



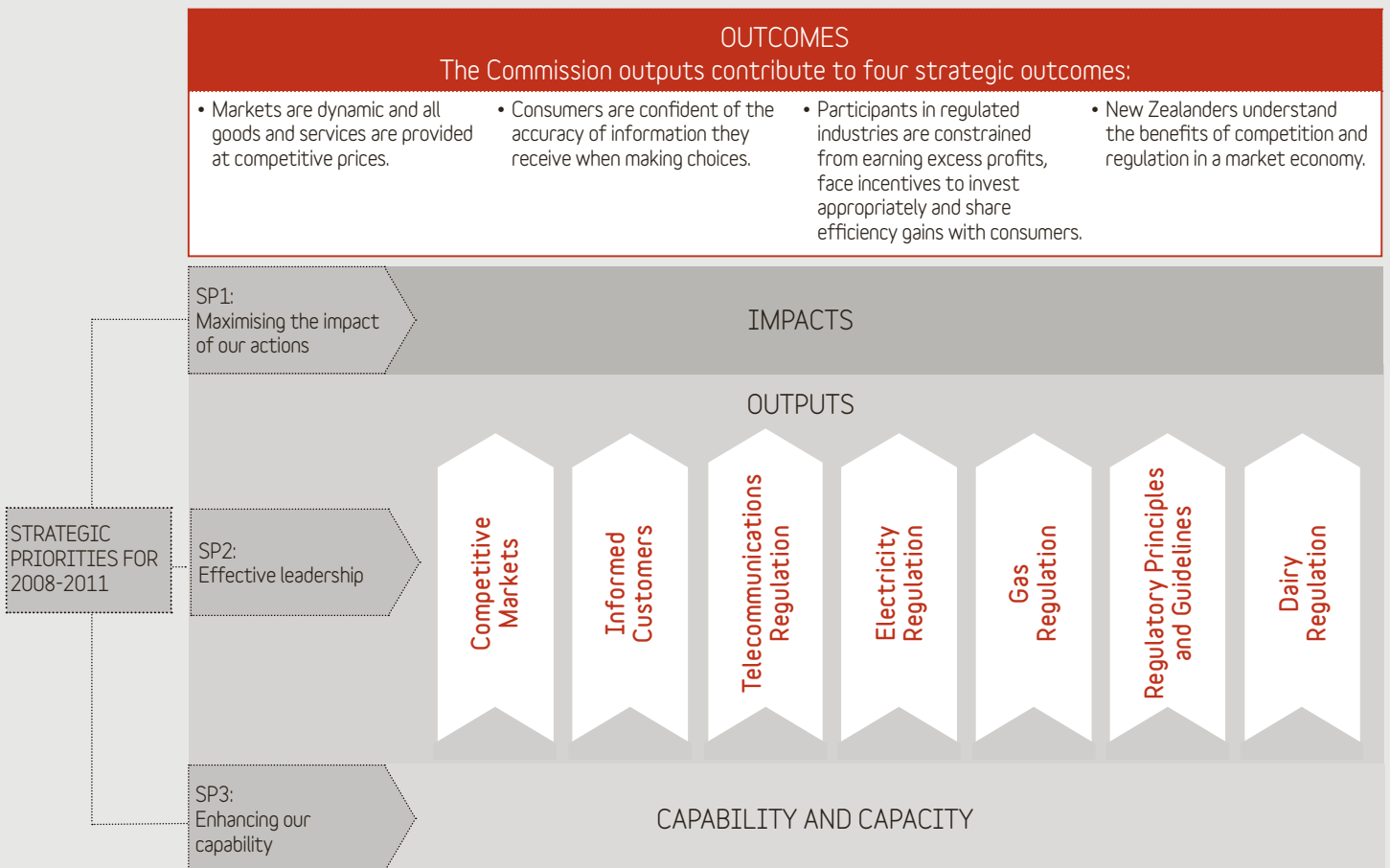
2008-2011

COMMERCE COMMISSION
STATEMENT OF INTENT

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2008-2011

STRATEGIC PRIORITIES



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CHAIR'S FOREWORD

Promoting dynamic and responsive markets so that all New Zealanders benefit from competitive prices, better quality and greater choice

A dynamic market economy is one that is constantly changing to keep abreast of technology, innovation, global changes and competitive forces. In the end, these aspects of a dynamic market place are beneficial to all New Zealanders. Keeping pace with dynamic markets requires responsive legislation, and a regulatory agency that is tuned into the business environment, and accessible to consumers and industry alike.

The Commerce Commission expects the changing market place will be reflected in amendments to the legislation, and these in turn will result in changes to the Commission's enforcement responsibilities and in the industries for which it has regulatory responsibility. The Commission will adjust its strategies and processes in order to reflect this evolution.

Under the Commerce Act, cartels continue to be a major focus as they are the most harmful of anti-competitive practices. The Commission will be developing sentencing submission guidelines for cartel cases and reviewing the leniency policy to bring about the efficiencies that arise through early cooperation. The Commission will also be streamlining its approach to mergers and acquisitions to provide greater certainty for businesses.

It is timely to review the Commission's enforcement of section 36 of the Commerce Act. Addressing the problem of anti-competitive behaviour by market participants with substantial market power under section 36 is proving challenging. Due to the potential for significant economic harm, the Commission is making this review a priority and will use an expert panel to provide clarity in this complex area.

New focus areas under Fair Trading enforcement are aimed at anticipating and dealing early with competition and fair trading issues in emerging markets for consumers, such as the accuracy of claims about environmental sustainability, and claims about the fees involved in, and returns from, retirement savings products.

The Commission is turning more to litigation under the Credit Contracts and Consumer Finance Act to ensure credit contract fees are reasonable and disclosed. Currently the credit industry is not fully compliant with the legislation and taking more action through the courts will encourage better compliance and clarify any areas of the law that may be uncertain.

The programme of work in telecommunications continues to expand to keep up with the fast changes in the industry. A new project to study Next Generation Networks will help the Commission understand emerging key technological developments and their impact on the telecommunications business environment. The Commission will continue to place a priority on competitive issues to do with the broadband and mobile markets, as these are the areas of the biggest potential gain for consumers.

The Commission's work programme in regulating electricity lines business has the potential to change significantly, depending on the outcome of a Bill amending the Commerce Act. In the meanwhile, the Commission will continue to reset the price path and quality thresholds, as those currently in place are due to expire in March 2009. The same amendment Bill would also significantly extend the Commission's role in airports and natural gas pipeline regulation.

In the dairy industry, a review by the Ministry of Agriculture and Forestry of the Raw Milk Regulations may necessitate the Commission issuing new guidelines. The Commission will be following the increasing demand for raw milk and potential for associated competition issues.

A significant new work programme for the Commission is the development of economic regulatory principles and guidelines for the industries the Commission regulates. The aim is to provide greater transparency and certainty for these industries, and any future regulated industries.

The Commission manages various, sometimes competing, demands. Its most valuable resource is its people. Significant investment is being channelled into recruiting, training and retaining the right skill mix to deliver the outputs. Over the coming three years the Commission will be placing greater emphasis on leadership, both internally and externally. Internally, leadership is important for the health and intelligence of the organisation. Externally, the Commission is aware that it can achieve greater impact by ensuring all New Zealanders understand the vital role competition plays in a market economy.

This involves maximising the Commission's position as the recognised expert in competition law and to ensure greater understanding of the harmful effects of anti-competitive behaviour. The outcome of any intervention the Commission makes is magnified by the exposure the issue receives through media and other external activities such as speeches and forums.

The Commission's changing and growing role is recognised in the appointment of a new Chief Executive, a role expanded from the previous role of General Manager. The already strong management structure and rigorous systems, along with the expansion of leadership initiatives throughout the Commission, will stand the organisation in good stead during this period of change.

The Commission's role is a challenging one, but with sound, inspired leadership, and a firm focus on achieving the maximum impact from its actions, the Commission is confident of continuing to encourage a dynamic, competitive market for the good of businesses and consumers alike.

A handwritten signature in black ink, reading "Paula Rebstock". The signature is written in a cursive, flowing style.

Paula Rebstock
Chair

NATURE AND SCOPE OF FUNCTIONS

The Commerce Commission is responsible for enforcing New Zealand's competition, fair trading and consumer credit contract laws. It also has regulatory responsibilities in the electricity, gas, telecommunications and dairy industries.

New Zealand businesses benefit from a competitive environment that provides a level playing field, which encourages innovation and investment and greater regulatory certainty. New Zealand consumers benefit as well, as businesses offer lower prices and better quality products and services in order to compete for consumers' custom. Consumers are also given greater confidence in their transactions, through the enforcement of fair trading and consumer credit laws, and product safety regulations.

The Commission is an independent, quasi-judicial body established under the Commerce Act, and is accountable to the Minister of Commerce for its performance. This independence requires the Commission to be an impartial promoter and enforcer of the law. As the experts in enforcing and implementing competition and regulatory policy, the Commission can be asked to provide input to policy development and legislative reviews, particularly where there are implementation issues to be considered.

The Commission delivers its outputs under an Output Agreement with the Ministers of Commerce, Energy and Communications. It is funded through Vote Commerce (for Competition, Electricity Industry Reform Act, Fair Trading Act and Credit Contracts and Consumer Finance Act outputs), and through Votes Energy, Communications and Dairy for sector-specific regulation.

The Commission's functions and role are consistent with the goals of the Government's *economic transformation* agenda through building and promoting confidence in open, effective and dynamic markets, and in promoting sound regulatory regimes. The Commission's work is also consistent with the Government's *families – young and old* theme, through promoting confidence in fair trading and consumer credit transactions, and by enforcing product safety and consumer information regulation.

