Despite this, market behaviour investigations have taken longer to complete than is desirable. This is because a number of cases had already exceeded the target timeframes at the start of the year and because of their significantly increased size and complexity.

Cartels in the spotlight

Cartels have been prioritised because of their significant impact on the economy. Overseas research has estimated they lead to at least a ten percent increase in prices, but the impact may be even greater because so many cartels involve inputs to products or services. They therefore affect downstream markets, magnifying the ultimate impact for consumers.

Cartel investigations today are of a scale that requires significantly more resources than previously. Most of these larger-scale cartel investigations have an international dimension, often raising issues of jurisdiction. In one cartel investigation this year, three of the parties concerned cited lack of jurisdiction as the reason for failure to comply fully with requests for information.

The Commission has nevertheless been actively investigating and initiating proceedings against alleged cartels. In the timber preservatives cartel case, further guilty pleas and 'agreed' penalties have been decided in the High Court. The

total penalties now exceed \$7.5 million, the largest penalties under the Commerce Act so far. Three Nufarm companies, which traded under the 'Fernz' name until the business was sold to Osmose New Zealand, were fined a total of \$1.9 million after a significant discount for an early guilty plea. The Nufarm companies were found guilty of price fixing and market sharing with Koppers Arch. High Court civil proceedings are continuing against three individuals who live overseas, and who have challenged the court's jurisdiction.

The Commission issued proceedings against Visy Australia, Visy New Zealand and four executives for collusion in the corrugated cardboard market. Visy is alleged to have colluded with Amcor over tendering and pricing of the supply of corrugated cardboard boxes to large accounts in New Zealand and Australia. This alleged activity had the potential to cause significant harm to the economy and to the efficiency of New Zealand producers and manufacturers. Visy has pleaded guilty to similar behaviour in Australia and was fined some AU\$38 million.

The New Zealand cartel investigation took almost three years, and is an example of the nature of the Commission's larger-scale cartel investigations, where, even with a leniency applicant, behaviour is covert and investigative activity is complex.

Investigations also continued in two large and complex international price fixing cartels in the air cargo and freight forwarding markets. These cases are very large and resource intensive. Instances of obstruction have been detected, and criminal prosecutions under section 103 have already commenced in the air cargo investigation.

Other coordinated conduct

An investigation into market sharing in pathology services involved providers in the Waikato District Health Board (DHB) region. The Commission considered that New Zealand Diagnostic Group Limited entered into a pre-merger arrangement with Pathology Associates Limited whereby they would not compete to win customers from each other, and would advise each other when clients were interested in switching.

Subsequent to this arrangement, the pathology companies and Waikato DHB agreed to a 'moratorium on competition', effectively removing all competition from the market. The Commission has issued proceedings against Pathology Associates Limited and New Zealand Diagnostic Group and expects this to reinforce to the health sector the benefits of competition.

Significant anti-competitive behaviour investigations

In a case against Bay of Plenty Electricity Limited (BOPE), the Commission had alleged that BOPE had breached the Act by denying competitors access to meters on economically viable and practical terms. The alleged detriment to the competitive retail electricity market in the Bay of Plenty included impacts on consumer and economic activity within the region. However, the High Court held that BOPE was not dominant and did not have a substantial degree of market power.

In the long-running 0867 case against Telecom, the Commission alleged that Telecom contravened section 36, when it introduced its 0867 package in 1999. The High Court found that Telecom did not use its dominant position in the market for fixed line retail telephone services to residential customers or have an anti-competitive purpose when it introduced the 0867 package, so did not contravene section 36.

The issues raised by the case impact significantly on competitive behaviour in the telecommunications market and the case raises crucial legal issues relating to the application of section 36. The Commission has lodged an appeal as clarification of the legal issues will benefit the development of competition law. It has also instigated a review of its misuse of market power cases to better understand its lack of success in the courts with respect to section 36.

On the final day of the 2007/08 year the Auckland High Court began hearing the Datatails case against Telecom. This case relates to allegations that Telecom used its market power in the data circuits market to attempt to exclude competitors.

Telecom's pricing of retail broadband services was also the subject of an investigation. In early 2004 Telecom introduced a \$10 discount for customers who purchased all of a bundle of services from the company, comprising their home line, toll calls and broadband internet services. Competitors alleged that Telecom had squeezed their margins through the bundling and a price discount. The Commission concluded that Telecom did not breach the Commerce Act because efficient competitors could still earn positive margins when they sold similar bundles. The Commission is continuing to monitor bundled discounting closely.

A large-scale electricity investigation under the Commerce Act has involved the deployment of extensive resources by the Commission, industry bodies, and the parties under investigation, to gather data to enable analysis to be

undertaken. Historically, New Zealand generation and retail companies have not been required to keep this level of data. However, the data has now been obtained and the Commission's investigation will be able to be completed in 2008/09.

The Commission has investigated after receiving regular complaints from parents, manufacturers and retailers about exclusive arrangements for the manufacture and/or supply of school uniforms. While there can be benefits, exclusive contracts can also raise competition concerns. No enforcement action was taken as a result of the investigation. Rather, the Commission is developing a guideline to ensure that schools are aware of the competitive implications of such exclusive arrangements.

Finally, the Commission was subject to a judicial review when AstraZeneca Limited challenged our authority to issue a notice under section 98 for the purpose of providing documentation in relation to a potential sales agreement with Pharmacia. The Commission was investigating a complaint that AstraZeneca may be tying the sale of one product in which it has market power with the sale of other products. We were successful in the challenge but AstraZeneca has appealed the decision and a hearing was scheduled for August 2008.

Clearance of mergers and acquisitions

Under the Commerce Act parties may seek formal clearance of a proposed merger or acquisition. In considering an application, our role is to determine whether the merger or acquisition has, or is likely to have, the effect of substantially lessening competition in any market. Although the clearance process has a statutory completion time of ten working days, this is not realistic in today's more complex economic environment and the Commission's Output Agreement has a measure of 40 working days. The average time taken to decide clearance applications in 2007/08 was 38 working days, an improvement of 15 percent over the previous year.

In 2007/08 the Commission estimated that it would complete 17-23 clearances for the year. In fact, we determined 26 applications, an historically high number. Of these, 24 were granted clearance and two were declined. Five of the clearances were conditional on divestment undertakings by the parties.

One of the declined applications involved Sumitomo Forestry Co Ltd and Carter Holt Harvey Ltd. The market for manufacture and supply of medium density fibreboard was split among three large competitors. If the proposed acquisition had proceeded it would have resulted in a reduction in the number of domestic manufacturers and suppliers from three to two.

The Commission also declined to grant clearance for DFS Group Limited (DFS Galleria) to acquire The Nuance Group (Nuance). Both companies retail duty-free goods at Auckland International Airport (AIAL). AIAL had decided to move to a sole duty-free operator and granted a contract to DFS Galleria following a tender process. This prompted the proposed acquisition, which would have seen the elimination of Nuance as DFS Galleria's only onsite competitor and would deny travellers through Auckland airport the benefits of competition.

As well as considering voluntary applications for clearance, the Commission investigates non-notified mergers or acquisitions. It completed three such investigations during the year with no further enforcement action. The limited need for Commission intervention indicates that the voluntary clearance regime is generally working well. One investigation, however, was very substantial. This was an inquiry into whether Carter Holt Harvey's acquisition of the TDC mill in Northland was likely to have substantially lessened competition. The final outcome of the investigation had not been resolved as at 30 June 2008.

Significant court cases involving clearance applications

In November 2007 the High Court overturned the Commission's decision to decline clearance for either Foodstuffs or Woolworths Ltd to acquire up to 100 percent of the shares in, or assets of, The Warehouse Group Ltd. The Commission has appealed the High Court judgment because of the precedent the judgment would set for the application of competition law in New Zealand, and the implications it has for the long-term interests of supermarket customers.

The Warehouse had introduced a supercentre concept, offering a wide range of grocery and food items in three stores alongside general merchandise. This made The Warehouse an important new entrant to a market in which there are only two major players and high barriers to entry. The Commission considers that The Warehouse is uniquely placed to compete with the existing supermarket duopoly.

In June 2008 the Court of Appeal confirmed an earlier High Court ruling that NZ Bus Limited's (NZBL) attempted acquisition of the 74 percent of Mana Coach Services that it did not already own was likely to substantially lessen competition. Although the Commission's action was largely successful, the Court of Appeal also held that the vendors, the directors of Mana Coach Services, were not liable as accessories and it found in favour of Infratil Limited, the parent company that owns NZBL, that it was not liable as an accessory to the breaches. The Commission has leave to appeal to the Supreme Court in respect of the accessory liability issue with respect to Infratil, which it wishes to clarify, as it is a significant issue for all parties involved in commercial transactions.

Framework development

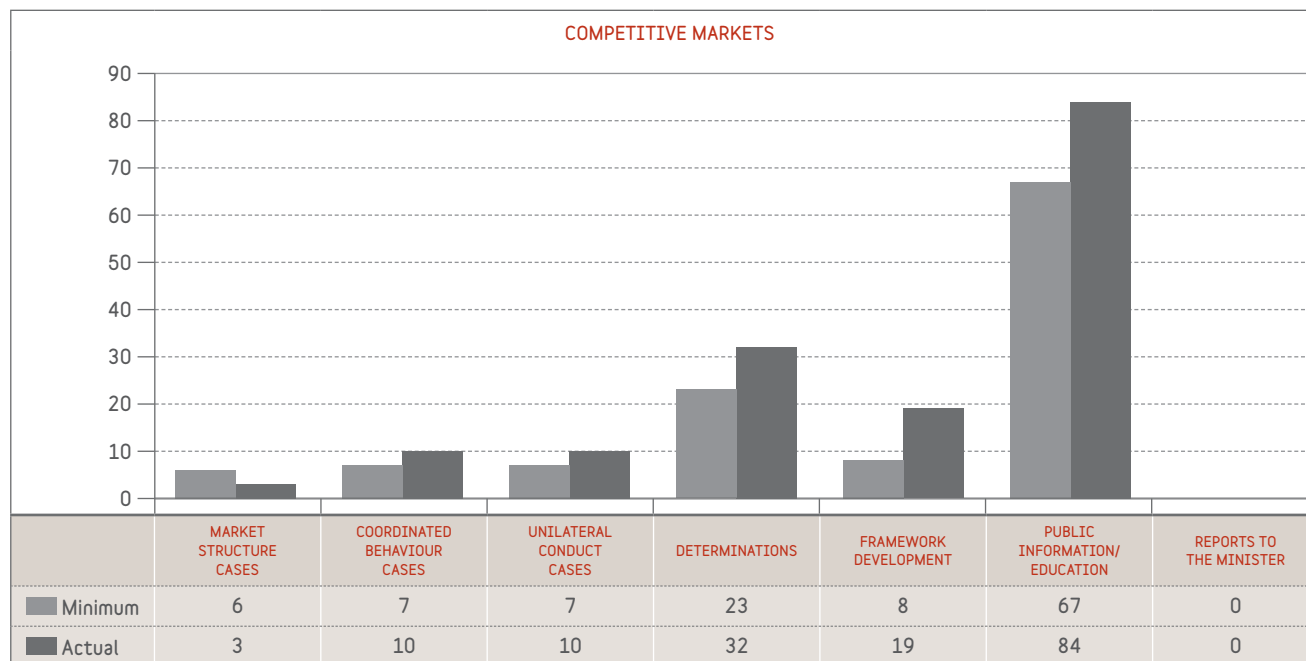
A dedicated team of two staff was established within the Competition Branch this year to focus on the development of internal and external guidelines on competition matters; to provide advice on proposed legislative change; to undertake market surveillance and monitoring; and to be the link

with overseas competition agencies in terms of cooperation and learning about best practice. Their work has included initiating the development of process guidelines for clearance applications, developing guidelines on the interrelationship between the Telecommunications Act and the Commerce Act, preparing papers for the International Competition Network (ICN) conference, making submissions to reviews of the Commerce Act, and proposed changes to the EIR Act and DIR Act regulations, and providing advice on the competition implications of the Emission Trading Scheme.

International links

The Commission signed a new Memorandum of Understanding with the Australian Competition and Consumer Commission (ACCC) on 31 July 2007 which builds on the already strong relationship between the two Commissions. The signing of the agreement coincided with the two Commissions' second annual meeting, and was followed by further working meetings between staff on protocols that underlie the agreement. The Commission also completed a large number of reports for the Industry Capability Network (ICN) and the OECD.

Performance against Statement of Intent (SOI)



INFORMED CONSUMERS

Consumers are confident of the accuracy of information they receive when making choices.

The Commission enforces and provides information about consumer legislation that prohibits false and misleading behaviour by persons in trade (Fair Trading Act) and requires the disclosure of certain information to consumers entering into consumer credit contracts (CCCF Act).

This year the Commission sought to consolidate the high-profile success of Fair Trading Act cases such as the lack of vitamin C in Ribena and excessive overseas credit card fees. In the Credit Contracts and Consumer Finance area, the Commission entered a litigation phase to confront industry practice, having spent the previous period educating traders about their responsibilities under the Act. The Commission was successful in pursuing this strategy, although it has involved some trade-offs, using Fair Trading resources to pursue CCCF Act objectives.

In 2007/08 focus areas for the Fair Trading teams have included: ensuring advertising of new telecommunications products were not misleading; misleading product descriptions and labels particularly in health and nutrition; bait advertising and misleading consumers about their rights; new traders' compliance with product safety standards; and cross-border scams.

In the area of the CCCF Act the focus in 2007/08 was on taking litigation, establishing precedents in the area of reasonableness of fees and credit-related insurance provisions, developing proactive surveillance of the industry, targeting credit providers at the lower end of the market and communicating with vulnerable consumers.

Consumer issues in telecommunications

The further development of broadband services has resulted in a very competitive retail market in this sector. This has resulted in a significant increase in Fair Trading complaints to the Commission about the way services are marketed and prices are charged. In September 2007 the Commission issued guidelines for broadband suppliers to assist them to better understand how to comply with the Fair Trading Act. The Commission has also commenced several investigations, particularly in relation to hidden fees, terms and conditions.

Cross-border action

The Commission is concerned not only with businesses in New Zealand that operate illegally, but also those offshore marketing products into New Zealand. For example, an Australian-based company was convicted of misleading customers over the valuation prices of its jewellery. The company had expected to earn around \$1.4 million from its New Zealand sales, indicating the conduct caused a significant level of detriment to local jewellers. Fines and costs totalling just over \$50,000 were imposed by the court.

In another case, a precedent was set when the courts took the view that telephone calls into New Zealand constituted conduct in New Zealand, and therefore New Zealand Courts had jurisdiction. This related to a holiday voucher scheme sold through telemarketing.

Made in New Zealand

A case brought by the Commission against an office chair manufacturer created significant industry and media interest. The District Court ruled that a prospective buyer was likely to conclude from the 'New Zealand made' claim on a brochure that the chairs had been substantially manufactured in New Zealand. However, the Court found that insufficient components of the chairs had been locally manufactured to support such a claim. This ruling will assist other traders to define 'New Zealand made'.