The Commission will continue to provide quarterly and annual reports and quarterly briefings to relevant Ministers on the performance of the Commission under its Output agreement.

COMPETITIVE MARKETS

The Commission enforces, adjudicates and provides information and advice relating to generic competition law that prohibits anti-competitive behaviour and structures in markets (Commerce Act 1986, Electricity Industry Reform Act 1998 (EIRA)).

INFORMED CONSUMERS

The Commission enforces and provides information and advice about consumer legislation that prohibits false and misleading behaviour by traders (Fair Trading Act 1986 (FTA)), and requires the disclosure of certain information to consumers entering into consumer credit contracts (Credit Contracts and Consumer Finance Act 2001 (CCCF Act)).

SOUND REGULATORY REGIMES

The Commission conducts regulatory inquiries to determine whether to recommend that goods or services should be controlled (Commerce Act, Part 4).

Should Part 4 recommendations be accepted by the Government, or should the Commission so determine under Part 4A, suppliers of regulated services may be subject to authorisations or undertakings in respect of prices, revenues and quality standards of controlled goods and services.

TELECOMMUNICATIONS

The Commission undertakes the following: monitoring and reporting on developments and trends in the telecommunications industry, determining access terms to telecommunications networks, determining and allocating the cost of telecommunications service obligations, reporting to the Government on the desirability of regulating or deregulating telecommunications services, and monitoring and enforcing Telecom's compliance with its operational and accounting separation obligations (Telecommunications Act 2001).

ELECTRICITY LINES BUSINESSES

The Commission applies a targeted control, a thresholds regime for large electricity lines businesses and a complementary information disclosure regime (Commerce Act, Part 4A).

GAS DISTRIBUTION

The Commission determines authorisations or accepts undertakings in respect of prices, revenues and quality standards of controlled gas services (Commerce Act, Part 5).

REGULATORY PRINCIPLES AND GUIDELINES

The Commission is taking a lead to provide enhanced transparency and certainty within the regulatory regimes administered under the Commerce Act. This has resulted in the launch of a work programme to develop economic regulatory principles and guidelines for electricity transmission and distribution and gas distribution.

DAIRY

The Commission provides determinations on dairy industry disputes with Fonterra about the application of, and undertakes investigations in relation to, the Dairy Industry Restructuring Act (DIRA) Part 2, and regulations.

STRATEGIC DIRECTION

Building on the direction set in 2007, the Commission will focus on:

- maximising the strategic impact of its actions;
- assuming a leadership role within the community by highlighting the benefits of competition and the role of regulation in the market economy;
- enhancing capability, and continuing to implement a good employer programme in order to attract and retain skilled staff, and to focus on developing staff;
- enhancing project management practice and aligning the allocation of resources to work based on the cases where the public detriment is greatest; and
- measuring what the Commission does and how effective it is.

The Commission is constantly evolving as the market place changes and the responsibilities entrusted to the Commission change in response. Globalisation is changing the way business operates. This raises jurisdictional issues for both enforcement and adjudication matters, as well as increasing the need to cooperate with international competition and consumer law enforcement agencies. Rapid advances in technology also pose a challenge to the Commission.

Innovation and flexibility are critical. The Commission has adjusted aspects of its strategy to take account of its achievements so far, but also to be responsive to the changing environment and timely with its actions and interventions.

Important changes made this year are to increase the focus on:

- strengthening leadership throughout the organisation, and implementing a leadership programme throughout the organisation which draws on the expert knowledge of Commissioners and staff; and
- enhancing productivity through improvements to project management and processes.

The Commission's strategy for 2008-2011 identifies three key priorities. The relationship between the three strategic priorities and the outputs and outcomes is represented in the illustration on page 2.

For details of Commission membership and organisational structure go to www.comcom.govt.nz

OPERATING INTENTIONS

STRATEGIC PRIORITY 1: MAXIMISING IMPACT (SP1)

WHAT IS THE COMMISSION SEEKING TO ACHIEVE?

The Commission will maximise its impact by setting clear priorities based on the extent of public detriment.

The Commission's purpose is to promote competition within New Zealand markets. Where competition is not possible in regulated industries, the Commission promotes outcomes that are consistent with a competitive market. The Commission intervenes only to the degree necessary to achieve effective competition or outcomes consistent with effective competition.

The Commission aims to maximise Government's return on its investment by consistently and systematically focusing on the impacts it has. It will allocate its funding as efficiently and effectively as it can to deliver the best results for the New Zealand public.

HOW WILL THIS BE ACHIEVED?

Using the output framework implemented in 2007/08, the Commission aims to maximise its impact by setting clear priorities based on the extent of public detriment. In terms of individual issues this means intervening at the right time and at the right level, and in terms of the overall programme it means getting maximum impact from available resources. Across the work programme, the Commission will be investing in interventions that offer the greatest net benefits.

Specific strategies for achieving this are:

- actively acquiring market intelligence;
- targeting issues and matching the process and resources allocated to the extent of public detriment of the case;
- utilising the full range of intervention options; and
- ensuring that responses, and the interventions used, are timely.

A significant amount of the Commission's enforcement response to date has been driven by complaints and information received through the Contact Centre. The Commission will continue to rely on its Contact Centre, which provides valuable information. The Commission will in future more actively gather market intelligence through increasing the level of stakeholder engagement.

The Commission will also continue with the cartel leniency policy. Cartels are business conspiracies that cause

considerable economic harm. Their activities are covert and difficult to detect. The cartel leniency policy encourages cartel participants to come forward by offering immunity from prosecution.

In addition to developing effective ways of monitoring its impact, over the next three years the Commission will utilise the full range of intervention options in its enforcement and regulatory functions. The Commission recognises that intervening at the earliest possible point reduces consumer harm and the negative impact on the market place.

To succeed in this strategy the Commission will deepen its understanding of different markets and be more flexible. To do this the Commission will need to be more efficient, for example by reducing the length of the written reasons for decisions for straightforward clearances and streamlining less complex investigations.

THE FOCUS IN 2008/09

Developing intervention options and engaging with stakeholders

The Commission will explore the full range of intervention options available and the contexts in which these are most effective. It will also increase the level of engagement with targeted stakeholders. Because the functions and stakeholders in each output area can differ significantly, the Commission will tailor its implementation of these priorities to suit the specific requirements of each individual output area. In some areas, this involves hosting presentations or forums to target audiences, while in others it involves industry consultation.

Managing major litigation cases to maximise impact

Prosecuting major litigation raises significant challenges for the Commission, especially as the size and complexity of cases increase. The Commission remains committed to considering alternative dispute resolution whenever appropriate. The step change in the Commission's major litigation programme will see more cases being prosecuted with more settlements likely.

The Commission will review its major litigation portfolio in 2008/09 to assess what further action it can take to ensure that cases proceed to full trial only where there are not alternative forms of resolution available. Full, defended trials absorb considerable resources and create uncertainty during the course of the proceedings. Other forms of resolution can, in certain circumstances, deliver more effective and timely

outcomes. Early resolution can be worth significantly more in terms of certainty and savings of resources to all involved and can lead to significant market benefits. Early resolution can also enable the Commission to free up its resources and focus on other cases.

With cartels and enforcement action following leniency applications, the Commission expects to resolve many cases by agreement between the Commission and non-leniency defendants regarding liability, and making joint submissions to the court on penalty. This is a major benefit of the Commission's leniency policy. A leniency applicant provides considerable evidence that enables the Commission to bring strong cases against cartel members. The Commission will publish its approach to sentencing submissions for cartel conduct to support this process and to increase certainty for the parties involved, recognising that the courts ultimately decide the appropriate sentences. Early cooperation and disclosure of unlawful conduct will continue to be pursued strongly.

With respect to cases relating to other types of anti-competitive activity, such as taking advantage of market power and anti-competitive mergers and acquisitions, the Commission will work with parties to determine whether there are effective alternatives to trial to achieve more timely resolution.

The Commission has achieved considerable success in its prosecution and litigation programme. As a result parties know that the Commission is a serious and committed opponent and parties are more willing to engage with the Commission to resolve serious cases. The Commission welcomes the opportunity to explore ways of resolving cases and will work with parties who are serious about addressing their unlawful conduct.

This approach relies on fulsome cooperation, including willingness by parties to engage with objective assessments of their cases, and to consider full and early disclosure. The Commission will work with parties to assess what further steps it can take to achieve more timely resolution of cases.

STRATEGIC PRIORITY 2: LEADERSHIP (SP2)

WHAT IS THE COMMISSION SEEKING TO ACHIEVE?

The Commission will focus on achieving effective leadership: by promoting the benefits of competition to the wider community, by achieving an organisation proactively committed to excellence in performance and adapting to change, and by giving confidence to our stakeholders.

The Commission is committed to enhancing its leadership both internally and externally. The purpose of this strategy is to enhance the quality, quantity and timeliness of what it does; it also underpins the Commission's ability to maximise the impact of its actions.

Effective leadership is a means for galvanising action across the organisation in pursuit of a shared direction. Implementation of this strategy during 2007/08 focused on establishing a leadership programme, defining what leadership means for the Commission and honing leadership skills through an assessment, training and coaching programme. The Commission has begun personal leadership training for staff, and will now focus on expanding the scope of this work.

HOW WILL THIS BE ACHIEVED?

In order to ensure the wider community understands the benefits of competition, the Commission will need to ensure its key messages to stakeholders are consistent, across the organisation.

There are significant benefits in New Zealanders having a sound understanding of the Commission's role, and the value of competition and regulating monopoly services. As a consequence of major successes in recent years, the Commission already benefits from a high level of public support for its work.