Misleading advertising

The real estate industry practice of advertising a 'Buyer Enquiry Over' (BEO) price came under the Commission's scrutiny. A case was brought by the Commission over a property that was promoted as being available for sale at 'Buyer Enquiry Over \$380,000', when, at the time of the advertising, the vendor was not willing to accept less than \$400,000 net of agent's commission. The High Court judgment reinforced the Commission's guideline that real estate prices will breach the Fair Trading Act when the vendor will not consider selling for the advertised price at the time of the advertisement. The Commission has liaised with the Real Estate Institute to ensure that agents understand the judgment.

In another case involving misleading claims, the Commission successfully prosecuted Probitas Limited and its director, Ewan Campbell, over a fertiliser product. The Court found the product could not work in the way it was claimed and imposed fines of over \$200,000 against Probitas and \$70,000 against Campbell personally.

Product safety standards

A high-profile investigation in the product safety area resulted from two complaints about children's pyjamas sold by The Warehouse. Two children suffered burns while wearing the pyjamas; one child subsequently died. The investigation confirmed that the pyjamas did comply with the existing product safety standard; however, it raised again the policy issue of tight-fitting garments being labelled as 'Low Fire Danger', even though they may be made of quite flammable material. The issue was referred to the Ministry of Consumer Affairs and new labelling requirements have since been introduced.

The Commission undertook a number of proactive toy inspections. These included testing the lead levels of some toys to check compliance with the recently enacted Unsafe Goods Notice. The inspections were also to detect any toys which may contain small parts that might have posed a choking hazard to young children. The inspections reaffirmed to toy retailers that product safety is important.

Inter-agency involvement

The Commission has been involved in a number of high-profile inter-agency investigations. In some cases other agencies eventually took the lead because it was appropriate to lay charges under the Crimes Act, for example Blue Chip property investment (Serious Fraud Office), Green Acres franchising (Serious Fraud Office), and the Wings and Wheels over Waikato air show (Police).

Effective outcomes from lower-level actions

In some circumstances settlements and warnings can be as effective as stronger enforcement action, particularly where significant media exposure amplifies the enforcement message. Notable cases that attracted media attention were settlements with Kiwibank/New Zealand Post over Prezzy Cards; with various sunscreen vendors over misrepresenting the degree of protection their products afforded; and with Harcourts (Wellington) about claiming a property had 'provisional planning consent'. A warning issued to Wellington Combined Taxis about sustainability claims that may be misleading under the Fair Trading Act prompted considerable debate amongst industries making such claims and in the media about the practice of 'greenwashing'. This is a new target area for the Commission in the coming year.

Setting precedents

A five-year-long battle to get refunds for consumers who bought a bogus weight loss product, Celluslim, finally came to an end. The matter was ultimately decided by the Court of

Appeal. Marketing Direct Limited aka Martini Limited and Dennis John O'Neil have paid \$176,000 to an independent auditor, which will fund repayments to credit card and cheque purchasers of the Celluslim product. This decision means that a promoter of a product can be directed by the courts to pay the costs associated with distributing compensation.

In another case involving a weight loss product, the High Court rejected an appeal against conviction by Zenith Corporation, in relation to the promotion of the product Body Enhancer. This was a precedent judgment particularly regarding the level of proof required in such cases. The court reduced the total fines from \$637,500 to \$394,500 and quashed a corrective advertising order made against the trader personally. However, it confirmed a similar order against the company and an order for costs of \$130,000.

Putting the pressure on credit providers

The Commission's actions under the CCCF Act this year have resulted in refunds of \$1.587 million for 18,969 consumers, and fines of \$82,480.

The Commission is facing the need to make careful trade-offs in the area of CCCF enforcement, given budget limitations. As the Commission increases its knowledge in this area, we are finding that reasonable fees investigations are more complex, and therefore more costly, than first anticipated. The Commission has prioritised credit fee investigations and signalled to the credit industry that it intends to take litigation to clarify the law governing reasonableness of credit fees.

Often the creditors being investigated are large financial organisations with significant resources. With substantial money at stake these organisations are willing to pay to defend the investigation and justify their fees.

Despite the constraints, the Commission has achieved a number of successes under the CCCF Act this year. We entered a settlement with Geneva Finance resulting in refunds totalling \$588,114 to over 900 customers. Geneva Finance admitted breaching the Fair Trading Act by falsely representing that it had the right to charge customers additional interest and fees on their loans after security items, in most cases motor vehicles, were repossessed and sold.

Galastair Enterprises Limited was convicted of overcharging interest, failing to make proper disclosure, and charging unreasonable credit fees. The court ordered refunds of \$23,935 in overcharged interest to 55 debtors. The company was also fined \$45,000 for these breaches of the CCCF Act and one breach of the Fair Trading Act. Of significance were

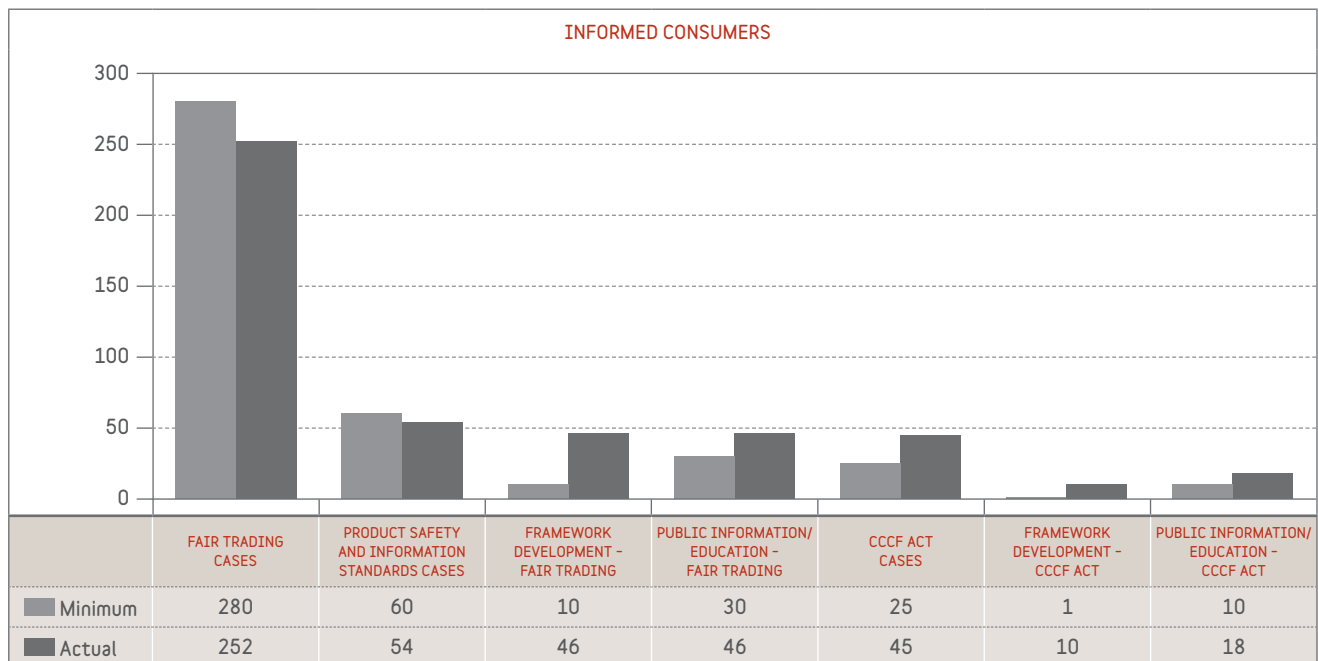
14 convictions in relation to unreasonable credit fees where the court agreed that charging an establishment fee to successful applicants which, in effect, covered the cost of processing unsuccessful applications was in breach of the CCCF Act.

The prosecution of the credit provider Lelei Finance Limited was significant for its impact on the South Auckland Tongan community. Lelei pleaded guilty to 18 breaches of the CCCF Act and two breaches of the Fair Trading Act. The company was fined \$37,480 and ordered to pay refunds of \$12,520 to affected debtors, almost exclusively members of the Tongan community. Lelei Finance had failed to provide initial disclosure in 616 consumer credit contracts. The company also made false and misleading representations regarding its right to enforce the contracts and sold security items when the credit contracts could not be enforced as correct disclosure had not been made. Lelei Finance also published photographs and personal details of at least four debtors in a local Tongan newspaper.

As part of the wider investigation into credit providers lending predominantly to the Tongan community, the Commission warned ten other credit providers and provided compliance advice letters to a further nine. The Commission held a compliance seminar with these companies, jointly organised with the Pacific Trust and Ministry of Consumer Affairs officials. The Commission's actions were widely publicised in both New Zealand and Pacific Island media.

Allied Nationwide Finance Limited entered into a settlement with the Commission in which it admitted charging an unreasonable estimate of its loss upon full prepayment. Under the settlement, Allied Nationwide agreed to refund approximately \$173,000 to more than 1,200 customers who had been charged the prepayment fee when they repaid their loan early between April 2005 and August 2007. Allied Nationwide stopped charging this prepayment fee in August 2007, following the commencement of the Commission's investigation.

Performance against SOI



SOUND REGULATORY REGIMES

The Commission's goals in this area are to:

- ensure markets operate efficiently and businesses are prevented from abusing market power;
- ensure competition occurs for the long-term benefit of consumers; and
- ensure businesses face strong incentives to improve efficiency and invest appropriately.

TELECOMMUNICATIONS

In an industry undergoing rapid change, the Commission has been playing an active role to ensure barriers to competition are broken down, and consumers benefit from better service, better prices and more choice.

This year the Commission has continued to use some of the new tools that resulted from the amendments made to the Act and it has actively developed others. These tools give the Commission greater capacity to develop pan-industry solutions. The Commission continued to play an active role in meeting stakeholders. Regular meetings are now held with telecommunications service providers and other stakeholders including government agencies.

Promoting broadband competition

The broadband market has continued to grow rapidly and retail prices and packages have improved. During the year, the Commission completed standard terms determinations for the following key broadband services:

- the unbundled bitstream access service and the associated backhaul service;
- the unbundled copper local loop service and associated backhaul service; and
- the unbundled copper local loop co-location service.

Access to Telecom's unbundled copper local loop service and co-location service is now available and a number of service providers have started taking up these services. This has allowed access seekers to have more choice and has resulted in new bundles of services being launched, providing increased choice for consumers.

The Commission also began developing standard terms determinations for other key broadband services. The Commission has also started working on determinations to provide access to Telecom's distribution cabinets ('Sub-Loop Unbundling') and associated services.

Broadband is unlike most other telecommunications services in that quality can be highly variable, and users have no way of determining the quality of a particular service before they purchase it. To facilitate competition in the broadband market, the Commission as part of its monitoring function released its first sponsored report on broadband quality. The report measures the performance of selected Internet Service Providers (ISP) every 15 minutes around the clock across selected sites in Auckland, Hamilton, Wellington, Christchurch and Dunedin. The Commission will continue to build on these broadband reports in the next financial year. This has been a major initiative for the Commission during 2007/08 and can be expected to generate significant media and consumer interest in the next financial year.

Reviewing mobile services regulation

The New Zealand mobile services market is characterised by high prices and limited competition. During the year, the prospect of new entry increased with the attraction of new investors by New Zealand Communications (formerly Econet Wireless). The Commission places a high priority on facilitating new entry into the mobile services market. During the year, the Commission completed its investigation into amending the roaming and co-location services. The Commission recommended that neither service should be subject to price regulation. The Commission considered that non-price factors explain the lack of effective co-location in the mobile market and started a standard terms determination process for co-location. The Commission also recommended that some changes be made to the service description and conditions of access for roaming.

The Commission, in its 2007 Telecommunications Market Monitoring Report, noted the significant difference between the retail rates charged for mobile on-net and off-net calls. Such rates are likely to be sustainable only if wholesale mobile termination rates between networks are significantly above cost. Above-cost mobile termination rates are a particular concern for new entrants to the mobile market, as such rates may make it difficult for new entrants to compete in the mobile market. Against this background, the Commission is consulting with industry on whether to commence an investigation as to whether mobile termination rates should be subject to regulation. The Commission will make a decision on this early in the 2008/09 year.

Operational separation of Telecom

During the year, the Commission worked with MED officials on the operational separation of Telecom. Commission staff involved in the process largely focused on ensuring clarity of language in the undertakings to support implementation and compliance in the future. This has been a good model for interaction between policy developers and the implementing agency as it has ensured open interaction and information sharing, which has given the Commission full scope to provide advice on implementation issues. With the finalisation of the Separation Undertakings, the Commission has moved to strategic monitoring of the undertakings.

Other milestones

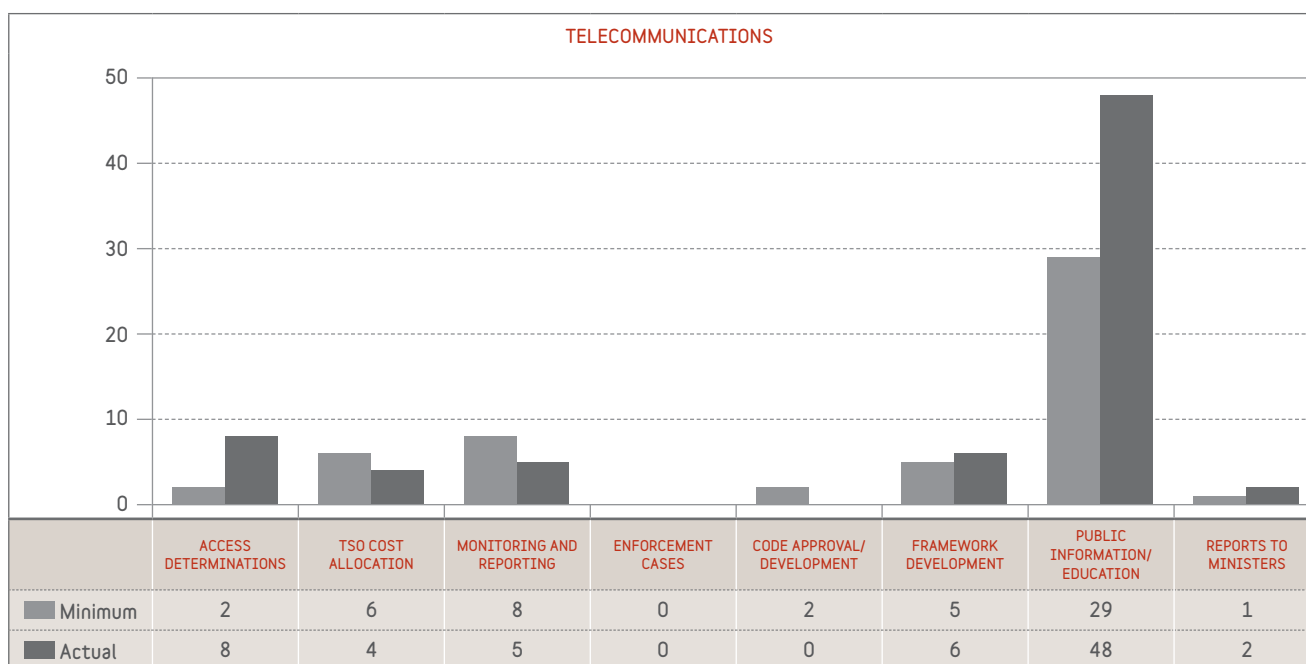
The Commission launched initiatives in relation to monitoring of the market through its first Annual Monitoring Report on the Telecommunications Industry, and through the Epitiro report on broadband quality provided to the Commission.

The latter will provide consumers with better information about the performance of broadband services from ISPs over time. This report is the first step towards the development of a broader monitoring regime.

The Commission commenced studies into the strategically important areas of numbering and next generation networks (NGN), to proactively position the Commission and the wider industry to be aware of, and ready for, this major transformation of industry fundamentals.

The Commission has also begun to engage with stakeholders on issues relating to the accounting separation of Telecom. The Commission released its draft paper on the principles and regulatory reporting requirements for the accounting separation of Telecom. Over time, this will provide strong incentives for Telecom to behave in a non-discriminatory manner when providing services to its competitors.

Performance against SOI



ENERGY

Efficient, effective electricity and gas distribution underpins New Zealand's economic growth. The Commission's goal is to ensure that the providers of electricity transmission and distribution services and the regulated gas distribution services, which operate in markets where there is little or no competition, face strong incentives to improve efficiency and invest appropriately.

ELECTRICITY

The Commission continues to develop the targeted control thresholds regime for large electricity lines businesses and a complementary information disclosure regime (Commerce Act, Part 4A). The targeted control regime consists of price path and quality thresholds, set for a first five-year period commencing April 2004, that provide both incentives to improve efficiency over time and a means to monitor the performance of the businesses.

The Commission advanced the regime by issuing a number of final determinations prioritised to have the greatest impact for consumers. Greater transparency and certainty for interested parties has resulted.

The Commission also continued refinements to the regime by commencing its reset of the threshold for electricity lines businesses, due to take effect from 1 April 2009 for a further five-year regulatory period, by further advancing the review of complementary Information Disclosure Requirements.

Thresholds for targeted control

The Commission is focused on improving the incentive effects of the price path and quality thresholds to better meet the Part 4A Purpose Statement. The decisions that it will make in late 2008 will establish new price path and quality thresholds for a further five-year regulatory period to take effect from 1 April 2009. Expert advisers were engaged during the course of the year to research improvements to the price and quality thresholds focused on improving the incentive effects and operability of the thresholds. Research was carried out into the asset age of the lines businesses' networks, the investment intentions and the quality performance of those businesses in order to consider better ways to incentivise efficiency and encourage efficient investment. The consultative process began in December 2007 with the release of a discussion paper to understand the views of interested parties on a number of options. Final threshold decisions are due in December 2008.

The Commission's approach to setting price path thresholds was the subject of a legal challenge by Unison Networks in 2004. Unison considered that the thresholds themselves had to operate as screening devices that selected businesses behaving in a manner that indicated they were eligible for control. Their initial action was dismissed by the High Court in 2005. Unison appealed to the Court of Appeal and subsequently appealed to the Supreme Court. In September 2007 the Supreme Court overturned the Court of Appeal's earlier judgment that had held that the initial price path was unlawful, thereby upholding the appropriateness of the Commission's approach.

Compliance and assessment

Each year, electricity lines businesses must submit a self-assessment of compliance against the thresholds. The Commission reviews the self-assessments and may request additional information where thresholds have been breached.

In the past year, the Commission has released its reviews of the lines businesses' self-assessments of compliance for the 2003-2006 years. Central to this work was the Commission's release in October 2007 of Supplementary Guidelines on Extreme Events, which set out the Commission's approach to dealing with extreme events that affect the reliability performance of lines businesses. The Commission, in order to reasonably assess performance, considered that extreme events outside of businesses' control should not be considered part of the annual assessment for compliance purposes. By establishing this methodology the Commission was then able to publish its decisions on its intentions not to declare control in respect of 15 electricity lines businesses in June 2008, providing businesses with clarity on the Commission's process.

Administrative settlements

The light-handed nature of the thresholds regime is balanced by the threat of control. Where businesses are in breach of their price path or quality thresholds and where the Commission considers control is in the long-term interest of consumers, the Commission can give notice of an intention to declare control.

The Commission commenced the year with seven open post-breach inquiries relating to breaches of price and/or quality. The Commission maintained its focus on those businesses it considered had the highest impact on consumers and accepted administrative settlement proposals from two lines businesses – Transpower, which operates New Zealand's

national grid, and Vector, the largest distribution business, with over 600,000 customers. The settlements reached ensured the companies were not earning excessive profits, were not overcharging consumers or groups of consumers and did have the incentives for ongoing investment in their networks, without resorting to intrusive price control.

The settlement with Vector was significant as it addressed concerns earlier identified by the Commission regarding the disproportionate returns Vector was earning from certain customer classes and between networks. The settlement established a process to ensure that tariffs were rebalanced so that returns more closely reflected costs. It also confirmed that the price path and quality thresholds were adequate to enable Vector to continue to invest efficiently in its networks.

The Transpower settlement was strategically important as it resulted in the further development and refinement of the regime with the Commission determining new, more relevant, thresholds to take account of the significant capital investments that Transpower must undertake over the next four years, while also providing better levels of scrutiny of how the costs of investments are recovered by Transpower. The Commission estimates the administrative settlement proposal will result in a return of over \$240 million to consumers.

The Commission is committed to working with other regulatory agencies. The Transpower settlement is illustrative of the cooperative approach to regulatory issues taken by the Commission and the Electricity Commission. The appointment of the Electricity Commissioner to membership of the Electricity Division of the Commerce Commission ensures a close working relationship on matters common to the Commissions' jurisdictions.

Information disclosure

The Commission considers that transparent information enabling interested parties, particularly consumers, to understand the performance of their lines business is critically important. The Commission is developing its Information Disclosure Requirements to produce this information.

Since 2004 the Commission has spent some time reviewing and consulting on major improvements to ensure that the Information Disclosure Requirements provide complementary information supporting the thresholds regime and meet the purposes set out under Part 4A of the Commerce Act.

Sound asset management planning is essential to ensure the distribution businesses improve efficiency and provide services at a quality reflective of consumer demand. The Commission advanced its annual asset management plan compliance review process to ensure it could commence reviews in advance of the operational year to enable the result to be useful for the businesses' forward operational and investment planning.

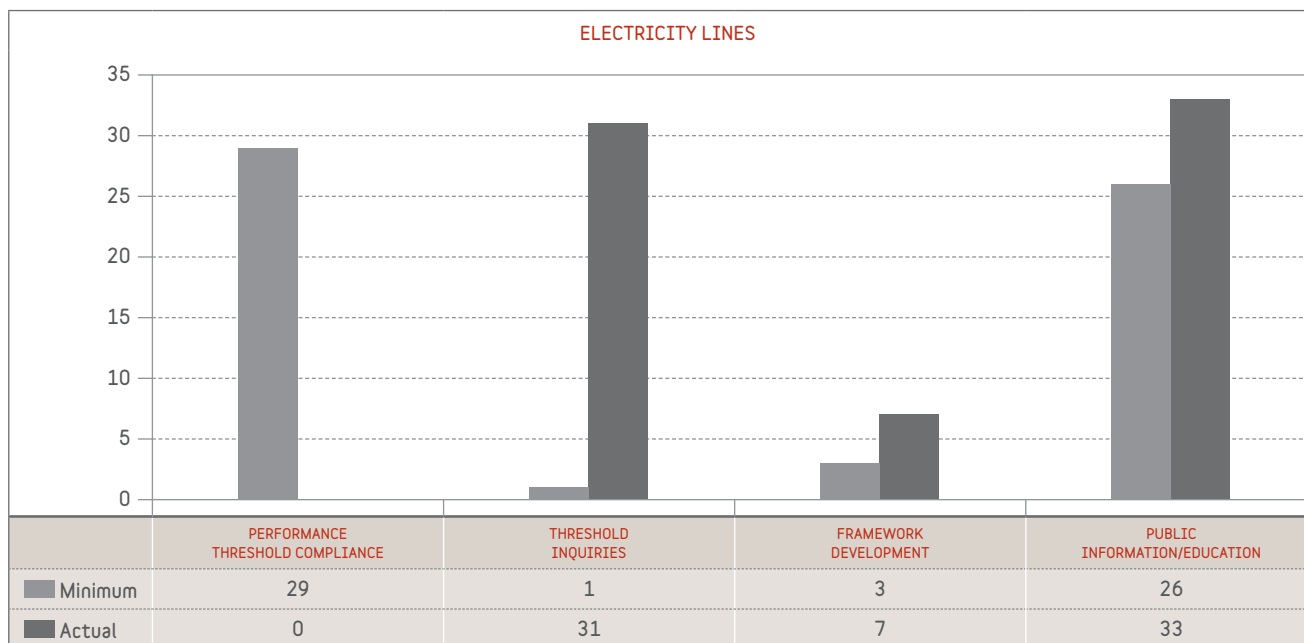
Parts 4, 4A, 5 review of the Commerce Act – Commerce Amendment Bill

Throughout the year, the Commission has engaged with Government and officials on the review of Parts 4, 4A and 5 of the Commerce Act and the development of a resulting Amendment Bill. The Commission has focused on the implementation issues, regulatory risk, and best regulatory practice. The Bill is currently before Parliament and if passed will repeal Part 4A and considerably change the existing Parts 4 and 5 of the Act.

While this has created uncertainties for a number of the Commission's work streams, including the threshold reset, the Commission has nevertheless continued working within the existing jurisdiction to ensure key determinations can be delivered according to plan.

Planning is underway to ensure that, should the Bill pass, the new regimes incorporated within the Bill can be delivered in accordance with the timeframes proposed.

Performance against SOI



GAS

To achieve its objectives in the gas pipelines sector, the Commission authorises prices, revenues and quality of regulated companies and assesses compliance with the terms of any authorisation.

In 2005 the Minister of Energy accepted the Commission recommendations following an 18-month Part 4 inquiry and placed the distribution gas pipeline businesses of Vector and Powerco under regulatory control.

Judicial review

Following the gas control inquiry and the Minister's decision, Powerco and Vector jointly commenced judicial review proceedings in respect of certain aspects of the Commission's approach. On 24 December 2007 the High Court issued its judgment dismissing the gas companies' claims. Powerco appealed to the Court of Appeal but its claims were dismissed in August 2008, and the approach taken by the Commission in the inquiry was upheld.

Progress towards final authorisations

The Commission sets the price and other conditions under which the companies must supply gas distribution services (authorisation). A provisional authorisation has been in place since August 2005.

The Commission has progressed draft final gas control authorisations, having required extensive information and consultation with interested parties. The complexities of the draft authorisations resulted in the revised target to complete the authorisation of April 2008 being extended to October 2008.

The Commission published its Draft Decisions Paper in October 2007 and sought submissions on the form and approach proposed for the authorisation, including the major building blocks the Commission would employ in order to set price and quality authorisations that limited excess returns and incentivised investment. In December 2007 an additional consultative paper on pricing principles was released.

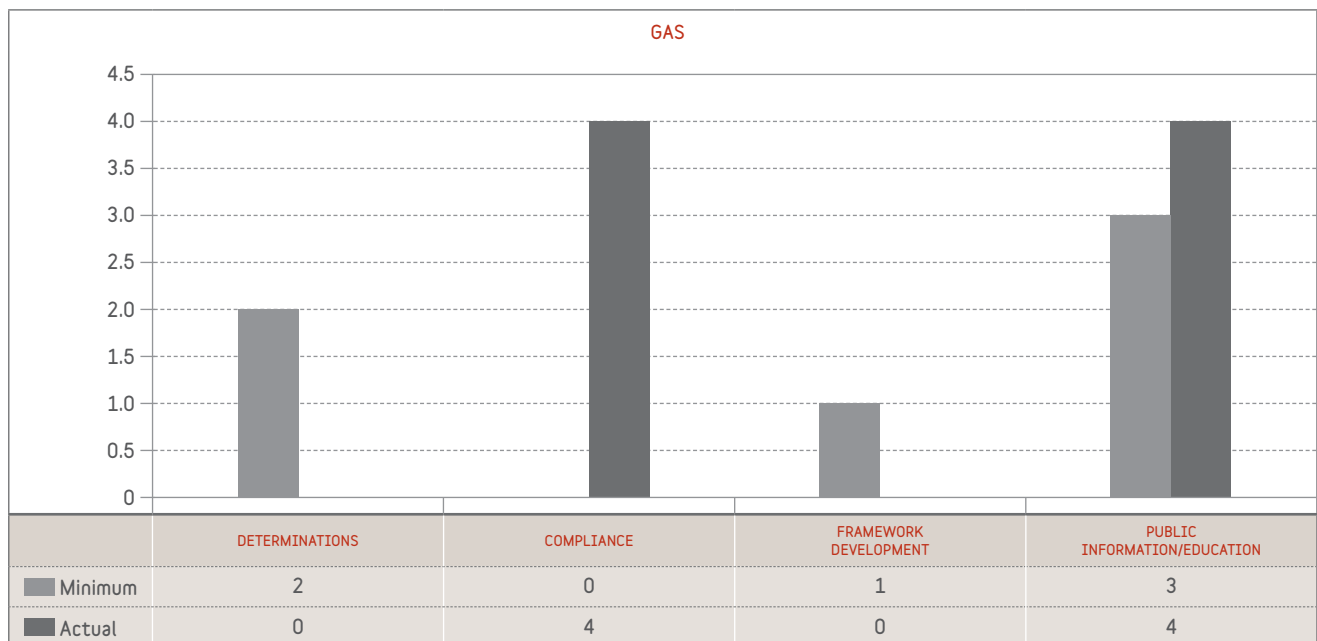
Extensive submissions and cross-submissions were received and analysed in order to develop the final determination. The Commission is now carefully drafting its final authorisation determination for publication in late October 2008.

The authorisation will cover a regulatory period to 2012.

Undertakings

The Commission received an offer of undertaking pursuant to section 72 of the Commerce Act from both regulated companies in April 2008 and the Commission is considering whether either undertaking will provide the benefits of regulatory control without the cost of regulation.

Performance against SOI



REGULATORY PRINCIPLES AND GUIDELINES

A new output known as Regulatory Principles and Guidelines (also Input Methodologies) was established in January 2008. The project aims to provide enhanced transparency and certainty within the regulatory regimes administered under the Commerce Act.

The work programme will develop generic cross-industry economic regulatory principles and guidelines. These will subsequently be applied to guidelines for electricity transmission and distribution and gas distribution businesses, and any future regulated businesses. The programme builds on work already done to provide Cost of Capital guidelines for application to industry sectors.

During the year, resources were approved to allow the Commission to begin planning for a formal work programme for the next three years. The focus at this early stage has been on establishing a sound framework and processes around which to develop the principles and guidelines. Extensive research has focused on key Commission decisions, the history of regulatory objectives and background, and regulatory pricing principles for network industries in Australia, New Zealand and the United Kingdom.