The Commission will build on this profile so that New Zealanders better understand the value of its work in contributing to New Zealand's economic development. Stakeholders will be encouraged to see successful enforcement and regulatory actions within that context, rather than as one-off 'victories' for consumers or 'punishments' for lawbreakers. The Commission will focus on reassuring stakeholders that it only employs enforcement and regulatory interventions where it considers them necessary to protect competition and consumers, or provide sound regulatory outcomes.

Over the next three years, the Commission intends to promote leadership in the following ways:

- engaging with external stakeholders about the role of competition in supporting an innovative and vibrant market economy; and
- developing leadership skills and behaviours across the organisation aligned with the organisation's strategic direction and priorities.

An assessment of the external environment identified how important it is that stakeholders understand the benefits of competition, and understand that the Commission's role in regulating industries is to replicate the benefits of competition in sectors where competition does not exist. Increasing the level of understanding that businesses and consumers have of their rights and obligations under competition and consumer laws is also important, as a means of enhancing compliance.

The Commission will engage in dialogue with stakeholders openly and to signal the Commission's position on particular issues earlier, where it can. To do this the Commission will use the full range of communication tools and techniques, and broaden the base of senior people involved in stakeholder engagement.

Over the past year, the Commission has taken significant steps to develop leadership within the organisation. Leadership at all levels needs to be developed further, in order to strengthen the commitment to performance excellence, and to increase the Commission's flexibility in approach so that it can readily adapt to changes in the environment. These enhancements will help the Commission continue to have the confidence of its stakeholders, who will have greater understanding of the importance of a competition-based economy, and of why the Commission intervenes when and how it does.

THE FOCUS IN 2008/09

Developing leaders

The Commission will continue to strengthen its leadership role in order to face the challenges of its environment, and it will do so by developing leadership and management capability.

The management coaching model, and associated 360 degree feedback process adopted and implemented in 2007/08, will guide further skill development of managers, while the Commission will continue to provide personal leadership training. This focuses on self-awareness, interpersonal and influencing skills.

In late 2008 the Commission will hold an in-house conference focusing on leadership.

Enhancing external leadership

The Commission will enhance the effectiveness of its communication regarding the benefits of competition and the role of the Commission in promoting competition in New Zealand. In order to do this the Commission and its senior managers need to be recognised as experts in the field. Achieving effective engagement requires greater collaboration across different parts of the organisation, to ensure greater consistency of messages via all the different communication vehicles.

The Commission will develop an enhanced communications strategy to provide guidance and direction on priority audiences, key messages, and how to manage risks. This will ensure a focus on priority areas, such as instigating speaking engagements with particular industries or audiences or on topics that warrant attention, using the most appropriate communications tools, and tailoring messages to most effectively meet the needs of stakeholder groups.

The Commission will seek opportunities for Commissioners and senior staff to represent the Commission through the spectrum of media interactions, stakeholder consultations and engagements, and broader public speaking engagements. Involving a greater range of Commissioners and staff in this engagement is necessary because of the expanding role of the Commission.

STRATEGIC PRIORITY 3: CAPABILITY (SP3)

WHAT IS THE COMMISSION SEEKING TO ACHIEVE?

The Commission will ensure that it is able to attract the best people and retain them longer by providing career path opportunities. The Commission will be recognised for its expertise by stakeholders and international agencies. It will act as a learning organisation.

This strategic priority is designed to effect change at the foundations of the organisation by focusing on recruiting the right people into the organisation, investing in them, retaining them and ensuring they have well-designed systems they can rely on when performing their roles. Good people and good systems are the foundations upon which the Commission achieves anything else. Improving these enhances its ability to produce better-quality outputs, or to do so more efficiently.

HOW WILL THIS BE ACHIEVED?

In 2007/08 the Commission developed a programme for enhancing project management throughout the organisation. Implementation of the programme will benefit the Commission and its stakeholders through more efficient processes and increased productivity and capability.

The Commission continues to face recruitment and retention challenges with its need to engage specialised skills in a tight labour market. The Commission has developed an overarching human resources strategy to manage this challenge. The Commission's capability strategy places importance on sustaining a well-regarded employment brand, by being responsive to the needs and expectations of its potential and current employees and taking account of trends in the employment market.

The Commission will continue to invest in the well-being of its employees by implementing initiatives that foster a proactive and supportive working environment. It is expected that the investment in these areas will have a significant influence on retention rates over the next few years.

To assess the success of the strategy and determine its future direction, the Commission will conduct a staff culture survey every second year.

It is noted that a key initiative for development of capability is the leadership programme. Its importance means it is treated as a separate strategic priority.

The Commission will employ the following strategies to enhance its capability:

- enhancing effectiveness through improvements in the design of systems and processes;
- complete implementation of the project management programme;
- empowering staff by developing their skills. This will involve a mix of training and work opportunities; and
- improving knowledge management so that staff can readily access the information they need, and to support the development of an 'expert' organisation (for example, by continuing development of the COGENT investigator training system).

The Commission will strive to attract the best people and retain them longer by providing career path opportunities, and by ensuring that the systems and processes staff rely on are well designed and suited to support them in their work. This will require adopting an innovative approach to processes and technology.

In addition, the Commission will collectively and consistently think and act as a learning organisation, by building on its experience and expertise, so that it can maintain high performance and the respect of stakeholders and other international competition and regulatory agencies.

THE FOCUS IN 2008/09

People and systems

Leadership capability and effective management skills are important elements of the strategy to sustain a market reputation as an employer of choice. In order for staff across the Commission to reach their potential, managers must be skilled in coaching and in providing an environment where motivation and performance can be maximised.

In addition to enhancing management skills, the Commission will continue to use targeted recruitment strategies to secure staff with the technical and professional skills and experience necessary to meet its objectives, particularly in new and developing work areas.

The Commission will continue to implement its three-year Information Management and Systems Strategy (IMSS).

The IMSS was adopted in July 2007 and implementation began in 2007/08. This strategy is aimed at ensuring that the quality of the Commission's information-gathering, analysis and management systems is sufficient to support the full range of its functions. The agreed strategy, which set out the pathway to 2010, is revised annually to ensure it aligns with any changes in the overall business strategy.

In 2008/09 the Commission will be focusing on knowledge management, ensuring that the necessary tools and systems exist for managing information. In order to provide staff with effective access to the quality of in-house and external information they need, the intranet, website and in-house library services will be enhanced.

Implementing an integrated project management approach

The further development of project management processes and systems is a priority. The Commission has completed a comprehensive review and assessment of project management policy and practices. This has resulted in the adoption of a project management strategy.

In recent years, the Commission has undertaken a number of initiatives to enhance project management, including defining appropriate structures and roles, providing project management training and implementing supporting software. Going forward, a coordinated strategy, a shift in culture, and further development of project management tools and methodology will allow the Commission to achieve the full benefits of this work.

The Commission will continue with the project management development strategy in 2008/09, building on progress so far. Success in this project will deliver a more efficient and consistently high-performing organisation that is able to make the right strategic and operational decisions faster. At a practical level, this will start with the design of simple and clear processes tailored to the needs of the Commission, easy-to-use templates to increase consistency, and clarification of the roles and responsibilities of people participating in projects.

Application of a consistent project management methodology across the organisation will deliver a higher quality of management information about demand levels, productivity, and the trade-offs that need to be made. It is fundamental to improving productivity and decision making and to enhancing the job satisfaction of staff.

The Commission intends to complete this project by 1 June 2009. The full expected impact will be cumulative over time.

Building on in-house major litigation capability

Major litigation is a key tool for promoting the Commission's objective of maximising impact. The Commission has an increasing portfolio due to increased detection of major cartels, cases involving unilateral conduct, and major Fair Trading Act and CCCF Act cases. The Commission obtained changes in its funding structure to seek efficiencies to better manage the conduct of its major litigation portfolio.

The Commission is establishing its own major litigation team and establishing systems and processes to support its major litigation work. This initiative aims to provide high-quality major litigation services at less cost and with greater efficiency than previously. It will enable the Commission to better manage its costs, conflicts of interest, and overall internal servicing. It will significantly enhance the Commission's strategic capability and improve the retention and recruitment of quality staff.

The baseline review 2008

The Ministry of Economic Development, on behalf of the Government, is leading a review of the Commission's baseline funding in 2008. The purpose of the review is to determine appropriate funding levels for the Commission, taking into account its full range of functions under Vote Commerce (Enforcement of the General Market Regulation, and Enforcement of the Dairy Sector Regulation) and Vote Communications (Enforcement of the Telecommunications Sector Regulation).

Vote Energy (Enforcement of the Electricity Sector Regulation and Control of Natural Gas Services) is not included in the scope of the review, except insofar as it affects other areas of the organisation.

This is an opportunity to ensure the Commission is appropriately funded to fulfil its functions. This is a significant review for the Commission, and appropriate resources will be committed to ensuring the review is aware of all the pertinent factors that have an impact on the Commission's responsibilities over the next four to five years.

MEASURING PERFORMANCE

The Commission implemented a new output framework last year. That framework links the outputs to the strategic outcomes, an approach consistent with Government's desire for state sector organisations to manage for outcomes.

The output framework will continue to develop incrementally, as the Commission gains more experience in managing its outputs and outcomes through the framework and in response to changes in the role and responsibilities. This year, changes have been made to the structure of some of the regulated industries' outputs to create clearer linkages to the outcomes they deliver. A new output category has been added, Regulatory Principles and Guidelines, to cover a new area of work, for which the Commission received initial supplementary funding in 2007/08 and further funding for 2008/09.

The Commission has established a full set of performance measures for all output areas for 2008/09. These targets intentionally require the organisation to 'stretch' in order to achieve them, and the Commission recognises it will take time to consistently achieve all of them. In the longer term, as performance and efficiency improve, it is anticipated they will be adjusted accordingly. The Commission will measure the timeliness of its performance in terms of average working days, as this provides the most useful management information about the productivity and efficiency of output delivery.