DAIRY

The Commerce Commission is responsible for promoting the efficient operation of dairy markets in New Zealand. To this end it determines disputes between Fonterra and other parties with respect to access to raw milk from Fonterra, investigates and resolves allegations of breaches of the DIR Act and provides information to build industry understanding of obligations under the Act.

Raw Milk Regulations play a vital role in facilitating workably competitive dairy markets in New Zealand by lowering barriers to entry and encouraging innovative new entrant competition. The regulations strive to enhance the contestability of dairy markets by providing potential market entrants with access to raw milk on roughly the same terms as Fonterra.

A number of competitors had announced in 2006/07 that they would begin operation as independent dairy processors. These new entrants rely on the Raw Milk Regulations to secure supply of raw milk from Fonterra and gain an initial foothold in the market. This increased reliance on the Raw Milk Regulations increases the potential for investigative and adjudication work.

For the first half of the year the focus was largely on monitoring the industry and considering the proposed changes to the Raw Milk Regulations. The Commission views the Raw Milk Regulations as an important aspect of the regulatory regime and made a submission to the Ministry of Agriculture and Forestry (MAF) review of the Regulations.

The year ended with an application for determination of a dispute under section 120 of the DIR Act from Kaimai Cheese Company Limited (Kaimai). The dispute concerns the definition of an independent processor and eligibility for access to raw milk.

The Raw Milk Regulations require Fonterra to supply up to 50 million litres of raw milk per independent processor at a regulated price. Kaimai has sought to purchase raw milk under the regulations and to have it delivered to Open Country Cheese Limited (OCC) for part-processing. Fonterra considers that if the raw milk is delivered to OCC's premises then OCC is the independent processor purchasing the milk and that the milk should come off OCC's 50 million litre allocation. Kaimai considers that it meets the statutory definition of an independent processor and should therefore be entitled to its own allocation.

SUPPORTING
OUR
ORGANISATION

THE COMMISSION'S CHANGING ENVIRONMENT

The Commission manages an ever-expanding portfolio and demands within a finite resource. Utilising resources efficiently and effectively, making smart choices about prioritisation of workloads and improving business processes are essential to ensuring the Commission is achieving maximum impact for consumers in New Zealand markets.

The Commission's role changes and expands with legislative change. This has a major impact on the Commission's work and priorities. New areas of work have included developing the approach to the changed regulatory regime introduced by amendments to the Telecommunications Act in 2006, and defining the work programme necessary to develop regulatory principles and guidelines for the regulated electricity and gas sectors (a new output in this Annual Report).

A Government review commenced in 2006 of Parts 4, 4A and 5 of the Commerce Act may result in significant changes to the current regulatory regimes the Commission administers. Parts 4 and 5 govern regulatory control (currently applying to the regulated gas distribution services of Powerco and Vector), and Part 4A governs the targeted control regime for the provision of services by electricity distribution and transmission businesses.

The review resulted in the Commerce Amendment Bill being tabled in the House in April 2008 and consideration by the Commerce Select Committee during the remainder of the financial year. The proposed changes, if passed, will result in an expansion of the Commission's regulatory work and an extension of regulatory oversight to the remainder of gas distribution and transmission businesses, and to the large international airports. The Commission has continued to deliver its regulatory work relating to the energy sector under its current Parts 4, 4A and 5 jurisdiction, but has remained mindful of the need to ensure, as much as possible, that any work that can be transitioned into a new regulatory regime can be applied should legislation change.

The Commission has made several submissions to a review of the Fair Trading Act. The Commission is seeking Court-enforceable settlements and substantiation powers similar to those available in Australia. Amendments to

the Electricity Industry Reform Act that are due to come into force in the 2008/09 year will require the Commission to review its guidance on the application process for exemptions under the Act. The objective of the amendments is to encourage further investment in generation and will narrow the scope of ownership separation requirements. As a result of these amendments, the Commission will be required to monitor the disclosure regime for compliance with limits on selling electricity within a local network area and the arm's length rules.

The Commission must also take account of the global environment. International trends that continue to impact on the Commission's work include:

- a growing number of cross-border enforcement cases, such as cartels, and overseas-based scams affecting New Zealand consumers;
- the potential product quality and safety issues raised by increased imports from developing economies such as China; and
- the risk of a global economic slump.

The Commission's relationships with overseas regulators are increasingly important for taking action on cross-border enforcement cases. The Commission continues to develop these relationships through liaison with overseas counterparts. The Commission is seeing an increase in the number of enquiries about internet transactions involving traders based in New Zealand and offshore. To take action in these and other international matters, relationships with colleague agencies at home and overseas are increasingly important, so the Commission continues to work hard to develop them. Legislation to facilitate international information sharing and investigative assistance, particularly in relation to Australia, is currently on the Government's legislative reform agenda.

The Commission recognises the importance of playing its part as a corporate citizen in the international competition community. Staff and Commissioners have attended and participated in international fora, and the Commission cooperates with international agencies, as this helps to keep the Commission abreast of international best practice in enforcement and adjudication.

BUILDING ORGANISATIONAL CAPABILITY

The Commission's ability to deliver on its objectives is determined by the quality of its people and systems. There has been a continued emphasis on a more strategic approach to recruitment, retention and professional development of staff.

Being a 'good employer' enables the Commission to attract a high calibre of people, who are motivated to achieve the Commission's goals, and committed to the vision and values. We have made good progress this year in a number of areas defined under the 'good employer' principles.

An important focus for the Commission at present is on developing leadership across the organisation. Staff at all levels are offered opportunities to develop their personal leadership skills. The Commission implemented a management development programme during the year and will build on this with a leadership development programme in the coming year.

Staff benefit from an extensive training and professional development programme which includes both generic and tailor-made technical training. Staff also attend relevant conferences, and are encouraged to keep abreast of international expertise. In order to ensure the investment we make in our people is maximised, and to assist in clarifying potential opportunities, a career development framework is being developed for implementation in 2008/09.

Addressing retention has been a particular focus, and the Commission has experienced a reduction in annual turnover to 16.02 percent from 17.65 percent in the previous year. However, the challenges of an increasingly mobile and tight labour market continue to impact on the Commission. Promoting the Commission as a challenging and rewarding environment in which to work, where staff can be at the forefront of competition law and regulation, is a focus for recruitment campaigns.

New staff members experience a comprehensive induction/ orientation programme which is consistently the subject of positive feedback. Where appropriate, staff are given opportunities for rotation and secondment, which enhance their career experiences. The Commission has also been developing a policy on flexible working. This will progress further in the 2008/09 year. The Commission has introduced an increased annual leave entitlement for staff with more than three years' service.

The Commission takes a proactive approach to staff well-being. Initiatives have included health education seminars on resilience, nutrition, and managing money. All staff are offered free flu vaccinations each year. An active health and safety committee ensures staff are kept up to date about keeping themselves safe at work.

A new approach to resourcing litigation

The Commission faces an increasing major litigation work programme. This is due to factors such as increasing globalisation and action against major international cartels, increased complexity of merger cases, the challenges of taking action against major corporates for abuse of market power, more challenges by parties to regulatory decisions, and the growing need to respond to serious non-compliance with the Fair Trading Act and CCCF Act.

In May 2007, following a review, the Government agreed that the Commission should significantly expand its internal major litigation capability in order to achieve greater efficiency.

The key objectives for the project are to provide internal litigation services in support of the Commission's activities that:

- are of a standard and level of service which is comparable to that provided by external law firms and/or high-quality enforcement agencies;
- are cost effective; and
- achieve the stated objectives of the Commission.

The gains expected from this shift are:

- more efficient management of conflicts of interest that arise with the external legal providers and their client base;
- the provision of more challenging work and rewarding career paths for Commission personnel;
- enhanced management of the Commission's strategic objectives in the prosecution of major litigation; and
- retention by the Commission of the intellectual capital arising out of its enforcement and prosecution activities, enhancing the Commission's strategic capability.

During the year the Commission has focused on building its internal litigation resource, and implementing a new litigation support system. The Commission has completed a major recruitment programme, employing 11 new staff,

establishing two enforcement teams, creating the positions of a second Assistant General Counsel – Enforcement and Legal Support Manager. The Commission implemented a significant development plan that will include the development of an online litigation manual during 2008/09. The Commission is now able to apply its own internal resource to support its litigation programme, leading to greater efficiencies and strategic capability.

Communicating the Commission's work

The Commission recognises that effective communication is an important tool in its quest to promote dynamic, competitive markets. Consumers make better choices when they are well informed. Businesses are better placed to avoid breaching competition laws when they understand the benefits and their obligations. And the effect of the Commission's intervention is greatly amplified by mass media and industry-specific media coverage of outcomes.

The Commission is committed to engaging in constructive two-way communication. We communicate with stakeholders through newsletters, the publication of guidelines and reports, stakeholder consultation and conferences, and speaking engagements. We also communicate directly with the New Zealand public through our website, media releases and interviews with the media.

As the Commission's workload grows, our profile in the media grows too. In 2007/08 the Commission issued 168 media releases, which continues a trend of an increasing number of releases each year. Work began during the year on developing a tool to assess the impact of the Commission's media profile, which will be introduced as an impact measure in the 2008/09 year.

High-profile cases such as The Warehouse case, in which two supermarket companies had sought clearance to purchase up to 100 percent of the shares and assets of the business, have helped to educate the public about the importance of competition in markets.

The topic of 'greenwashing' was placed firmly on the agenda for the New Zealand media and public with a warning and media release issued by the Commission. The issue generated significant debate and was a useful first step in the process of educating business and consumers about what may be misleading about some 'green' representations.

The Commission's Contact Centre continues to provide an important role in surveillance of markets for potential breaches of competition law. The Contact Centre receives inquiries from the public and gathers and filters information for passing on to the branches for potential investigation. During the year the Contact Centre took just over 12,800 inquiries via phone, email and letter. Most frequently these inquiries related to potential breaches of the Fair Trading Act.

Managing information

Developing and enhancing information management processes and systems has been an important focus area for staff. The Commission is reliant on well-run systems to manage a huge volume of information from investigations and regulatory activities.

2007/08 saw the first year of the Commission's work to establish an Information Management and Systems Strategy (IMSS). This strategy recognises the importance of aligning the Commission's information content and systems with its strategic directions and objectives. Consistent with the Commission's rigorous approach to the security and integrity of information, a series of initiatives was completed as part of the Commission's Confidential Information Security Risk Treatment Plan. These included the introduction of improved visitor and contractor management procedures and secure document disposal facilities. A confidential information security policy has been implemented.

Recognising the importance of efficient access to high-quality external information, an external review of the Commission's library services was undertaken. Its recommendations will result in a programme of development in the 2008/09 year.

The Commission has completed important infrastructure upgrades to continue our efforts toward providing flexible yet secure methods of access to Commission information.

To provide a level of business continuity for the Commission's critical systems, a dedicated alternative network site for disaster recovery purposes has been established.

In line with our aims of maintaining a high level of capability in gathering, analysing and managing information, we have extended the use of the Commission's litigation support system (Summation) to competition and fair trading investigations.

COMMISSION STRUCTURE

The Commerce Commission is an independent Crown entity under section 7 and Part 3 of schedule 1 of the Crown Entities Act 2004, and a body corporate established under section 8 of the Commerce Act.

The Commission is an independent, quasi-judicial body responsible for a number of general and specific regulatory regimes set out in the Commerce, CCCF, DIR, EIR, Fair Trading and Telecommunications Acts.

The Commission is not subject to direction in its enforcement and regulatory control activities. Under section 26 of the Commerce Act the Minister of Commerce can communicate to the Commission statements of economic policy to which the Commission must have regard in its decisions under this Act.

The Governor-General, on the recommendation of the Minister of Commerce, appoints Commission Members for their knowledge of, and experience in, areas relevant to the Commission's interests. At least one Commission Member must be a barrister or solicitor. Under the Telecommunications Act a Telecommunications Commissioner, who is a member of the Commission, is appointed by the Governor-General on the recommendation of the Minister of Communications. The Minister of Commerce may appoint Associate Members.

The Governor-General must also appoint two Cease and Desist Commissioners, who must be barristers or solicitors. These Commissioners are appointed for the sole purpose of hearing and determining applications for cease and desist orders.

Commission Members have both a governance and a decision-making role in the exercise of the Commission's powers and functions.

Governance

The Chair is responsible for convening meetings of the Commission, but may also direct the Commission to sit in Divisions to exercise any powers of the Commission in relation to a matter or class of matter. A division decision has the full weight of a Commission decision,

The Chair convenes monthly meetings of Members to deal with governance issues or to agree on policy that will have an impact on the governance role of the Commission.

The Commission has three standing governance committees which are appointed to assist the Commission to discharge its responsibilities. They are the Audit, Finance and Risk Management Committee (AFRM), Legal Services Committee and the Governance and Remuneration Committee. In 2007/08 the AFRM committee met 11 times, the Legal Services Committee 11 times and the Governance and Remuneration Committee met as required.

Decision making

The Chair directs divisions to consider particular matters on behalf of the Commission. Standing divisions are directed to deal with a particular class of matter. Current standing divisions are responsible for dealing with enforcement matters arising under the Commerce Act, the Fair Trading Act and the Credit Contracts and Consumer Finance Act, and the regulated parts of the electricity and gas sector.

Ad hoc divisions may also be formed for specific adjudicative matters and undertaking specific investigations and inquiries.

Under the Telecommunications Act the Telecommunications Commissioner can decide certain matters. In other cases the Telecommunications Commissioner must involve two Commission Members appointed by the Chair, and together they act as a division.

Conflicts of interest

The Commission operates a conflicts of interest policy. Commission Members must be alert to and disclose all actual or perceived conflicts of interest as defined by the Crown Entities Act 2004. A register of conflicts is maintained and continually updated.

COMMISSION MEMBERS



PAULA REBSTOCK – CHAIR

Paula Rebstock was appointed an Associate Commissioner in 1998, then Commissioner and Deputy Chair, before she was appointed Chair in 2003. An Auckland economic consultant and company director, Paula has a BSc (Economics) from the University of Oregon and an MSc (Economics) from the London School of Economics, and has completed further post-graduate studies at the Kiel Institute of World Economics. Paula has been an economic adviser with the Department of the Prime Minister and Cabinet, and General Manager Policy with the Department of Labour. She chairs a private sector company and is a member of the University of Auckland Business School Advisory Board and of the Synergia Advisory Board.



DAVID CAYGILL – DEPUTY CHAIR

David Caygill, appointed Deputy Chair in December 2003 for a term of five years, is a solicitor and a former Minister of the Crown. On his retirement from Parliament David joined Buddle Findlay. His governance experience includes Chair of the Grid Security Committee, the Electricity Governance Establishment Group and ACC. He has also been a member of the State Services Commission's Crown Entities Review panel and the Review of the Centre Advisory Group. David resigned from the Commission in September 2007 to take up the role of Chair of the Electricity Commission. He was subsequently reappointed to the Commerce Commission as an Associate Member.



DR ROSS PATTERSON – TELECOMMUNICATIONS COMMISSIONER

Dr Ross Patterson was appointed Telecommunications Commissioner in July 2007 for a period of five years. Ross has a PhD in competition law. He has practised extensively in New Zealand and Australia, specialising in competition and regulatory law, most recently as head of Minter Ellison's competition and regulation practice in Australia.



DONAL CURTIN – COMMISSIONER (APPOINTED DEPUTY CHAIR IN JULY 2008)

Donal Curtin was appointed an Associate Commissioner in 2001, then Commissioner. He was reappointed for a further three years in 2005. Donal is a business economist with wide experience of applying economics to commercial decisions. He has been the Bank of New Zealand's chief economist and head of its national private banking unit. He currently advises on monetary policy to Parliament's Finance and Expenditure Select Committee, is Chair of the Public Trust, and is a director or adviser to a number of private companies.



DENESE BATES QC – COMMISSIONER

Initially appointed in 2001, Denese Bates was reappointed in April 2004 for five years. A practising barrister since 1981, she was appointed a Queen's Counsel in 1996. She had a wide-ranging civil law practice which included general civil cases and commercial cases. Denese was for a number of years a council member of both the Auckland District Law Society and the New Zealand Law Society, and for two years she was the convenor of the New Zealand Law Society Ethics Committee. She is a trustee of the Melanesian Mission Trust, and has since 1984 been a director of a manufacturing company.



PETER JM TAYLOR – COMMISSIONER

Peter Taylor was appointed in February 2001 for five years, and reappointed for a further four years in February 2006. A retired chartered accountant with experience in Africa, the United Kingdom, Australia and Asia, Peter was a consulting partner of a major New Zealand accountancy business for 14 years. During this time he managed the firm's Wellington office and was a director for six years. From 1994 to 1996 he was seconded to the Crown Company Monitoring Advisory Unit as its Chief Executive. He is Deputy Chair of New Zealand Venture Investment Fund Limited and director of a number of private companies.



ANITA MAZZOLENI – ASSOCIATE COMMISSIONER

Anita Mazzoleni was appointed in 2005 and reappointed in May 2008 for four years. Anita is an independent corporate finance adviser. She has a BCom and LLB from Auckland University and is a chartered accountant and solicitor. Anita has had a commercial career in industry and finance, particularly the evaluation and funding of infrastructure. She has previously held senior positions in the public and private sector, including as General Counsel at Contact Energy, director of Deloitte Corporate Finance, and General Manager at Citibank, and was recently a director of Industrial Research Limited.



GOWAN PICKERING – ASSOCIATE COMMISSIONER

Gowan Pickering was appointed in May 2005 and reappointed in 2008 for a further four years. Gowan spent more than 30 years with IBM, where he was IBM New Zealand Chief Executive Officer and Chairman from 1991 to 1998. He was Chief Executive for the Foundation for Research, Science and Technology for four years from 2000. He is currently a member of the Council of Victoria University of Wellington and a director of a number of technology companies.



THE HONOURABLE SIR IAN BARKER QC – CEASE AND DESIST COMMISSIONER

The Honourable Sir Ian Barker QC was appointed in October 2007 for five years. He retired as a Senior Judge of the High Court of New Zealand in May 1997 after 21 years of service on the Bench, including 11 years as Judge-in-Charge of the Commercial List. He is a past President of the New Zealand Arbitrators' and Mediators' Institute, a member of arbitration panels in several Pacific Rim arbitration centres, has chaired several arbitral tribunals for the International Chamber of Commerce's Court of Arbitration in Paris, and serves on several Pacific Courts of Appeal.



HELEN CULL QC – CEASE AND DESIST COMMISSIONER

Helen Cull QC was appointed in October 2007 for five years. She has extensive experience in a range of litigation and in public law. She has chaired several national inquiries including the State Services Commission Scampi Inquiry, the G Parry Inquiry, Mental Health inquiries, the Chest Physiotherapy Inquiry and the Fire Service Inquiry. She has served as a company director and board member of several statutory bodies. Helen is currently a director of Solid Energy New Zealand, Senior Advisory District Inspector of Mental Health, and a member of the New Zealand Law Society Ethics Committee.

FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY

Pursuant to the Crown Entities Act 2004, the Commerce Commission accepts responsibility for:

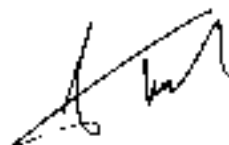
- the preparation of the financial statements in accordance with Generally Accepted Accounting Practice in New Zealand and the judgments made therein; and that
- those financial statements fairly reflect the financial position of the Commerce Commission as at 30 June 2008 and the results of its operations, cash flows and service performance for the period ended on that date; and
- the establishment and maintenance of a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.

In the opinion of the Commerce Commission, the financial statements for the year ended 30 June 2008 set out on pages 36 to 68 fairly reflect the financial position of the Commerce Commission as at 30 June 2008 and the results of its operations, cash flows and service performance for the period ended on that date.



P R Rebstock
Chair – Commerce Commission

31 October 2008



P J M Taylor
Chair – Audit, Finance and Risk Management Committee

31 October 2008

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AUDIT REPORT

TO THE READERS OF THE COMMERCE COMMISSION'S FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

The Auditor-General is the auditor of the Commerce Commission (the Commission). The Auditor-General has appointed me, Clare Helm, using the staff and resources of Audit New Zealand, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Commission for the year ended 30 June 2008.

UNQUALIFIED OPINION

In our opinion:

- The financial statements of the Commission on pages 36 to 41 and 60 to 68:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Commission's financial position as at 30 June 2008; and
 - the results of its operations and cash flows for the year ended on that date.
- The statement of service performance of the Commission on pages 42 to 59:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects for each class of outputs:
 - its standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
 - its actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 31 October 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Commissioners and the Auditor, and explain our independence.

BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgments made by the Members of the Commission;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statements and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements or statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

RESPONSIBILITIES OF THE COMMISSIONERS AND THE AUDITOR

The Commissioners are responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Commission as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Commission's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Commissioners' responsibilities arise from the Crown Entities Act 2004.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Commission.



Clare Helm

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE

This audit report relates to the financial statements and statement of service performance of the Commerce Commission for the year ended 30 June 2008 included on the Commerce Commission's website. The Commissioners are responsible for the maintenance and integrity of the Commerce Commission's website. We have not been engaged to report on the integrity of the Commerce Commission's website. We accept no responsibility for any changes that may have occurred to the financial statements and statement of service performance since they were initially presented on the website.

The audit report refers only to the financial statements and statement of service performance named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and statement of service performance. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and statement of service performance and related audit report dated 31 October 2008 to confirm the information included in the audited financial statements and statement of service performance presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2008

	NOTES	ACTUAL 2007/08 \$000	BUDGET 2007/08 \$000	ACTUAL 2006/07 \$000
OPERATING REVENUE				
Government grants	3	37,649	34,358	26,421
Fees and recoveries		250	581	925
Interest		1,047	600	704
Sundry income		-	60	-
TOTAL OPERATING REVENUE		38,946	35,599	28,050
OPERATING EXPENDITURE				
Members and personnel	4	17,665	17,318	14,979
Direct output costs	5	16,822	12,968	9,632
Occupancy		1,415	1,405	1,229
Depreciation and amortisation		881	853	700
Other expenditure		1,613	3,049	1,322
TOTAL OPERATING EXPENDITURE	6	38,396	35,593	27,862
OPERATING SURPLUS FOR THE YEAR		550	6	188

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2008

	ACTUAL 2007/08 \$000	BUDGET 2007/08 \$000	ACTUAL 2006/07 \$000
Operating surplus for the year	550	6	188
RECOGNISED INCOME FOR THE YEAR	550	6	188
TOTAL CHANGES IN EQUITY	550	6	188
Equity at the beginning of the year	5,065	5,104	4,877
EQUITY AT THE END OF THE YEAR	5,615	5,110	5,065

The accompanying Statement of Accounting Policies, Statement of Service Performance and Notes to the Financial Statements on pages 39 to 68 form part of the financial statements.

STATEMENT OF FINANCIAL POSITION as at 30 June 2008

	NOTES	ACTUAL 2007/08 \$000	BUDGET 2007/08 \$000	ACTUAL 2006/07 \$000
EQUITY				
Accumulated funds	7	3,615	3,610	3,565
Litigation costs reserve	8	500	-	-
Litigation fund	9	1,500	1,500	1,500
TOTAL EQUITY		5,615	5,110	5,065
CURRENT ASSETS				
Cash and cash equivalents		5,926	2,409	300
Fees and recoveries receivable		136	-	155
Government grants receivable	3	1,995	1,250	135
Accruals		97	-	110
Investments		5,000	3,000	7,500
TOTAL CURRENT ASSETS		13,154	6,659	8,200
NON-CURRENT ASSETS				
Property, plant and equipment	10	2,244	1,865	1,927
Intangibles	11	430	700	550
TOTAL NON-CURRENT ASSETS		2,674	2,565	2,477
TOTAL ASSETS		15,828	9,224	10,677
CURRENT LIABILITIES				
Creditors		1,762	1,839	1,292
Accrued expenses		2,816	-	1,326
Government grants repayable	3	4,335	1,111	1,854
Employee entitlements		1,115	969	955
TOTAL CURRENT LIABILITIES		10,028	3,919	5,427
NON-CURRENT LIABILITIES				
Reinstatement provision	12	185	195	185
TOTAL NON-CURRENT LIABILITIES		185	195	185
TOTAL LIABILITIES		10,213	4,114	5,612
NET ASSETS		5,615	5,110	5,065

The accompanying Statement of Accounting Policies, Statement of Service Performance and Notes to the Financial Statements on pages 39 to 68 form part of the financial statements.

STATEMENT OF CASH FLOWS for the year ended 30 June 2008

	NOTES	ACTUAL 2007/08 \$000	BUDGET 2007/08 \$000	ACTUAL 2006/07 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Government grants received		38,270	25,086	29,335
Fees and recoveries received		219	581	999
Interest received		1,110	600	656
Member and employee payments		(17,505)	(16,400)	(15,062)
Supplier payments		(17,890)	(7,939)	(12,814)
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	4,204	1,928	3,114
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments receipts/(deposits)		2,500	1,000	(2,500)
Property, plant and equipment sale proceeds		-	100	-
Property, plant and equipment purchases		(1,078)	(1,119)	(1,238)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		1,422	(19)	(3,738)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
		5,626	1,909	(624)
Opening cash and cash equivalents		300	500	924
CLOSING CASH AND CASH EQUIVALENTS		5,926	2,409	300
CASH AND CASH EQUIVALENTS COMPRISE:				
Cash and cash equivalents		5,926	2,409	300
CLOSING CASH AND CASH EQUIVALENTS		5,926	2,409	300

The accompanying Statement of Accounting Policies, Statement of Service Performance and Notes to the Financial Statements on pages 39 to 68 form part of the financial statements.

STATEMENT OF ACCOUNTING POLICIES for the year ended 30 June 2008

REPORTING ENTITY

The Commerce Commission (the Commission) is a Crown entity, established under the Commerce Act 1986 (operating solely within New Zealand) with responsibilities for the Commerce Act 1986 and the Fair Trading Act 1986; the Electricity Industry Reform Act 1998; the Dairy Industry Restructuring Act 2001 and the Telecommunications Act 2001; and the Credit Contracts and Consumer Finance Act 2003.

MEASUREMENT BASE AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the Crown Entities Act 2004. The financial statements have been prepared on a historical cost basis for a going concern in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and were authorised for issue by the Commission on 31 October 2008.

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate for public benefit entities. All available reporting exemptions allowed under NZ IFRS for public benefit entities have been adopted.

FUNCTIONAL AND PRESENTATION CURRENCY

The Commission's functional currency is the New Zealand dollar and, accordingly, these financial statements are presented in New Zealand dollars (rounded to the nearest thousand).

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which materially affect the measurement of financial performance, position and cash flows have been applied consistently for all reporting periods covered by these financial statements including the comparative information. The significant accounting policies are:

Revenue – Revenue is recognised in the income statement when earned on an accruals basis. Revenue is derived through the provision of outputs for the Crown, for services to third parties, court cost award recoveries and investment income.

Expenditure – All expenditure incurred in the provision of outputs for the Crown is recognised in the income statement when an obligation arises on an accruals basis.

Foreign currency transactions – Transactions in foreign currencies are translated into the Commission's functional currency at exchange rates at the dates of the transactions. Monetary liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Any gain or loss on monetary liabilities is the difference between the cost in the functional currency at the beginning of the period and payments during the period and are recognised in the income statement during that period.

Leases – The Commission is party to various operating leases as a lessee. As the lessors retain substantially all of the risk and rewards of ownership of the leased property, plant and equipment, the operating lease payments are recognised in the income statement only in the period in which they are incurred. Any lease incentives received or obligations to make good on the condition of leased premises are recognised in the income statement over the term of the lease. At balance date, any unamortised incentive and outstanding obligation for reinstatement is recognised as a liability in the balance sheet.

STATEMENT OF ACCOUNTING POLICIES for the year ended 30 June 2008 (contd)

Depreciation and impairment – Depreciation is provided on a straight-line basis on all asset components to allocate the cost of the asset (less any estimated residual value) over its useful life. The residual values and remaining useful lives of property, plant and equipment components are reviewed at least annually. All property, plant and equipment are subject to an annual test of impairment to test the recoverable amount. Any impairment losses are charged to the income statement in the period in which they are first identified. The estimated useful lives of the major asset classes are:

Computer and Office Equipment	3 – 4 years
Furniture and Fittings	up to 5 years
Leasehold Improvements	for the period of lease

Taxation – The Commission is exempt from income tax under section CW 38 of the Income Tax Act 2004.

Service performance outputs – Direct costs are charged directly to outputs. Personnel costs are allocated to outputs based on the time records. The indirect costs of support groups and overhead costs are charged to outputs based on the relative time records of each output.

Equity – Equity is the Crown's interest in the Commission and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into components to enable clearer identification of the specified uses that the Commission has for its accumulated surpluses. The components of equity are accumulated funds and restricted funds. Restricted funds are those reserves subject to specific conditions of use binding on the Commission which may not be altered without reference to other counterparties. The Litigation Fund was established as a restricted fund to provide funds for major litigation activities. The criteria for operation of the Fund are laid down in the Output Agreement between the Commission and the Ministry of Economic Development.

Cash and cash equivalents – Cash and cash equivalents comprises cash on hand, transactional cash balances and call deposits held with New Zealand registered banks which are highly liquid and are used as part of the Commission's day-to-day cash management.

Receivables – Receivables are stated at their estimated net realisable value, after providing for doubtful and uncollectible debts. All known bad debts are written off and charged to the income statement in the period in which they are first identified.

Investments – Investments comprise debt securities (term deposits) issued by New Zealand registered banks and are classified as loans and receivables. Loans and receivables are initially measured at fair value plus any transaction costs. After initial recognition, loans and receivables are re-measured at amortised cost using the effective interest rate method. Any gains or losses arising from impairment or de-recognition are recognised in the income statement in the period in which they are first identified.