UNDERSTANDING IMPACTS

The Commission uses a range of intervention tools in performing its role and these interventions are designed to have different impacts on the businesses and sectors affected. The challenge is how to measure these impacts.

Monitoring and measuring impact can provide valuable information to support management decisions about how to best allocate resources, to ensure the Commission continues to encourage dynamic, competitive markets. The Commission has selected two impact measurements for implementation in 2008/09. They are:

- assessing the efficacy of administrative settlement interventions in stopping behaviour that is in breach of the law; and
- using media analysis to assess the number and quality of published/broadcast media articles that result from Commission media releases, to establish whether the key messages are understood.

The first of these measures was chosen because, as an enforcement agency, the Commission must be seen to be effective in stopping conduct that is in potential breach of the law, when these breaches are brought to its attention, thereby eliminating or lessening the detriments to the competitive process and to consumers. Administrative settlements are an effective use of Commission resources. However, the Commission needs to be certain that parties are fully complying with settlements, in order to have confidence in the use of administrative settlements as a resolution tool.

Ensuring that the Commission's work is understood, and educating consumers and businesses about rights and obligations, depends to a significant degree on how well the Commission communicates its messages through the media. Analysing media coverage will give the Commission better guidance on targeting communication to key stakeholders.

Given the breadth and complexity of the portfolio, the Commission must continue to improve its measurement system in order to demonstrate its effectiveness.

IMPLEMENTING THE STRATEGIES

COMPETITIVE MARKETS 2008-2011

The Commerce Act provides the competition framework for markets in New Zealand. Utilising the provisions of the Act, the Commission helps to protect the competitive process.

A free market economy is the best way to allocate a country's precious resources and can deliver lower prices, innovative products and more choice for consumers.

The Commission's competition programme comprises adjudications, under which the Commission considers applications for clearance of mergers and acquisitions, the authorisation of mergers and coordinated market behaviour, and applications for exemptions to the structural restrictions set out in the Electricity Industry Reform Act (EIRA). It includes the investigation of coordinated behaviour, unilateral conduct and changes in market structure not notified to the Commission through the clearance, authorisation or exemption regimes.

The Commission focuses its resource on those cases that are likely to have the greatest impact on competition. Merger and acquisition clearances will continue to be a priority because of their importance to the structure of the New Zealand economy. The focus of discretionary investigations will be on cartel investigations resulting from leniency applications.

Cartel behaviour is the most serious anti-competitive behaviour and causes significant harm. The Commission will take robust and vigorous action against any cartel activity. Critical to the cartel programme is the leniency policy, as it is the most effective tool to uncover cartels. The leniency programme must be supported by the Commission's vigorous prosecution of members of the cartel.

Enforcement activity in unilateral cases involving alleged breaches of section 36 (abuse of market power) is proving challenging. The Commission considers that this is an area that may affect many markets, with potentially significant economic harm. Internationally there is considerable focus on determining the nature and extent of abuse of market power as anti-competitive conduct. The Commission intends to review its enforcement of section 36. This review will address the issue of abuse of market power and provide clarity and guidance in this complex area. The Commission will appoint an expert panel to advise it.

The Commission will continue to prosecute appropriate abuse of market power cases, including those already in the court system and under investigation.

With the success of the leniency programme in uncovering cartels, there are many investigations where the Commission must take significant enforcement action. Combined with a number of other important unilateral and merger litigation cases, this means that considerable resource is now devoted to litigation.

As a result, the Commission is seeking to use a wider range of interventions to resolve some cases more quickly. This includes such initiatives as the development of guidelines to provide greater certainty for businesses, and the increased use of settlements, particularly in cartel cases. The Commission aims to be able to resolve cases more readily, freeing resources for new investigations. This will be achieved through the use of in-court settlements, along with a review of the Commission's leniency policy, in order to increase both the incentives to cooperate (including the ability to address leniency applicants' concerns about the potential for third party action in overseas jurisdictions) and the investigative efficiencies that can be achieved when parties cooperate.

Transfer of funding from the Litigation Fund into the baseline budgets to develop the Commission's internal capability to take litigation will also assist in obtaining efficiencies. This initiative will have two major benefits: the ability to reduce duplication and cost caused by using external resources; and skill development and retention of staff.

The capacity to share information with overseas regulators is an important tool in expediting investigations, especially in cartel cases. The Commission anticipates producing further guidelines if the proposed Information Sharing and Fees Bill is passed. Guidelines for the way in which the Commission intends to enforce the proposed amendments to the Electricity Industry Reform Act (EIRA) will also be developed.

The development of guidelines will also have the added benefit of increasing internal capability and speed of decision making. The development of the Commission's professional capability is a key objective and this will be further enhanced through developing specialist competition law training to complement the competition economics and investigator training developed during the previous period. The competition law project, in particular, will ensure key issues are identified early, information gathering is more focused, legal research is more targeted and the speed of investigations increases. In addition, staff will continue to contribute to the development of the Commission's investigative knowledge database, COGENT.

The Commission will expedite clearances by streamlining the process for assessing clearance applications. This will be achieved by producing guidelines for external parties and updating the existing clearance application form. These initiatives will also have the benefit of reducing costs and increasing certainty and transparency for stakeholders.

Merger and acquisition investigations can also be resource intensive, where there is a need to act with urgency in order to prevent potentially harmful acquisitions proceeding. However, given New Zealand has a voluntary clearance regime, it is the quality of written reasons produced by the Commission that gives the business community greater clarity and confidence about when it is likely that a merger or acquisition will raise competition concerns. For this reason it is anticipated that only a limited number of significant investigations will need to be undertaken. This investigative work is still very important as it is the potential threat of Commission prosecution that reinforces the need for potential merging parties to seriously consider voluntarily seeking clearance. The Commission will continue to actively monitor non-notified acquisitions.

For the Commission to maximise the impact of the mix of reactive adjudication and proactive investigative work it undertakes, it must also be effective at screening and prioritising potential new investigative work. The Commission will be reviewing the manner in which it collects and analyses the information it uses to identify potential new investigations. Over time, the Commission will also be able to take a more proactive role in identifying issues for investigation. This will be supported by intelligence-gathering and analytical activities.

THE FOCUS DURING 2008/09

Abuse of market power (SP1)

The Commission will establish an expert panel to assist it in reviewing the effectiveness of the Commission's enforcement of section 36 of the Commerce Act, and how best to address the problem of anti-competitive behaviour by market participants with substantial market power. This review will start in 2008/09.

Reviewing the leniency and cooperation policy (SP1)

The Commission will review its leniency programme and the cooperation policy to ensure it maximises the efficiencies that can be achieved through early cooperation. The initiative will be completed in June 2009.

Promoting sentencing guidelines for cartel cases (SP2)

The Commission will develop sentencing guidelines outlining its approach to parties that cooperate and are not entitled to amnesty, to encourage cartel participants to cooperate at an early stage. This is a significant project involving consultation with stakeholders. This initiative will start in 2008/09 and will continue into the following year.

Developing information-sharing guidelines (SP3)

The Commission will develop processes and guidelines to enable it to be clear about how it can most effectively make use of the proposed information-sharing provisions. The initiative will be completed in December 2008 (subject to changes in proposed legislation timeframes).

Developing clearance process guidelines and improving the application form

The Commission will publish guidelines for external stakeholders on the process for assessing clearance applications and update the existing clearance application form. Setting out the key milestones and the Commission's procedures provides certainty, not only for stakeholders, but also for the Commission. The initiative will be completed in October 2008.

Developing EIRA guidelines

With the introduction of the proposed EIRA amendments, scheduled for later this year, the Commission will develop industry guidelines regarding applications for exemption. This will involve consultation with interested parties and will be completed by December 2008.

INFORMED CONSUMERS 2008-2011

A key role of the Commission is to give consumers confidence that the information provided by businesses is accurate and not misleading. The legislation relevant to this work is the Fair Trading Act (FTA) 1986 and the Credit Contracts and Consumer Finance Act (CCCF Act) 2003.

Cooperation with international and national agencies helps to anticipate trends and to systematically focus resources when choosing from the variety of tools available to the Commission. The Commission will continue to select the most productive tool at its disposal on a case-by-case basis – education, framework development, administrative resolution, and, if necessary, litigation. In the first instance, the Commission seeks to educate and raise awareness amongst businesses so that terms, conditions and costs are fairly disclosed. Effective targeting and efficient completion of investigations are necessary to back up high-impact enforcement.

The Commission needs to continue to build on significant progress made in enforcing the Fair Trading Act over the past five years by continuing with both education and enforcement. The Commission will continue with the evolutionary approach to streamlining investigation and litigation processes for routine cases that has been successful over the past two years. Experienced investigators and lawyers are refining and codifying processes as cases are completed and lessons learned are applied to forthcoming cases. This allows more time to train inexperienced investigators and allows more attention to be paid to the preparation of larger, high-impact cases.

Initially, after the CCCF Act came into force, the Commission focused on educating the industry. The Commission's focus now is on taking litigation to ensure businesses comply with the legislation. The Commission is aware of inconsistent compliance with the CCCF Act across the industry.