Property, plant and equipment – All items of property, plant and equipment owned are recorded at historical cost less accumulated depreciation and any impairment losses. An item of property, plant and equipment acquired in stages is not depreciated until the item of property, plant and equipment is in its final state and ready for its intended use. Subsequent expenditure that extends the useful life or enhances the service potential of an existing item of property, plant and equipment is capitalised. All other costs incurred in maintaining the useful life or service potential of an existing item of property, plant and equipment are recognised in the income statement as expenditure when incurred. Gains or losses arising from the sale or disposal of an item of property, plant and equipment are recognised in the income statement in the period in which the item of property, plant and equipment is sold or disposed of.

Intangible assets – Computer software that is not integral to the operation of the hardware is recorded as an intangible asset. Software is amortised on a straight-line basis over its estimated useful life to a maximum of three years.

Financial instruments – The Commission is inherently a party to financial instruments as part of its day-to-day operations. Financial instruments are monetary assets and liabilities and are initially recognised at their fair value and subsequently measured at their amortised cost less any impairment losses. All revenue and expenditure arising from the financial instruments are recognised in the income statement when earned or an obligation exists.

Employee entitlements – At balance date, any unpaid employee entitlements earned by employees for salaries, bonuses and annual leave are recognised as a liability in the balance sheet and charged to the income statement. Entitlements are calculated on an actual entitlement basis at current rates of remuneration.

Cash flows – Operating, investing and financing cash flows are prepared using the direct method subject to the netting of certain cash flows. The cash flows in respect of bank deposits that have been rolled over under arranged banking facilities have been netted in order to ensure meaningful disclosures. Operating cash flows include all cash received from all operating revenue sources and all cash payments for all operating expenditure items. Investing cash flows reflect the payments for property, plant and equipment purchases, proceeds from the sale of property, plant and equipment, and the net movement in bank deposits.

Contingencies – As the Commission is a quasi-judicial body, it is inherently engaged in litigation activity which may result in costs being ordered against or in favour of the Commission. The outcome of an order for costs may not be certain until all appeal processes are completed. Accordingly, the possibility of a costs award being incurred or received is disclosed firstly as either a contingent liability or contingent asset respectively. An award for costs, whether for or against the Commission, is only recognised in the income statement when it is probable that there will be a future outflow or inflow of resources.

Comparatives – To ensure consistency with the current year, all comparative information including the Budget (Statement of Intent) have been restated or reclassified where appropriate. The budget comparatives are those approved by the Commission at the beginning of the year for inclusion as prospective financial statements in the Statement of Intent. The budget was prepared in accordance with Generally Accepted Accounting Practice and is consistent with the accounting policies governing the preparation of these financial statements.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies, which have been applied on bases consistent with those used in previous years, other than the adoption impacts of NZ IFRS. NZ IAS-1 (revised 2007) *Presentation of Financial Statements* has been adopted early, with all income and expenses now presented in one income statement (a statement of comprehensive income).

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2008

	ACTUAL 2007/08 \$000	BUDGET 2007/08 \$000
VOTE COMMERCE - GENERAL MARKET		
OPERATING REVENUE	15,292	14,539
Market structure cases	694	649
Coordinated behaviour cases	2,991	2,597
Unilateral conduct cases	1,526	1,752
Determinations	2,952	3,031
Framework development	504	397
Public information/education	113	193
Reports to Ministers	13	26
COMMERCE ACT EXPENDITURE	8,793	8,645
Fair Trading Act cases	3,790	3,432
Safety and standards cases	201	413
Framework development	228	471
Public information/education	221	183
FAIR TRADING ACT EXPENDITURE	4,440	4,499
Credit Contracts and Consumer Finance Act cases	1,442	1,160
Framework development	64	164
Public information/education	65	65
CREDIT CONTRACTS AND CONSUMER FINANCE ACT EXPENDITURE	1,571	1,389
Major litigation	514	-
TOTAL OUTPUT EXPENDITURE	15,318	14,533
VOTE COMMERCE - GENERAL MARKET OPERATING (DEFICIT)/SURPLUS	(26)	6
Subsequent to the budget being approved, a transfer of funding from the litigation fund to Vote Commerce was approved to cover the indirect costs of major litigation.		
VOTE COMMERCE - LITIGATION FUND		
OPERATING REVENUE	10,754	9,440
Major litigation	10,754	9,440
TOTAL OUTPUT EXPENDITURE	10,754	9,440
VOTE COMMERCE - LITIGATION FUND OPERATING SURPLUS	-	-
Subsequent to the budget being approved, carried forward funding from 2006/07 was appropriated for expenditure in 2007/08.		
VOTE COMMERCE - LITIGATION COSTS RESERVE		
OPERATING REVENUE	500	-
Cost awards	-	-
TOTAL OUTPUT EXPENDITURE	-	-
VOTE COMMERCE - LITIGATION COST RESERVE OPERATING SURPLUS	500	-
Subsequent to the budget being approved, an additional government grant was appropriated as a contingency for future adverse cost awards.		

	ACTUAL 2007/08 \$000	BUDGET 2007/08 \$000
VOTE COMMUNICATIONS		
OPERATING REVENUE	6,446	7,482
Determinations	2,663	2,262
TSO cost allocations	624	426
Monitoring and reporting	1,387	1,423
Enforcement	100	787
Code approval	2	272
Reports to Ministers	430	747
Framework development	1,083	1,202
Public information/education	157	363
TOTAL OUTPUT EXPENDITURE	6,446	7,482
VOTE COMMUNICATIONS OPERATING SURPLUS	-	-
While staff vacancies during the year have resulted in expenditure being below budget, key outputs have not been adversely affected.		
VOTE ENERGY - ELECTRICITY LINES		
OPERATING REVENUE	4,243	3,317
Assessment of performance threshold compliance	116	231
Threshold inquiries	663	755
Framework development	2,076	1,589
Public information/education	983	742
Input methodologies framework development	405	-
TOTAL OUTPUT EXPENDITURE	4,243	3,317
VOTE ENERGY - ELECTRICITY LINES OPERATING SURPLUS	-	-
Subsequent to the budget being approved, carried forward funding from 2006/07 was appropriated for expenditure in 2007/08 to complete two post-breach inquiries and additional funding was received to initiate work on regulatory principles and guidelines.		
VOTE ENERGY - GAS PIPELINE REGULATION		
OPERATING REVENUE	1,925	300
Determinations	1,784	295
Framework development	6	2
Public information/education	-	3
Input methodologies framework development	135	-
TOTAL OUTPUT EXPENDITURE	1,925	300
VOTE ENERGY - GAS PIPELINE REGULATION OPERATING SURPLUS	-	-
Subsequent to the budget being approved, carried forward funding from 2006/07 was appropriated for expenditure in 2007/08 to complete the Gas Authorisation for regulated gas pipelines services.		

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2008 (contd)

	ACTUAL 2007/08 \$000	BUDGET 2007/08 \$000
VOTE COMMERCE - DAIRY		
OPERATING REVENUE	300	521
Investigations	81	249
Determinations	3	259
Framework development	5	-
Public information/education	135	13
TOTAL OUTPUT EXPENDITURE	224	521
VOTE COMMERCE - DAIRY OPERATING SURPLUS	76	-

COMPETITIVE MARKETS

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
MARKET STRUCTURE CASES CLOSED						
Administrative resolutions	0 - 1	0	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Investigation phase completed within an average of 6 months of commencing the investigation → Administrative resolutions subsequently completed within an average of 45 working days of the decision to pursue administrative resolution	n/a n/a
Litigation resolved ¹	0 - 1	0	→ No successful legal challenges of the Commission's processes during the course of the investigation → No judgments with adverse comments about the Commission	✓ ✓	→ Investigation phase completed within an average of 6 months of commencing the investigation → Filing of proceedings within an average of 30 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 12 months of filing of proceedings	n/a n/a n/a
No further action required	6 - 10	3	→ No successful legal challenges of the Commission's processes during the course of the investigation → No successful legal challenge of the transaction by a third party	✓ ✓	→ Reports completed within an average of 6 months of commencing the investigation	4.7 months
COORDINATED BEHAVIOUR CASES CLOSED²						
Administrative resolutions	2 - 4	3	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Investigation phase completed within an average of 10 months of commencing the investigation → Administrative resolutions subsequently completed within an average of 45 working days of the decision to pursue administrative resolution	1.5 months 4 working days

1. Includes Cease and Desist orders.

2. Including s27, s29 and s30 cases.

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2008 (contd)

COMPETITIVE MARKETS (CONTD)

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
Litigation resolved ³	1 - 2	0	→ No successful legal challenges of the Commission's processes during the course of the investigation → No judgments with adverse comments about the Commission	✓ ✓	→ Investigation phase completed within an average of 10 months of commencing the investigation → Filing of proceedings within an average of 50 days of decision to prosecute → Trial held or pre-trial resolution achieved within an average of 36 months of filing of proceedings	35.5 months 16 days n/a
No further action required	4 - 10	7	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Reports completed within an average of 10 months of commencing the investigation	18.5 months
UNILATERAL CONDUCT CASES CLOSED						
Administrative resolutions	2 - 4	6	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Investigation phase completed within an average of 12 months of commencing the investigation → Administrative resolutions completed within an average of 45 working days of the decision to pursue administrative resolution	10 months 24 working days
Litigation resolved	1 - 2	0	→ No successful legal challenges of the Commission's processes during the course of the investigation → No judgments with adverse comments about the Commission	✓ ✓	→ Investigation phase completed within an average of 12 months of commencing the investigation → Filing of proceedings within an average of 50 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 36 months of filing of proceedings	n/a n/a n/a
No further action required	4 - 8	4	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Reports completed within an average of 12 months of commencing the investigation	27 months

3. Includes Cease and Desist orders.

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
DETERMINATIONS MADE						
Authorisations determined	6 - 7	5	→ No successful legal challenges of the Commission's processes during the course of the investigation → No judgments with adverse comments about the Commission	✓ ✓	→ s58 and s67 determinations completed within an average of 100 working days of registering an application → EIR Act determinations completed within 60 working days of registering an application	n/a 117 working days
Clearances determined	17 - 23	26	→ No successful legal challenges of the Commission's processes during the course of the clearance determination → Written reasons published for each determination	✓ ✓	→ Clearances determined within an average of 40 working days of registering an application → Written reasons for clearance decisions published within an average of 20 working days of the decision	38 working days 47 working days
Litigation resolved	0 - 1	1	→ No judgments with adverse comments about the Commission	✓ (appeal withdrawn)	→ Filing of proceedings within an average of 20 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 12 months of filing of proceedings	n/a n/a
FRAMEWORK DEVELOPMENT						
Advice to officials on proposed law reform	2 - 4	7	→ n/a	n/a	→ n/a	n/a
International information exchange and liaison	6 - 10	12	→ n/a	n/a	→ n/a	n/a
PUBLIC INFORMATION/EDUCATION						
Media releases	50 - 60	67	→ Consistent with media release protocol	✓	→ n/a	n/a
Presentations	14 - 18	17	→ n/a	n/a	→ n/a	n/a

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2008 (contd)

COMPETITIVE MARKETS (CONTD)

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
Publications	3 - 4	0	→ Publications conform to brand guidelines/standards	✓	→ n/a	n/a
REPORTS TO MINISTER						
Reports to Minister	0	0	→ n/a	n/a	→ n/a	n/a
Litigation resolved	0 - 2	0	→ No judgments with adverse comments about the Commission	n/a	→ Filing of proceedings within an average of 20 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 12 months of filing of proceedings	n/a n/a

INFORMED CONSUMERS

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
FAIR TRADING ACT CASES RESOLVED						
Administrative resolutions	200 - 210	174	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Investigation phase completed within an average of 45 working days of commencing the investigation → Commission settlement completed within an average of 30 working days of the decision to pursue administrative resolution	77 working days 16 working days
Litigation resolved	18	13	→ No successful legal challenges of the Commission's processes during the course of the investigation → No judgments with adverse comments about the Commission	✓ ✓	→ Investigation phase completed within an average of 12 months of commencing the investigation → Filing of proceedings within an average of 20 working days of decision to prosecute → Trial held or pre-trial resolution achieved within an average of 18 months of filing of proceedings	14.2 months 48 working days 16.5 months
No further action required	62 - 72	65	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Investigations completed within an average of 60 working days of commencing the investigation	79 working days
PRODUCT SAFETY AND INFORMATION STANDARDS CASES RESOLVED						
Administrative resolutions	40 - 45	38	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Investigation phase completed within an average of 45 working days of commencing the investigation → Commission settlements completed within an average of 30 working days of the decision to pursue administrative resolution	42 working days 19 working days
Litigation resolved	5 - 7	8	→ No successful legal challenges of the Commission's processes during the course of the investigation → No judgments with adverse comments about the Commission	✓ ✓	→ Investigation phase completed within an average of 12 months of commencing the investigation → Filing of proceedings within an average of 20 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 18 months of filing of proceedings	3.8 months 3.8 working days 3.5 months

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2008 (contd)

INFORMED CONSUMERS (CONTD)

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
No further action required	15 - 18	8	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Investigations completed within an average of 60 working days of commencing the investigation	14 working days
CCCF ACT CASES RESOLVED						
Administrative resolutions	25 - 27	38	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Investigation phase completed within an average of 6 months of commencing the investigation → Administrative resolutions completed within an average of 30 working days of the decision to pursue administrative resolution	6.1 months 28 working days
Litigation resolved	4 - 5	2	→ No successful legal challenges of the Commission's processes during the course of the investigation → No judgments with adverse comments about the Commission	✓ ✓	→ Investigation phase completed within an average of 12 months of commencing the investigation → Filing of proceedings within an average of 20 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 18 months of filing proceedings	14 months 33 working days 12.6 months
No further action required	6 - 8	5	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Investigations completed within an average of 60 working days of commencing the investigation	91 working days
FRAMEWORK DEVELOPMENT - FAIR TRADING ACT						
Industry codes reviewed	3 - 5	11	→ n/a	n/a	→ Industry codes reviewed within an average of 30 days of receiving the code	n/a
Advice to officials on proposed law reform	2 - 8	20	→ n/a	n/a	→ n/a	n/a
International information exchange and liaison	5 - 7	15	→ n/a	n/a	→ n/a	n/a

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
PUBLIC INFORMATION/EDUCATION - FAIR TRADING ACT						
Media releases	25 - 30	40	→ Consistent with media release protocol	✓	→ n/a	n/a
Presentations	5 - 7	4	→ n/a	n/a	→ n/a	n/a
Publications	0 - 3	1	→ Publications conform to brand guidelines/standards	✓	→ n/a	n/a
FRAMEWORK DEVELOPMENT - CCCF ACT						
Industry codes reviewed	0 - 1	0	→ n/a	n/a	→ Industry codes reviewed within an average of 30 days of receiving the code	n/a
Advice to officials on proposed law reform	1 - 3	5	→ n/a	n/a	→ n/a	n/a
International information exchange and liaison	0 - 1	5	→ n/a	n/a	→ n/a	n/a
PUBLIC INFORMATION/EDUCATION - CCCF ACT						
Media releases	5 - 8	8	→ Consistent with media release protocol	✓	→ n/a	n/a
Presentations	5 - 10	10	→ n/a	n/a	→ n/a	n/a
Publications	0 - 2	0	→ Publications conform to brand guidelines/standards	n/a	→ n/a	n/a