The Commission will continue to follow the strategy of seeking voluntary compliance reinforced by active enforcement action. It will be paying particular attention to complaints that involve the following:

Under the Fair Trading Act

- health, nutrition and environmental claims. Claims relating to health benefits through nutrition, and claims that products or services are 'green', 'carbon neutral' and 'sustainable' have the potential to mislead consumers, who are increasingly looking for such advantages. The Commission will be seeking to make it clear to businesses early on that they must be able to back up their claims;
- financial products, in particular, retirement products and services. The proliferation of retirement products brought about by the KiwiSaver scheme, problems with reverse mortgages, and property investment failures are all examples of significant consumer issues. There is potential for substantial detriment where this is combined with a poor degree of financial literacy within New Zealand society and lack of transparency in many dealings. This is a high-priority area to underline expectations of supplier behaviour under both the Fair Trading Act and the CCCF Act;
- telecommunications. In this rapidly evolving market, with new products and new players, consumers are often bewildered and there is significant potential for misleading conduct. The industry has a tendency to push at the boundaries of the law, meaning the Commission has an important role in continuing to protect consumers in an area important to New Zealand's economic health;
- bait advertising and misleading consumers about their rights. These two areas are a perennial temptation for suppliers that need constant vigilance;
- product safety standards. Protecting the health of consumers will always be a high-priority area; and

Under the CCCF Act

- the charging of unreasonable credit fees. Ensuring fees are reasonable and disclosed will reduce an area of significant detriment for consumers as well as encouraging competition. The Commission will be seeking to prosecute industry behaviour that is out of line with the CCCF Act in the area of reasonable credit fees. This will lead to greater compliance with the legislation and clarify any areas that may be uncertain. Compliance with disclosure requirements in the CCCF Act will continue to be important. The less financially literate or poorly advised are particularly vulnerable to predatory business practices and susceptible to problem debt.

THE FOCUS DURING 2008/09

Working closely with the Telecommunications Branch to enhance knowledge of the telecommunications industry and improve intervention effectiveness (SP1)

The Fair Trading branch will build up its expertise in the telecommunications industry and the Commission will adopt a seamless front on telecommunications issues.

Implementing a stakeholder engagement programme and updating guidelines (SP2)

The primary focus will be reaching vulnerable consumers and their advocates via front-line consumer organisations, with the objective of raising awareness of consumer rights. The Commission will also target more susceptible supplier associations to make their members familiar with their obligations. This guidance will include advice to the credit industry. This work will entail re-engineering the approach to providing guidance under section 6 of the Fair Trading Act, which deals with the way the Commission educates and engages with traders and consumers.

In the course of the streamlining programme, the Commission will also be instituting a more formal, systematic approach. In each priority area the Commission will be upgrading the way it writes terms of reference to define the issues of concern, its objectives for that area and its planning for achieving those objectives, evaluations of progress and evaluations of the impact of the work.

Developing understanding of new issues relating to sustainability claims, and formulating an approach (SP2)

This work programme will involve market surveillance and liaison with suppliers/industry to develop a framework within which to evaluate sustainability claims made to consumers. The Commission's approach will involve both education and enforcement action, where necessary.

Developing understanding of new issues relating to financial products, in particular, in retirement savings, and formulating an approach (SP2)

The Commission considers this area to be a high priority, given the long-term significance and high visibility of retirement products such as the KiwiSaver scheme and home equity conversion schemes. Staff will monitor activity in the sector and, through early identification of issues, seek to educate sector participants about compliance with the Fair Trading Act. Intervention using the range of tools, including warnings, settlements and where appropriate litigation, will be targeted at the areas where consumer detriment is greatest. Initially the Commission will consult with major industry players and agencies such as the Retirement Commission to identify areas of concern.

SOUND REGULATORY REGIMES – TELECOMMUNICATIONS 2008-2011

The purpose of this output is to ensure telecommunications services are provided at competitive prices and service providers face incentives for efficient investment.

Telecommunications markets in New Zealand continue to evolve in response to new technology, a new regulatory environment and changing customer demands. Telecom New Zealand has announced a significant upgrade of its fixed network by 2011, and the roll-out of a new, replacement mobile network commencing in 2008. New Zealand Communications has announced that it will deploy a new mobile network by the end of 2008. A number of competitors will enter the broadband market and stimulate competition using unbundled loops and the newly available wholesale broadband services during 2008. Take-up of broadband by consumers will continue to rise and dial-up internet services will drop away.

The Commission's strategy is to develop a flexible and responsive regime that can quickly identify opportunities to promote competition in a changing environment. The Commission will:

- gather information on market trends, and monitor the impact of its regulatory intervention on market participants and consumers;
- focus on key risks identified by interaction with stakeholders, and by the Commission's monitoring;
- intervene where market failure impedes competition, using tools ranging from formal regulatory intervention to informal facilitation of commercial outcomes;
- ensure Telecom meets its separation obligations of transparency and non-discriminatory behaviour; and
- explore the likely impact of major changes in technologies and business models on competition market structure, and recommend changes to regulation where appropriate.

The Commission has begun an extensive monitoring programme to collect information on trends in the industry. The programme has revealed improvements in New Zealand's performance, partly in response to the recent regulatory reforms. However, many key markets are still characterised by limited competition. The Commission's strategy is

designed to increase competition in these markets with targeted intervention, and to ensure that competition is sustainable in the longer term.

In the short to medium term, the Commission expects there to be decreasing focus on setting terms and conditions for access to regulated services, as we complete such processes. By contrast, it is expected there will be more emphasis on information disclosure and monitoring as regulatory tools, and on exploring broader strategic policy issues.

The Commission will continue to prioritise the broadband and mobile markets, which are the areas with the biggest potential gains for consumers. The Commission will build on the work it has already undertaken since the reforms to the telecommunications regime, by:

- finalising the sub-loop unbundling process by the end of 2008, thereby giving competitors more choice in responding to Telecom's cabinetisation programme; and
- finalising the mobile site co-location process by October 2008, to encourage rapid new entry.

The Commission will implement the operational and accounting separation regulatory regimes introduced by the reforms to the Telecommunications Act. The Commission will provide as much certainty as necessary to Telecom, in particular, and to industry, about appropriate behaviour and governance in the functionally separated network, wholesale and retail businesses which arise under Telecom's Operational Separation Undertakings. The Commission will also monitor and report on the achievement of, or the failure to achieve, key milestones in the Undertakings. The Commission will develop its Accounting Separation requirements for Telecom during the year, to enable Telecom to report against them the following year.

Depending on the evolution of market conditions, the Commission will also consider initiating regulatory reviews of:

- current interconnection arrangements in the mobile market, including mobile-to-mobile and SMS termination;
- the regulated resale of Telecom retail products (other than the line rental); and
- the number allocation regime in New Zealand.

THE FOCUS DURING 2008/09

Broadband Monitoring (SP1)

The Commission will continue to refine and develop its monitoring programme. In particular the Commission will focus on providing public information on the quality of broadband services available in the New Zealand market. The Commission will publish such information on a regular basis, which will assist the Commission to better understand the impact of competition on improving services to consumers.

Next Generation Network Study (SP2)

The Commission will promote sustainable competition by reviewing likely changes in technology, markets and regulation through its study of Next Generation Network (NGN) issues. This will be a major work stream during this period. The focus will be on understanding key technological developments that will emerge during the next five years, and their impact on the commercial and competitive environment for telecommunications services. The Commission will use this information to create an environment for successful transition to competition over NGN infrastructures.

Increased interaction with key stakeholders (SP2)

The Commission will increase the level of interaction with its key stakeholders through regular meetings with industry players, industry bodies and policy makers. Commission staff will participate in Telecommunications Carriers' Forum working parties, and the TCF Board will be briefed on a regular basis on the Commission's work streams and funding. The Commission will also continue to encourage TCF input into its regulatory processes. Finally, the Commission's Next Generation Network Study will involve consultation with a wide range of stakeholders.

SOUND REGULATORY REGIMES – ELECTRICITY LINES BUSINESSES 2008-2011

The purpose of this output is to provide for a regulatory regime of targeted controls over electricity lines businesses to prevent those businesses from earning excess profits, to provide them with incentives to reinvest appropriately in their networks, and to share efficiency gains with consumers.

The current regulatory regime under Part 4A consists of two complementary parts – price path and quality thresholds for each large electricity business and the provision of extensive information disclosure requirements for the transparent provision of relevant information on performance for all stakeholders.

Over the next three years the Commission will continue to focus on providing more effective incentive mechanisms for the regulated businesses by resetting price path and quality thresholds, by using effective monitoring and inquiry processes, and by refining and augmenting the current information disclosure requirements to provide a greater level of clarity for all interested parties.

The price path and quality thresholds are in place for a current five-year period to 31 March 2009. The Commission must maintain forward-looking thresholds for the businesses and an important part of the work programme in 2008/09 is to complete the reset of price path and quality thresholds for electricity lines businesses. These will apply for a further five years, taking effect from 1 April 2009.

A Bill to amend the Commerce Act was tabled before Parliament in March 2008. This Bill results from a major Government review of Parts 4, 4A and 5 of the Commerce Act that commenced in 2006. Should amending legislation be passed there will be major implications for the Commission's work programme in relation to electricity lines. In response to this, a key strategy for this year will be to ensure a smooth transition to any new legislation. In addition, the work programme will be designed to:

- identify risks and prioritise strategies to mitigate them;
- develop principles and guidelines that heighten transparency and increase regulatory certainty;
- preserve and enhance the key incentive effects of the existing regime; and
- deliver key outputs consistent with any timeframes and approaches that emerge from any amending legislation.

The most significant issue for the Commission in this area is its ability to build its strategic capability and recruit and retain resources that enable specialist experience and knowledge to be developed. Industry-specific regulation in New Zealand is a relatively recent development and there are limited New Zealand resources to call upon.

The Commission commenced development of a formal communication plan with stakeholders during the later part of the 2007/08 financial year and this continues to be an important focus in 2008/09. The plan will continue to be implemented during the course of 2008/09 and onwards to assist the Commission's external leadership role in economic regulation.

THE FOCUS DURING 2008/09

Completing the reset of price path and quality thresholds for lines businesses to take effect 1 April 2009 (SP1)

This strategy is focused on maximising the impact of the regulatory work to ensure the regulated businesses have relevant incentives to improve efficient services and pricing, taking account of consumer demand. There is significant scope for improving the overall effectiveness of the regime.

The Commission will produce methodologies and draft decisions papers for consultation with interested parties during the first two quarters of 2008/09 and will release a final decision paper. It is aimed to have this work completed by the end of November 2008 to take effect on 1 April 2009.

Completing the portfolio of work related to the Part 4A regulatory regime

To achieve this the Commission will complete the bulk of outstanding compliance assessments and investigations of breaches identified during the annual assessment process from 2004/05 to 2007/08. This work will help to provide greater transparency for interested parties, and will also isolate more significant breaches for further investigation. New internal processes were developed in 2007/08 to streamline this work area, and this should significantly increase the volume of breaches the Commission deals with in 2008/09. A new approach is also being taken to handling post-breach inquiries and this will enable the Commission to increase the number of post-breach inquiries and determinations it completes.

The Commission will refine the requirements governing information disclosure, with a view to enhancing transparency. This work is likely to extend through to 2009/10. The current requirements were established in 2004/05.

Enhancing the capacity and capability of the branch to meet the ongoing current and future challenges of the regulatory regime (SP3)

This is a strategy to address the scarcity of suitably experienced staff in this area. It involves recruitment systems, training and development, career progression, the development of processes that support staff, and the establishment of a new branch structure that is being planned in the last quarter of 2007/08 for implementation during 2008/09.

SOUND REGULATORY REGIMES — GAS 2008-2011

The purpose of this output is to put in place regulatory controls over natural gas pipeline businesses that prevent those businesses from earning excess profits, to create incentives for those businesses to reinvest appropriately and to share efficiency gains with consumers.

The current regulatory regime under Parts 4 and 5 of the Commerce Act enables the Commission to provide the terms of authorisations for regulatory control.

In July 2005 the Minister of Energy announced that certain gas distribution businesses owned by Powerco and Vector would be placed under regulatory control, enforced by the Commerce Commission. Control was imposed by way of authorisations that set price, quality and other conditions under which the regulated businesses must supply the gas distribution services. A provisional authorisation for both businesses has been in place since August 2005.

A key challenge for the Commission is to complete final authorisations for these businesses. The Commission intends to complete these by October 2008. This timeframe is potentially at risk depending on whether either party exercises its option of putting forward undertakings. The impact, if any, on the timeframe is unknown, and is dependent on the nature of any undertakings, should they emerge.

Should legislation amending the Commerce Act be passed there will be a likely expansion of the Commission's regulatory role which will have major implications for the Commission's work programme relating to gas regulation. The Bill envisages regulation extending to most other gas distribution and transmission businesses. The Commission will strive to ensure a smooth transition to any new regime.

In 2008/09 the overarching strategy focuses on continuation of the development of the regime to enable greater transparency and certainty for all interested parties. The Commission's initiatives that will be continued or embarked upon in order to deliver its strategies are:

- focusing on the completion of the gas authorisation(s) in whatever form the authorisation(s) finally take;
- ensuring that immediate outcomes resulting from the authorisations are put into place by the regulated businesses. This will require oversight, monitoring and assessment of the authorisation decision(s) to ensure

the terms of the authorisations are being met in full and on time; and

- developing regulatory principles and guidelines to provide a credible level of transparency and aid certainty to the regime. This work programme is dealt with separately under the Regulatory Principles and Guidelines output.

The Commission began developing a formal communication plan during the later part of the 2007/08 financial year.

Enhancing the leadership role in economic regulation continues to be an important part of the Commission's strategy, and the plan will help to improve the focus and consistency of ongoing engagement with stakeholders. The plan will continue to be implemented during 2008/09.

THE FOCUS DURING 2008/09

Gas authorisation terms and the final decisions to put those terms into place by October 2008 (SP1)

The Commission will assess any undertaking received, including ensuring the necessary resources are obtained to support such work. This will operate concurrently should one or other of the regulated parties, or both, place before the Commission an undertaking for its consideration.

Ensuring compliance assessment mechanisms are in place and operative (SP3)

This will require completion of the design and application of the assessment mechanisms to ensure transparent monitoring is achieved and assurance that the parties are adhering to their regulatory obligations as a result of the final authorisation(s). It will also ensure that any immediate outcomes required are put in place by the regulated businesses, in accordance with the terms of the authorisation. This will be achieved by use of the monitoring and assessment tools the Commission will develop.

SOUND REGULATORY REGIMES — REGULATORY PRINCIPLES AND GUIDELINES 2008-2011

The Commission is taking a lead to provide an enhanced level of transparency and greater certainty within the regulatory regimes administered under the Commerce Act (electricity transmission and distribution and gas distribution). This has resulted in the launch of the work programme to develop economic regulatory principles and guidelines.

The purpose of this new output area is to provide a transparent and consistent framework for regulating industry sectors. Initially the work programme will develop generic cross-industry economic regulatory principles that will subsequently be applied to guidelines at an industry-specific level.

Many of the principles that will be developed through this programme may apply to two or more of the regulated sectors.

In 2005 the Commission embarked on a project to provide cost of capital guidelines for application to regulatory sectors. The current work programme adopts and augments this work to cover a broader range of key economic inputs that are important elements of economic regulation and, in addition to cost of capital, cover matters such as:

- asset valuation (including depreciation and revaluations);
- the allocation of common costs, including between businesses, customer classes and geographic areas;
- the treatment of taxation;
- pricing principles; and
- regulatory specifications (where applicable) including matters such as: duration of regulatory period, excluded costs, circumstances for reconsidering terms in regulatory periods, and processes for resetting terms and conditions.

THE FOCUS DURING 2008/09

Developing high-level principles (SP2)

During 2008/09 the Commission will begin its Regulatory Principles and Guidelines programme by consulting with interested parties on the high-level principles that will provide the basis for establishing clear guidelines for regulated industries. Development of the guidelines and the methodologies that may follow is planned to be completed in 2009/10.

Building the team to deliver the Regulatory Principles and Guidelines (SP3)

The Commission will build its capability by June 2009 to a level sufficient to support delivery of these outputs.

SOUND REGULATORY REGIMES — DAIRY 2008-2011

The purpose of this output is to promote the efficient operation of dairy markets in New Zealand.

To achieve its outcomes in this area the Commission determines disputes between Fonterra and other parties, investigates and resolves allegations of breaches of the Dairy Industry Restructuring Act (DIRA), and provides information to build industry understanding of the obligations and responsibilities of all parties under the Act.

Over the past few years there has been an increase in the number of independent dairy processors operating in raw milk markets. This has resulted in an increased demand for raw milk and in particular the purchase of raw milk from Fonterra pursuant to the Raw Milk Regulations.

This increase in demand has the potential for competition concerns relating to the allocation of raw milk between these independent processors. The Ministry of Agriculture and Forestry is currently considering amending the Raw Milk Regulations to address the potential concerns. The Commission will need to consider the implications of any new legislation and, if appropriate, to develop guidelines.

With independent processors becoming more established and increasing the volume of milk they require, there is also an increase in competition for supply of raw milk direct from dairy farmers. There is increased potential for issues to arise in respect of the entry and exit provisions of the DIRA.

THE FOCUS DURING 2008/09

Developing capability to ensure the Commission is able to respond to potential determinations (SP3)

Although activity in the DIRA remains low, the Commission must maintain its capability in this area. Developing staff training will ensure that the Commission is able to deal with an authorisation should one eventuate, and is key to achieving timely determinations.

Monitoring the level of competition for the acquisition of raw milk from dairy farmers

With new independent dairy processors entering the market there has been an increase in competition for the supply of raw milk from dairy farmers. The Commission will continue to actively monitor developments in this area.

Monitoring legislative change and developing guidelines as appropriate

The Raw Milk Regulations may be amended to deal with issues relating to allocation, and if this happens the Commission will need to review its approach to this industry.

MANAGING IN A CHANGEABLE OPERATING ENVIRONMENT

ENVIRONMENT

The Commission's role has been expanding, and legislative changes over recent years have had a major impact on its work. New areas of work include 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.

It seems likely that changes in the market place and policy trends in response could continue to extend the scope of the Commission's role. New mechanisms for intervention may be introduced, and new sectors could become subject to some form of regulation. There are proposals for significant change to the Acts the Commission is responsible for, as a result of a Government review in 2007/08, and thereby changes to the Commission's work.

The review of Parts 4, 4A and 5 of the Commerce Act has resulted in legislation being tabled in the House. Parts 4, 4A and 5 govern regulatory control, and currently apply to the electricity distribution and transmission sector and to a limited part of the gas distribution sector (that is subject to Part 5 Control). 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.

A review of the Fair Trading Act is also underway and the Commission has made several submissions to the Ministry of Consumer Affairs regarding recommendations on possible amendments.

The amendments to the Electricity Industry Reform Act are also due to come into force this year and this 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.

Responsible regulation must take a long-term view. It is not enough that regulated companies are required to deliver well-priced services today; they must also be able to earn enough profit to invest in maintaining and improving services for the future.

In August 2006 the Government acknowledged this concern when it issued a policy statement to the Commission under section 26 of the Commerce Act. The statement noted that regulated businesses must have incentives to invest in replacement, updated and new infrastructure.

The Commission must also take account of the global environment. International trends that 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. Legislation to facilitate international information-sharing and investigative assistance, particularly in relation to Australia, is currently on the Government's legislative agenda.