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2008 (contd)

SOUND REGULATORY REGIMES – TELECOMMUNICATIONS

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
ACCESS DETERMINATIONS						
Access determinations made	2 - 4	8	→ No applications for statutory clarifications of Commission determinations	4 applications	→ Access determinations completed within a maximum of 10 months of commencement	10.7 months
Litigation resolved	0 - 1	0	→ No successful legal challenges of the Commission's processes during the course of its determinations	✓	→ Filing of proceedings within an average of 20 working days of decision to prosecute	n/a
			→ No judgments with adverse comments about the Commission	✓	→ Trial held or pre-trial resolution achieved within an average of 12 months of filing of proceedings	n/a
TELECOMMUNICATIONS SERVICE OBLIGATIONS COST ALLOCATION						
Cost allocation determinations made	4	2	→ No successful appeals against the Commission's cost allocation determinations	✓	→ Each determination will be completed within 12 months of the prior determination	9.2 months
TSO Compliance reports	2	2	→ n/a	n/a	→ Reports completed within an average of 60 working days from the end of the financial year	57 working days
Litigation resolved	0 - 1	0	→ No successful legal challenges of the Commission's processes during the course of its determinations	✓	→ Proceedings filed within an average of 20 working days of decision to prosecute	n/a
			→ No judgments with adverse comments about the Commission	✓	→ Trial held or pre-trial resolution achieved within an average of 12 months of filing of proceedings	n/a
MONITORING AND REPORTING						
Sector monitoring reports	6	5	→ n/a	n/a	→ n/a	n/a
Operational separation monitoring report	1 - 2	0	→ n/a	n/a	→ n/a	n/a

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
Accounting separation reports	0	0	→ n/a	n/a	→ n/a	n/a
Information disclosure reports	1	0	→ n/a	n/a	→ Publication of summaries within an average of 90 working days of receiving the information	n/a
ENFORCEMENT CASES CLOSED						
Administrative resolutions	0 - 6	0	→ No successful legal challenges of the Commission's processes during the course of the investigation	n/a	→ Investigation phase completed within an average of 45 working days of commencing the investigation	n/a
Litigation resolved	0 - 2	0	→ No successful legal challenges of the Commission's processes during the course of the investigation	n/a	→ Investigation phase completed within an average of 6 months of commencing the investigation	n/a
			→ No judgments with adverse comments about the Commission	n/a	→ Filing of proceedings within an average of 20 working days of the decision to prosecute	n/a
					→ Trial held or pre-trial resolution achieved within an average of 18 months of filing of proceedings	n/a
No further action required	0 - 2	0	→ No successful legal challenges of the Commission's processes during the course of the investigation	n/a	→ Investigations completed within an average of 60 working days of commencing the investigation	n/a
CODE APPROVAL/DEVELOPMENT						
Industry codes approved	2 - 4	0	→ n/a	n/a	→ Industry code approval processes completed within an average of 70 working days of receiving the code	n/a
REPORTS TO MINISTERS						
Schedule 3 reports to Ministers	1 - 3	2	→ n/a	n/a	→ Reports completed within an average of 12 months of commencing the investigation	14.4 months

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2008 (contd)

SOUND REGULATORY REGIMES – TELECOMMUNICATIONS (CONTD)

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
FRAMEWORK DEVELOPMENT						
Framework specification report for accounting separation	2	0	→ Any data models conform with Commission models policy	n/a	→ n/a	n/a
Advice to officials on proposed law reform	1 - 3	3	→ n/a	n/a	→ n/a	n/a
International information exchange and liaison	2 - 3	3	→ n/a	n/a	→ n/a	n/a
PUBLIC INFORMATION/EDUCATION						
Media releases	20 - 30	41	→ Consistent with media release protocol	✓	→ n/a	n/a
Presentations	5 - 10	7	→ n/a	n/a	→ n/a	n/a
Publications	4 - 6	0	→ Publications conform to brand guidelines/standards	n/a	→ n/a	n/a

SOUND REGULATORY REGIMES – ELECTRICITY

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
ASSESSMENTS OF PERFORMANCE THRESHOLD COMPLIANCE STATEMENTS						
Compliance statements assessed	29	0	→ n/a	n/a	→ Assessments completed within an average of 60 days of receiving statements	n/a
THRESHOLD INQUIRIES						
Post-breach inquiries – no further action required	1 – 4	31 ⁴	→ No successful legal challenges of the Commission’s processes during course of post-breach inquiries	✓	→ n/a	n/a
Determinations to declare control	0 – 3	0	→ No successful legal challenges of the Commission’s processes during course of determinations	✓	→ Determinations completed within an average of 6 months of notice of intention to declare control	n/a
Authorisations of price, revenue or quality	0 – 2	0	→ No successful legal challenges of the Commission’s processes during course of authorisations	✓	→ Provisional authorisations in place coincident with declaration of control → Final authorisations completed within an average of 12 months → No company under control experiences a hiatus between authorisations	n/a n/a n/a
Litigation resolved	0 – 2	0	→ No judgments with adverse comments about the Commission	✓	→ Filing of proceedings within an average of 20 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 12 months of filing of proceedings	n/a n/a

4. This includes the determinations not to control as a result of 29 breaches for 15 companies.

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2008 (contd)

SOUND REGULATORY REGIMES – ELECTRICITY (CONTD)

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
FRAMEWORK DEVELOPMENT						
Advice to officials on proposed law reform	1 - 3	3	→ n/a	n/a	→ n/a	n/a
International information exchange and liaison	1 - 3	3	→ n/a	n/a	→ n/a	n/a
Threshold reset	1	0	→ No successful legal challenges to the Commission's processes during the course of the reset	n/a	→ Reset decisions in place before 1 April 2009	n/a
Litigation resolved	0 - 2	1	→ No judgments with adverse comments about the Commission	✓	→ Filing of proceedings within an average of 20 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 12 months of filing of proceedings	n/a n/a
PUBLIC INFORMATION/EDUCATION						
Media releases	10 - 15	10	→ Consistent with media release protocol	✓	→ n/a	n/a
Presentations	5 - 10	9	→ n/a	n/a	→ n/a	n/a
Publications	10 - 20	14	→ Publications conform to brand guidelines/standards	✓	→ n/a	n/a
Dissemination of industry information	1	0	→ n/a	n/a	→ Publication of summaries within an average of 90 working days of receiving information	n/a

SOUND REGULATORY REGIMES – GAS

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
DETERMINATIONS						
Provisional authorisations	0 - 2	0	→ No successful legal challenges of the Commission's processes during course of provisional authorisations	✓	→ No company under control experiences a hiatus between authorisations	n/a
Final authorisations/undertakings	2	0	→ No successful legal challenges of the Commission's processes during course of final authorisations/undertakings	✓	→ Final authorisations completed by November 2007 → No company under control experiences a hiatus between authorisations	n/a n/a
Litigation resolved	0 - 1	0	→ No judgments with adverse comments about the Commission	✓	→ Filing of proceedings within 20 working days of decision to prosecute → Trial held or pre-trial resolution achieved within an average of 12 months of filing of proceedings	n/a n/a
ASSESSMENTS OF COMPLIANCE WITH TERMS OF AUTHORISATIONS/UNDERTAKINGS						
Compliance statements assessed	0 - 2	4	→ n/a	n/a	→ Assessments completed within an average of 90 days of receiving statement	22 days
FRAMEWORK DEVELOPMENT						
Advice to officials on proposed law reform	0	0	→ n/a	n/a	→ n/a	n/a
International information exchange and liaison	1 - 3	0	→ n/a	n/a	→ n/a	n/a
PUBLIC INFORMATION/EDUCATION						
Media releases	1 - 5	1	→ Consistent with media release protocol	✓	→ n/a	n/a
Presentations	1 - 5	1	→ n/a	n/a	→ n/a	n/a
Publications	1 - 5	2	→ Publications conform to brand guidelines/standards	✓	→ n/a	n/a

STATEMENT OF SERVICE PERFORMANCE for the year ended 30 June 2008 (contd)

SOUND REGULATORY REGIMES – DAIRY

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
CASES CLOSED						
Administrative resolutions	0 - 1	0	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Investigation phase completed within an average of 6 months of commencing the investigation → Administrative resolutions completed within an average of 45 working days of the decision to pursue administrative resolution	n/a n/a
Litigation resolved	0 - 1	0	→ No successful legal challenges of the Commission's processes during the course of the investigation → No judgments with adverse comments about the Commission	✓ ✓	→ Investigation phase completed within an average of 6 months of commencing the investigation → Filing of proceedings within an average of 20 working days of decision to prosecute → Trial held or pre-trial resolution achieved within an average of 24 months of filing of proceedings	n/a n/a n/a
No further action required	0 - 1	0	→ No successful legal challenges of the Commission's processes during the course of the investigation	✓	→ Reports completed within an average of 6 months of commencing the investigation	n/a
DETERMINATIONS						
Determinations made	0 - 1	0	→ No successful legal challenges of the Commission's processes during the course of the determination → No judgments with adverse comments about the Commission	✓ ✓	→ Determinations completed within an average of 6 months of receiving the application	n/a
Litigation resolved	0 - 1	0	→ No successful legal challenges of the Commission's processes during the course of the determination → No judgments with adverse comments about the Commission	✓ ✓	→ Filing of proceedings within an average of 20 working days of decision to prosecute → Trial held or pre-trial resolution achieved within an average of 18 months of filing of proceedings	n/a n/a

SUB-OUTPUT	QUANTITY SOI	QUANTITY ACTUAL	QUALITY SOI	QUALITY ACTUAL	TIMELINESS SOI	TIMELINESS ACTUAL
FRAMEWORK DEVELOPMENT						
Advice to officials on proposed law reform	0	1	→ n/a	n/a	→ n/a	n/a
PUBLIC INFORMATION/EDUCATION						
Media releases	0 - 2	1	→ Consistent with media release protocol	✓	→ n/a	n/a
Presentations	0 - 1	0	→ n/a	n/a	→ n/a	n/a
Publications	0 - 1	0	→ Conform to brand guidelines/standards	n/a	→ n/a	n/a

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

1. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

In authorising these financial statements for issue, the Members of the Commission have ensured that the specific accounting policies necessary for the proper understanding of the financial statements have been disclosed and that all accounting policies adopted are appropriate for the Commission's activities and have been applied consistently throughout the year.

In applying the accounting policies, the Members of the Commission are required to make certain judgements and estimates. The Audit, Finance and Risk Management Committee and the Members of the Commission have considered the following critical judgements and estimates to be appropriate.

Contingencies

The Commission is party to several significant litigation cases and appeals as a result of its enforcement and quasi-judicial role. The Commission has, in conjunction with its Legal Services Committee and General Counsel, assessed the likelihood of the appeals being successful and the likelihood of costs being awarded against, or in favour of, the Commission.

Costs awards that are likely to result in a future outflow of resources have been recognised as at 30 June 2008 in the Income Statement. The Commission has also disclosed its contingent liabilities as a result of cost awards that may possibly result in a future outflow of resources as at 30 June 2008 (refer note 2).

The cases currently under appeal are funded through a non-departmental expense appropriation for major litigation. The Litigation Fund was established as a restricted fund to provide funds for major litigation activities. The criteria for operation of the Fund are laid down in an annual Output Agreement executed between the Commission and the Ministry of Economic Development. Only actual and direct operating costs of Litigation Fund cases are charged against the Fund.

The Ministry of Economic Development monitors the performance of the Litigation Fund on behalf of the Crown and authorises the payment of government grants quarterly in arrears to reimburse the Litigation Fund for expenditure incurred (net of interest and court costs received).

The government grants for the Litigation Fund have been increased for the financial year ending 30 June 2009 and subsequent years and include additional funding of \$0.5 million to establish a contingency reserve to manage the impact of adverse costs awards that may be awarded against the Commission in the future. The additional funding will be rolled over to subsequent years up to a cap of \$3.0 million.

2. CONTINGENT LIABILITIES

In July 2000 the Commission filed proceedings against Telecom New Zealand Limited (Telecom) alleging a breach of section 36 of the Commerce Act 1986 in that Telecom used its dominant position in the market for fixed line rental telephone services to residential customers or had an anti-competitive purpose when it introduced the 0867 package in 1999.

In April 2008 the High Court ruled in favour of Telecom with an award for costs. The Commission appealed the judgment in May 2008. A date for hearing the appeal has not been set by the Court of Appeal and the parties have agreed to defer consideration and payment of costs until all appeals are extinguished, with further appeals to the Supreme Court available to both parties. The amount of any obligation cannot be measured with sufficient reliability.

There were no contingent liabilities as at 30 June 2008.

3. GOVERNMENT GRANTS

	2007/08 \$000	2006/07 \$000
GOVERNMENT GRANTS		
Vote Commerce - General Markets	13,579	13,343
Vote Commerce - Dairy	300	301
Vote Communications	6,359	3,295
Vote Energy - Electricity Lines	4,232	2,704
Vote Energy - Gas Pipeline Regulation	1,925	1,237
Litigation Fund	10,754	5,541
Litigation Costs Reserve	500	-
TOTAL GOVERNMENT GRANTS	37,649	26,421
GOVERNMENT GRANTS COMPRISE:		
GOVERNMENT GRANTS DUE		
Vote Commerce - General Markets	13,579	13,343
Vote Commerce - Dairy	521	905
Vote Communications	7,201	4,000
Vote Energy - Electricity Lines	3,317	4,267
Vote Energy - Gas Pipeline Regulation	300	1,000
Litigation Fund	9,440	6,400
TOTAL GOVERNMENT GRANTS DUE	34,358	29,915
SUPPLEMENTARY FUNDING DUE		
Vote Commerce - Dairy	384	-
Vote Communications	1,427	-
Vote Energy - Electricity Lines	2,261	-
Vote Energy - Gas Pipeline Regulation	1,881	630
Litigation Fund	1,314	2,074
Litigation Costs Reserve	500	-
TOTAL SUPPLEMENTARY FUNDING DUE	7,767	2,704
GOVERNMENT GRANTS RETAINED/TRANSFERRED		
Vote Commerce - Dairy	-	(244)
Vote Communications	-	(500)
Vote Energy - Electricity Lines	-	(667)
Vote Energy - Gas Pipeline Regulation	(400)	-
Litigation Fund	(1,736)	(3,068)
TOTAL GOVERNMENT GRANTS RETAINED/TRANSFERRED	(2,136)	(4,479)
GOVERNMENT GRANTS RECEIVABLE		
Vote Energy - Gas Pipeline Regulation	259	-
Litigation Fund	1,736	135
TOTAL GOVERNMENT GRANTS RECEIVABLE	1,995	135
GOVERNMENT GRANTS REPAYABLE		
Vote Commerce - Dairy	(605)	(360)
Vote Communications	(2,269)	(205)
Vote Energy - Electricity Lines	(1,346)	(896)
Vote Energy - Gas Pipeline Regulation	(115)	(393)
TOTAL GOVERNMENT GRANTS REPAYABLE	(4,335)	(1,854)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008 (contd)

3. GOVERNMENT GRANTS (contd)

The Crown (Government) and the Commission are related parties. The Members (Commissioners) of the Commission are appointed by the Crown. The Commission has specific regulatory responsibilities in the dairy processing, electricity lines and telecommunications industries which are ultimately funded by industry levies payable to the Crown.