It is important that the Commission plays its part as a corporate citizen in the international competition community by attending and participating in international forums, and by cooperating with other international enforcement agencies, as this helps to keep the Commission abreast of international best practice in enforcement and adjudication. The Commission intends to ensure that it has sufficient capability to continue to participate as fully as possible.

RELATING TO STAKEHOLDERS

The Commission maintains relationships with a broad range of stakeholders, including the business sector, Government, regulated industries and, at its widest, consumers.

Enforcement and regulation become meaningful and constructive when open communication exists. The Commission places a heavy emphasis on the importance of its public information and education role to ensure that it meets the information needs of all consumer groups, and to ensure it is encouraging compliance from business. The Commission also engages in a range of consultative processes with participants in regulated industries.

In 2008/09 significant consultation will be undertaken in relation to: the implementation of further changes under the amended Telecommunications Act; the resetting of thresholds for electricity lines businesses; improvements to the requirements of electricity information disclosure; and the development of transparent regulatory principles and guidelines for regulated electricity and gas businesses.

The Commission plays an active role in providing the Government with an operational perspective on any proposed reform to domestic policy and law that has the potential to affect the Commission's responsibilities. The Commission will be making a submission to the Select Committee on a Commerce Act Amendment Bill which, if passed, will extensively amend the regulatory control and adjudication provisions in Parts 4, 4A and 5 of the Commerce Act.

The Commission will continue to provide Ministers with regular briefings as well as quarterly and annual reports.

The Commission maintains a close relationship with other competition and regulatory bodies. For example, the Commerce Commission and the Electricity Commission share responsibility for regulating the electricity sector. The two Commissions signed a Memorandum of Understanding in 2007 that establishes how the two organisations will work together. Close liaison between the Commissions is further helped by the fact that the Chair of the Electricity Commission is also an Associate Commissioner at the Commerce Commission.

The Commission also cooperates with a range of international regulatory competition and consumer forums, including: the OECD Competition Committee and its subgroups; the International Competition Network; the Global Competition Forum; the Standing Committee of Officials of Consumer Affairs; the Fair Trading Operations Advisory Committee; the International Consumer Protection and Enforcement Network; the Australia New Zealand Leadership Forum; the Australian Competition and Consumer Commission (ACCC); the Australian Energy Regulator; the Utility Regulators Forum; the International Telecommunications Union Global Symposium of Regulators; and Telecommunications Regulators of APEC.

Through this cooperation the Commission contributes to the development of international policy, and closer trans-Tasman coordination, which has resulted in proposals for information-sharing and investigative assistance between the Commission and the ACCC. The Commission is also signatory to a number of bilateral and tripartite cooperation agreements with its counterparts, including those in Australia, Canada and the United Kingdom.

While the cost of maintaining an international presence is high, the benefit of doing so is also high. Among other things, such cooperative partnerships increase the Commission's ability to take actions against anti-competitive and misleading conduct that originates offshore but impacts on New Zealand markets.

RISK MANAGEMENT

The Commission recognises that effective management of its major risks is essential. Over the past year it has implemented a comprehensive new risk management policy and methodology based on the Australia/New Zealand Standard for Risk Management (AS/NZS 4360:2004).

This risk management methodology enables the Commission to take a methodical approach to identifying, assessing and responding to its significant risks. The risk management system has been integrated with the planning and reporting cycles, and this regular and systematic approach has helped to foster more engagement and discussion across the Commission about potentially significant risks, their relative priorities and the best approach to mitigating them.

ASSESSING
ORGANISATIONAL
HEALTH AND
CAPABILITY

The Commission continues to grow to accommodate an expanding portfolio, combined with growth in the scope and complexity of its work. Over the past three years the Commission has established 41 new staff positions, but there is ongoing concern that some areas are still not fully resourced.

Efficient and effective use of resources is increasingly important. It is driving the Commission's focus on improving business processes, making efficiency gains, and setting appropriate work priorities and trade-offs.

CAPABILITY

The Commission must ensure that it has the right systems, the best people, and the appropriate internal culture to achieve its desired outcomes.

To be effective the Commission needs access to a diverse range of specialist skills, but it faces highly competitive national and international labour markets, and a scarcity of particular skill mixes. Although turnover more than halved between 2004 and 2006, in 2007/08 the turnover rate increased. Currently, staff tenure averages 3.7 years, compared with 3.2 years in 2005.

The Commission is focusing on building an effective employer brand, and on establishing networking, search and secondment partnership arrangements, as a means of maximising access to labour markets. Internal staff capability development is a priority, including leadership and management development, and the construction of a career progression framework.

The Commission is aware that the employee market is multi-generational and that there is a need to be responsive to the different needs and expectations of staff. It is anticipated that this, coupled with the leadership and management development programme, will help improve retention rates over the next few years.

The Commission has continued to invest in the well-being of its employees by ensuring they have a healthy work environment, by implementing various well-being initiatives in response to surveyed employee preferences, and by fostering a proactive and supportive working environment.

In addition to managing the turnover of staff, the Commission will also be subject to changes in its Board membership, as the second terms of several Board members, including the Chair, are due to expire during the term covered by this Statement of Intent. There is also change at the highest management level, with the expected appointment of a new Chief Executive, in a role expanded from that previously of General Manager. Ensuring the organisation is in a strong position to undergo substantial changes at Board level is an important consideration in the strategy.

Gathering, analysing and managing information is one of the Commission's core functions. This affects its ability to undertake the investigative, regulatory and advisory roles, including meeting the legal requirements for evidence gathering, which are increasingly technical. The Commission is committed to maintaining a high level of capability in this area, and intends to stay abreast of technological developments that are necessary to support some of its business improvements. Changes to the financial and reporting systems are beginning to produce benefits, in terms of an increased quality of management information and more readily separated project-costing information. These will be improved further in 2008/09.

The Commission has made progress in establishing an approach to enhancing its project management practices over the 2007/08 year. A Commission review with the assistance of an external adviser confirmed the significant variations in project management practice across the organisation, and provided recommendations as to the improvements that could be made.

This review has established the foundation for further work that will be undertaken over the period 2008-2011 to implement a consistent and improved approach across the organisation.

FORECAST
SERVICE
PERFORMANCE

DELIVERING OUTPUTS AND ACHIEVING OUTCOMES

The Commission implemented a new output framework last year. That framework links the Commission's outputs to its strategic outcomes.

The output framework will continue to develop incrementally, as the Commission gains more experience in managing its outputs and outcomes through it and in response to changes in the Commission's role and responsibilities. This year, changes have been made to some of the sound regulatory regime outputs, to create clearer linkages to the outcomes they deliver.

The Commission will define impact measures for all of its outcomes; however, several measures have been included in this year that focus on the intermediate impacts that

are more directly attributable to the Commission's work and which can be more readily measured. The Commission will be monitoring the value of these measures, and the options for further measures, throughout 2008/09 and will implement new measures progressively.

The Commission has established a full set of performance measures for all output areas for 2008/09. These targets require the organisation to 'stretch' in order to achieve them. The Commission will measure the timeliness of its performance in terms of average working days as this provides the most useful management information about the productivity and efficiency of output delivery.

COMPETITIVE MARKETS 2008/09

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
MARKET STRUCTURE CASES CLOSED			
Administrative resolutions	0 - 1	→ 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 → Commission settlement or warning completed within an average of 45 working days of the decision to pursue administrative resolution
Litigation resolved	0 - 1	→ 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 → Proceedings filed 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
No further action required	2 - 6	→ 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

COMPETITIVE MARKETS contd

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
COORDINATED BEHAVIOUR CASES CLOSED			
Administrative resolutions	2 - 4	→ 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
Litigation resolved	4 - 6	→ 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 → Proceedings filed within an average of 50 working days of decision to prosecute → Trial held or pre-trial resolution achieved within an average of 36 months of filing of proceedings
No further action required	4 - 6	→ 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
UNILATERAL CASES CLOSED			
Administrative resolutions	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
Litigation resolved	1 - 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 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
No further action required	4 - 8	→ 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

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
DETERMINATIONS MADE			
Authorisations determined - covers Merger authorisations and RTP authorisations (both follow similar process) and EIRA determinations	5 - 6	<ul style="list-style-type: none"> → No successful legal challenges of the Commission's processes during the course of the investigation 	<ul style="list-style-type: none"> → S58 and s67 determinations completed within an average of 100 working days of registering an application → EIRA determinations completed within 60 working days of registering an application
Clearances determined	17 - 23	<ul style="list-style-type: none"> → No successful legal challenges of the Commission's processes during the course of the Clearance determination → Written reasons published for each determination 	<ul style="list-style-type: none"> → 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
Litigation resolved (appeals and s103 prosecutions determined)	1	<ul style="list-style-type: none"> → No judgments with adverse comments about the Commission → No successful legal challenges of the Commission's processes during the course of the investigation → No judgments with adverse comments about the Commission 	<ul style="list-style-type: none"> → Proceedings filed 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
FRAMEWORK DEVELOPMENT			
Advice to officials on proposed law reform	2 - 4		
International information exchange and liaison (organisations include multi-national organisations eg OECD, ICN, and bi-laterals eg ACCC, ANZLF and ABA)*	6 - 10		
Development of frameworks and guidelines	3 - 4		
PUBLIC INFORMATION AND EDUCATION			
Media releases	44 - 50	→ Releases are consistent with Media Release Protocol	
Media releases - EIRA	6 - 10		
Presentations	6 - 14		
Publications	3 - 4	→ Publications conform to brand guidelines/ standards	

* OECD (Organisation for Economic Cooperation and Development); ICN (Industry Capability Network – New Zealand and Australia); ACCC (Australian Competition and Consumer Commission); ANZLF (Australia New Zealand Leadership Forum); ABA (American Bar Association)