The Commission's major source of revenue is Government grants. The Commission must repay any excess revenue received relating to these Government grants. Amounts are owed to and from the Crown with respect to Government grants due or repayable as at each balance date as recognised in the balance sheet.

The Commission is also a party to transactions with other entities within the Crown as part of its day-to-day operations. As these transactions are conducted on an arm's length basis, within the normal course of operation, further disclosure of the details of the transactions is exempted under NZ IFRS.

4. MEMBERS AND PERSONNEL

	2007/08 \$000	2006/07 \$000
Members' remuneration	1,584	1,337
Chief Executive Officer	22	-
General Manager	311	307
Senior Management	1,585	1,234
TOTAL KEY MANAGEMENT PERSONNEL REMUNERATION	3,502	2,878
All other employees	12,158	10,659
TOTAL SHORT-TERM EMPLOYEE BENEFITS	15,660	13,537
Redundancy	-	5
Recruitment	776	582
Professional development	460	390
Other employment-related costs	769	465
TOTAL MEMBERS AND PERSONNEL	17,665	14,979
MEMBERS' REMUNERATION COMPRISES:		
PR Rebstock (Chair)	446	408
D Caygill (Deputy Chair)	43	110
DR Bates (Commissioner)	183	142
DF Curtin (Commissioner)	160	91
PJM Taylor (Commissioner)	161	142
D Caygill (Associate)	7	-
P Harris (Associate)	5	10
A Mazzoleni (Associate)	139	52
G Pickering (Associate)	37	28
R Patterson (Telecommunications Commissioner)	374	-
DA Webb (Telecommunications Commissioner)	29	352
T Stapleton (Cease and Desist Commissioner)	-	2
TOTAL MEMBERS' REMUNERATION	1,584	1,337

David Caygill resigned as Deputy Chair of the Commission in September 2007 to take up the role of Chair of the Electricity Commission and was then reappointed to the Commission as an Associate Member, replacing Peter Harris. The Electricity Commission is reimbursed for their time spent working for the Commission.

The Telecommunications Commissioner is a full-time position with Dr Ross Patterson appointed from July 2007, replacing Douglas Webb. All other Commissioners are remunerated for service on a daily rate set by the Remuneration Authority as follows:

MEMBERS' DAILY RATES	2007/08	2006/07
Chair	1,650	1,600
Deputy Chair	1,420	1,370
Commissioners and Associates	1,350	1,300
Cease and Desist Commissioners	1,230	1,190

Additional remuneration of up to 50% of the daily rate is payable if the hours worked on any day has exceeded eight hours. The daily rate includes any annual and sick leave entitlement and no additional payments are made on account of annual leave or sick leave.

The Commission has incurred expenses of \$15,000 (2007: \$8,400) for consultancy services provided by Martin, Jenkins and Associates Ltd, a company of which PJM Taylor, Commissioner, is a Director. The charges are entered into on normal commercial terms on an arms length basis.

EMPLOYEES WITH TOTAL ANNUAL REMUNERATION OVER \$100,000 (IN BANDS OF \$10,000):	2007/08 NUMBER	2006/07 NUMBER
\$100,000 - \$110,000	10	10
\$110,001 - \$120,000	13	7
\$120,001 - \$130,000	6	4
\$130,001 - \$140,000	7	2
\$140,001 - \$150,000	1	1
\$150,001 - \$160,000	1	1
\$160,001 - \$170,000	1	2
\$170,001 - \$180,000	1	-
\$180,001 - \$190,000	2	1
\$190,001 - \$200,000	-	2
\$200,001 - \$210,000	1	3
\$210,001 - \$220,000	2	-
\$220,001 - \$230,000	1	-
\$300,001 - \$310,000	-	1
\$310,001 - \$320,000	1	-

5. DIRECT OUTPUT COSTS

	2007/08 \$000	2006/07 \$000
Legal costs	1,263	1,071
Experts	4,057	1,796
Litigation Fund expenditure	10,240	5,541
Cost awards	-	9
Other expenses	1,262	1,215
TOTAL DIRECT OUTPUT COSTS	16,822	9,632

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008 (contd)

6. TOTAL OPERATING EXPENDITURE

	2007/08 \$000	2006/07 \$000
TOTAL OPERATING EXPENDITURE INCLUDES:		
Auditor's remuneration	40	48
Operating leases	1,274	1,008
AUDITOR'S REMUNERATION COMPRISES:		
Audit fees	35	43
Audit-related fees (NZ IFRS impacts)	5	5
TOTAL AUDITOR'S REMUNERATION	40	48

7. ACCUMULATED FUNDS

Balance at the beginning of the year	3,565	3,377
Operating surplus for the year	550	188
Transfer to litigation costs reserve	(500)	-
TOTAL ACCUMULATED FUNDS	3,615	3,565

8. LITIGATION COSTS RESERVE

Balance at the beginning of the year	-	-
Transfer from accumulated funds	500	-
TOTAL LITIGATION COSTS RESERVE	500	-

9. LITIGATION FUND

Litigation fund at the beginning of the year	1,500	1,500
Transfers to the litigation fund	10,754	5,541
Transfers from the litigation fund	(10,754)	(5,541)
TOTAL LITIGATION FUND	1,500	1,500
TRANSFERS TO THE LITIGATION FUND COMPRISE:		
Government grants	10,611	3,730
Court awarded cost recoveries	127	1,779
Interest	16	32
TOTAL TRANSFERS TO THE LITIGATION FUND	10,754	5,541

10. PROPERTY, PLANT AND EQUIPMENT

	2007/08 \$000	2006/07 \$000
COMPUTER AND OFFICE EQUIPMENT		
At cost	2,038	1,363
Accumulated depreciation	(1,203)	(935)
COMPUTER AND OFFICE EQUIPMENT AT THE END OF THE YEAR	835	428
FURNITURE AND FITTINGS		
At cost	1,081	957
Accumulated depreciation	(934)	(704)
FURNITURE AND FITTINGS AT THE END OF THE YEAR	147	253
LEASEHOLD IMPROVEMENTS		
At cost	1,680	1,470
Accumulated depreciation	(587)	(402)
LEASEHOLD IMPROVEMENTS AT THE END OF THE YEAR	1,093	1,068
MOTOR VEHICLES		
At cost	44	44
Accumulated depreciation	(31)	(26)
MOTOR VEHICLES AT THE END OF THE YEAR	13	18
WORK IN PROGRESS	156	160
TOTAL PROPERTY, PLANT AND EQUIPMENT	2,244	1,927
TOTAL PROPERTY, PLANT AND EQUIPMENT COMPRISES:		
COMPUTER AND OFFICE EQUIPMENT		
Balance at the beginning of the year	428	499
Additions	675	289
Depreciation	(268)	(360)
COMPUTER AND OFFICE EQUIPMENT AT THE END OF THE YEAR	835	428
FURNITURE AND FITTINGS		
Balance at the beginning of the year	253	277
Additions	124	127
Depreciation	(230)	(151)
FURNITURE AND FITTINGS AT THE END OF THE YEAR	147	253
LEASEHOLD IMPROVEMENTS		
Balance at the beginning of the year	1,068	694
Additions	210	482
Depreciation	(185)	(108)
LEASEHOLD IMPROVEMENTS AT THE END OF THE YEAR	1,093	1,068
MOTOR VEHICLES		
Balance at the beginning of the year	18	22
Depreciation	(5)	(4)
MOTOR VEHICLES AT THE END OF THE YEAR	13	18
WORK IN PROGRESS		
Balance at the beginning of the year	160	138
Net (capitalisations)/additions	(4)	22
WORK IN PROGRESS	156	160
TOTAL PROPERTY, PLANT AND EQUIPMENT	2,244	1,927

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008 (contd)

11. INTANGIBLES (COMPUTER SOFTWARE)

	2007/08 \$000	2006/07 \$000
COST		
Cost at the beginning of the year	1,116	800
Additions	73	316
COST AT THE END OF THE YEAR	1,189	1,116
ACCUMULATED AMORTISATIONS		
Accumulated amortisation at the beginning of the year	566	490
Amortisation charge for the year	193	76
ACCUMULATED AMORTISATION AT THE END OF THE YEAR	759	566
TOTAL INTANGIBLES	430	550

12. REINSTATEMENT PROVISION

Balance at the beginning of the year	185	85
Charge for the year	-	100
COST AT THE END OF THE YEAR	185	185

13. FINANCIAL INSTRUMENTS

THE CARRYING AMOUNTS OF EACH CLASS OF FINANCIAL ASSETS AND LIABILITIES ARE:		
MONETARY ASSETS		
Cash and cash equivalents	5,926	300
Fees and recoveries receivable	136	155
Government grants receivable	1,995	135
Investments	5,000	7,500
TOTAL MONETARY ASSETS	13,057	8,090
MONETARY LIABILITIES		
Creditors	1,762	1,292
Government grants repayable	4,335	1,854
TOTAL MONETARY LIABILITIES	6,097	3,146
NET MONETARY ASSETS	6,960	4,944

Financial instruments are monetary assets and liabilities and include cash and cash equivalents, receivables, investments and payables resulting from day-to-day operations. There are risks inherent with all financial instruments and risk management policies are used to mitigate the exposure to market risk comprising liquidity risk, credit risk, interest rate risk and currency risk.

Liquidity risk

Liquidity risk is the risk arising from unmatched cash outflows and maturities of financial instruments leading to difficulty in settling obligations as they fall due. As Crown Government grants are received quarterly in advance, the Commission does not have a material risk in meeting its day-to-day obligations as they fall due. The Commission's ratio of monetary assets to liabilities as at 30 June 2008 is 2.1:1 (2007: 2.6:1). The Commission is not permitted any form of debt borrowings and has credit card facilities with an aggregate limit of \$36,000 (2007: \$64,000).

Credit risk

Credit losses result from a counterparty defaulting on its obligations owed to the Commission resulting in a financial loss to the Commission. Financial instruments, which potentially subject the Commission to risk, consist of cash and bank balances, receivables and investments (bank deposits). The maximum credit risk exposure is represented by the carrying amount of each monetary asset on the balance sheet.

The Commission does not have a material credit risk with respect to receivables due from third parties. All other receivables are due from the Crown. Cash not immediately needed to settle obligations as they fall due is invested with New Zealand registered banks with appropriate credit ratings. Limits are in place restricting deposit terms, individual deposit amounts, currency and the level of deposits with any one registered bank. The Commission is not exposed to any concentrations of credit risk, other than an exposure to the New Zealand banking sector. No collateral is required to be held as security against amounts owed to the Commission.

Interest rate risk

As interest rates change, the fair value of interest-bearing bank deposits may change and future cash inflows will fluctuate. In accordance with the Commission's cash management policy, there are limits on the terms of all interest-bearing deposits, ensuring that deposits re-price within six months (short-term). There are no other market risks.

The financial instruments' carrying amount closely approximates their fair values as at 30 June 2008 and 30 June 2007. The effective interest rate on interest-bearing deposits over the year was 8.51% (2007: 8.31%). A 1% change in interest rates, with all other factors unchanged, would change interest earnings by \$123,000 (2007: \$84,700).

Currency risk

Currency risk results from fluctuations in the value of future cash outflows because of changes in foreign exchange rates. The Commission engages overseas experts, requiring payment in a range of foreign currencies. The transactions are not hedged and are translated into New Zealand dollars at the exchange rate (spot) obtained when the invoices are paid. A 10% change in exchange rates, with all other factors unchanged, would change expenditure by \$550,000 (2007: \$132,000).

14. RECONCILIATION OF OPERATING SURPLUS FOR THE YEAR TO NET CASH INFLOWS FROM OPERATING ACTIVITIES

	2007/08 \$000	2006/07 \$000
OPERATING SURPLUS FOR THE YEAR	550	188
NON-CASH ITEMS:		
Depreciation and amortisation	881	700
Loss/(gain) on sale of property, plant and equipment	-	1
Employee entitlements	160	(83)
Reinstatement provision	-	100
TOTAL NON-CASH ITEMS	1,041	718
CHANGE IN WORKING CAPITAL ITEMS:		
Fees and recoveries receivable	(31)	73
Government grants receivable	(1,860)	1,633
Accruals	63	(48)
Creditors	470	108
Accrued expenses	1,490	(839)
Government grants repayable	2,481	1,281
TOTAL CHANGE IN WORKING CAPITAL ITEMS	2,613	2,208
NET CASH INFLOWS FROM OPERATING ACTIVITIES	4,204	3,114

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008 (contd)

15. OPERATING (NON-CANCELLABLE) LEASES

	2007/08 \$000	2006/07 \$000
LEASE PAYMENTS DUE:		
Within one year	1,434	1,033
Within one to five years	2,604	1,291
After five years	-	-
TOTAL OPERATING (NON-CANCELLABLE) LEASES	4,038	2,324

The future operating (non-cancellable) lease payments comprise contractual amounts due for leased office equipment and premises. The Commission leases three offices, with all leases expiring in 2011. Under each lease, there are rights of renewal of up to six years. The Commission is required to reinstate certain premises to their original condition at the end of the lease and is providing for these costs over the lease period.

16. CAPITAL EXPENDITURE COMMITMENTS

The Commission had entered into capital expenditure contracts as at 30 June 2008 to the value of \$54,000 (2007: \$260,000).

17. TRUST FUNDS

	2007/08 \$000	2006/07 \$000
TRUST ACCOUNT		
Trust account at the beginning of the year	517	-
Receipts	2,620	4,253
Payments	(3,082)	(3,736)
TRUST ACCOUNT AT THE END OF THE YEAR	55	517

The Trust Account receipts reflect awards of compensation and any pecuniary penalties imposed under the Commerce Act 1986, collected on behalf of and paid/payable to the Crown. The Commission has no ownership rights in or future benefits arising from the trust monies.

APPENDICES

Appendices detailing the following are available on the Commission's website www.comcom.govt.nz under Publications/Annual Reports:

COMPETITIVE MARKETS

INFORMED CONSUMERS

SOUND REGULATORY REGIMES – TELECOMMUNICATIONS

SOUND REGULATORY REGIMES – ELECTRICITY

SOUND REGULATORY REGIMES – GAS

SOUND REGULATORY REGIMES – DAIRY



www.comcom.govt.nz



CONTACT DETAILS

To contact the Commission with information about false or misleading trading practices, or anti-competitive behaviour by businesses
CALL the Contact Centre on 0800 943 600, WRITE to Contact Centre, PO Box 2351, Wellington or EMAIL contact@comcom.govt.nz