COMPETITIVE MARKETS contd

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
REPORTS TO MINISTERS			
Reports to Ministers – for 2007/08 this output covers reports to Ministers under Part 4 of the Commerce Act	0		
Litigation resolved (appeals and s103 prosecutions determined)	0	→ No judgments with adverse comments about the Commission	→ Trial held or pre-trial resolution achieved within an average of 18 months (applies to s103 cases only)

INFORMED CONSUMERS 2008/09

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
FAIR TRADING ACT CASES CLOSED			
Administrative resolutions	180 - 220	→ No successful legal challenges of the Commission's processes during the course of the investigation	<ul style="list-style-type: none"> → Investigation phase (high-level projects) completed for substantial or complex projects within an average of 9 months of commencing the investigation → Investigation phase (low-level projects) 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
Litigation resolved	15 - 20	<ul style="list-style-type: none"> → No successful legal challenges of the Commission's processes during the course of the investigation → No judgments with adverse comments about the Commission 	<ul style="list-style-type: none"> → Investigation phase completed within an average of 12 months of commencing the investigation → Proceedings filed within an average of 30 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 18 months of filing of proceedings
No further action required	62 - 72	→ 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

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
PRODUCT SAFETY AND INFORMATION STANDARDS CASES CLOSED			
Administrative resolutions	35 - 45	→ 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
Litigation resolved	5 - 7	→ 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 → Proceedings filed within an average of 30 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 18 months of filing of proceedings
No further action required	5 - 15	→ 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
CCCF ACT CASES CLOSED			
Administrative resolutions	30 - 35	→ 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 → Commission settlements completed within an average of 30 working days of the decision to pursue administrative resolution
Litigation resolved	4 - 7	→ 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 → Proceedings filed within an average of 30 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 18 months of filing of proceedings
No further action required	5 - 10	→ 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

INFORMED CONSUMERS contd

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
FRAMEWORK DEVELOPMENT – FAIR TRADING ACT			
Industry codes reviewed	10 - 15		→ Industry codes reviewed within an average of 30 working days of receiving the code
Advice to officials on proposed law reform	8 - 12		
International information exchange and liaison (includes SCOCA, FTOAC, CPAC and ICPEN)*	30 - 40		
PUBLIC INFORMATION AND EDUCATION – FAIR TRADING ACT			
Media releases	25 - 30	→ Releases are consistent with Media Release Protocol	
Presentations	5 - 7		
Publications	1 - 4	→ Publications conform to brand guidelines/standards	
FRAMEWORK DEVELOPMENT – CCCF ACT			
Industry codes reviewed	0 - 1		→ Industry codes reviewed within an average of 30 working days of receiving the code
Advice to officials on proposed law reform	1 - 3		
International information exchange and liaison (includes SCOCA, FTOAC, CPAC and ICPEN)*	0 - 1		
PUBLIC INFORMATION AND EDUCATION – CCCF ACT			
Media releases	0 - 1	→ Releases are consistent with Media Release Protocol	
Presentations	5 - 10		
Publications	0 - 2	→ Publications conform to brand guidelines/standards	

* SCOCA (Standing Committee of Officials of Consumer Affairs); FTOAC (Fair Trading Operations Advisory Committee); CPAC (Consumer Products Advisory Committee – Australia); ICPEN (International Consumer Protection and Enforcement Network)

SOUND REGULATORY REGIMES – TELECOMMUNICATIONS 2008/09

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
ACCESS DETERMINATIONS			
Access determinations made	3 - 4	→ No applications for statutory clarifications of Commission determinations	→ Access determinations completed within a maximum of 10 months
Monitoring - implementation plans completed	3 - 4	→ Any failures to meet implementation plan milestones are reported to the Commission	
Litigation resolved (judicial reviews, appeals and s103 prosecutions)	0 - 1	→ No successful appeals against the Commission's processes during the course of its determinations → 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
TELECOMMUNICATIONS SERVICE OBLIGATIONS (TSO)			
TSO determinations made	3 - 4	→ No successful appeals against the Commission's cost allocation determinations	→ Each determination will be completed within 12 months of the prior determination
TSO compliance reports	2		→ Reports completed within an average of 60 working days from the end of the financial year
Litigation resolved (judicial reviews, appeals and s103 prosecutions)	0 - 1	→ No successful legal challenges of the Commission's processes during the course of its determinations → 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
MONITORING AND REPORTING			
Annual sector monitoring report	1	→ No retrospective corrections	→ Reports completed within 50 working days of end of relevant quarter
Quarterly sector monitoring reports	4	→ No retrospective corrections	→ Reports completed within 50 working days of end of quarter
Broadband monitoring reports	4	→ No retrospective corrections	→ Reports completed within 50 working days of end of quarter
Section 9A reports (new)	2 - 4	→ No successful legal challenges	→ Reports completed within an average of 10 months

SOUND REGULATORY REGIMES – TELECOMMUNICATIONS contd

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
ENFORCEMENT CASES CLOSED			
Administrative resolutions	0 - 6	→ No successful legal challenges of the Commission's processes during the course of the investigation	→ Investigation phase completed within an average of 60 working days of commencing the investigation
Litigation resolved	0 - 2	→ 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 → Proceedings filed 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
No further action required	0 - 2	→ 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
CODE APPROVAL/DEVELOPMENT			
Industry codes approved	0 - 2		→ Industry code approval processes completed within an average of 70 working days of receiving the code
REPORTS TO MINISTERS			
Schedule 3 reports to Ministers	1 - 2		→ Reports completed within an average of 12 months of commencing the investigation
FRAMEWORK DEVELOPMENT			
Advice to officials on proposed law reform	2 - 4		
International information exchange and liaison (international links with OECD and ITU)*	2 - 4		
PUBLIC INFORMATION AND EDUCATION			
Stakeholder engagement meetings	20 - 30		
Industry forums on Next Generation Network issues	2		
Media releases	20 - 30	→ Releases are consistent with Media Release Protocol	
Presentations	5 - 10		
Publications	0 - 2	→ Publications conform to brand guidelines/standards	

* OECD (Working Party on Communication Infrastructures and Services Policy); ITU (International Telecommunications Union)

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
INFORMATION DISCLOSURE			
Information disclosure reports - compliance with access principles	0 - 1	→ No successful appeals against the Commission's processes	→ Publication of summaries within an average of 90 working days of receiving the information
Operational separation report	1	→ No successful appeals against the Commission's processes	→ Report provided within 3 months of anniversary of separation date
Framework specification report for accounting separation	1	→ No successful appeals against the Commission's processes	→ 18 months after a separation plan is approved under Part 2A of the Telecommunications Act
Accounting separation reports	0 - 1	→ No successful appeals against the Commission's processes	→ Publication of summaries within an average of 90 working days of receiving the information

SOUND REGULATORY REGIMES – ENERGY (ELECTRICITY) 2008/09

This year the outputs have been further refined to more transparently outline the outputs being provided for the regulation of electricity lines businesses under Part 4A of the Commerce Act.

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
THRESHOLDS			
Threshold reset	0 - 1		→ Reset decisions in place before 1 April 2009
Litigation resolved	0 - 2	→ 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 the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 12 months of filing of proceedings
THRESHOLD INQUIRIES - COMPLIANCE ASSESSMENT			
No further action	35 - 50		→ Assessments completed within an average of 60 working days of receiving statements
Administrative resolution	2 - 5	→ No successful legal challenges of the Commission's processes during the course of its determinations	→ The date the administrative resolution is signed by both parties
Decision to control	0 - 3		→ Determinations completed within an average of 9 months of notice of intention to declare control
Litigation resolved	0 - 1	→ No successful legal challenges of the Commission's processes during the course of authorisations	→ Proceedings filed 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

SOUND REGULATORY REGIMES – ENERGY (ELECTRICITY) contd

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
CONTROL – AUTHORISATION OF PRICE, REVENUE OR QUALITY			
Provisional authorisations	0 - 2	<ul style="list-style-type: none"> → No successful legal challenges of the provisional authorisation → No company under control experiences a hiatus between authorisations 	→ Provisional authorisations in place coincident with declaration of control
Final authorisations/ undertakings	0 - 2	→ No successful legal challenges of the authorisation	→ Final authorisations completed within an average of 24 months
Litigation resolved (appeals, judicial reviews and s103 prosecutions)	0 - 1	<ul style="list-style-type: none"> → No successful legal challenges of the Commission's processes during the course of post-breach inquiries → No judgments with adverse comments about the Commission 	<ul style="list-style-type: none"> → Proceedings filed 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
INFORMATION DISCLOSURE			
Publish requirements	0 - 2		→ Gazetted requirements published within an average of 12 months from project commencing
Dissemination of industry information	1		→ Publication of summaries within an average of 90 working days of receiving information
FRAMEWORK DEVELOPMENT			
Advice to officials on proposed law reform	1 - 3		
International information exchange and liaison (international links with the URF)*	1 - 3		
PUBLIC INFORMATION AND EDUCATION			
Media releases	12 - 18	→ Releases are consistent with Media Release Protocol	
Presentations	5 - 10		
Publications	10 - 20	→ Publications conform to brand guidelines/standards	

* URF (Utility Regulators Forum)

SOUND REGULATORY REGIMES – GAS 2008/09

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
DETERMINATIONS			
Provisional authorisations	0	<ul style="list-style-type: none"> → No successful legal challenges of the Commission's processes during the course of provisional authorisations → No company under control experiences a hiatus between authorisations 	→ Provisional authorisations in place coincident with control order
Final authorisations/ undertakings	2	→ No successful legal challenges of the Commission's processes during the course of final authorisations/undertakings	→ Final authorisations determined within an average of 24 months from project being opened
Litigation resolved (appeals, judicial reviews and s103 prosecutions)	0 - 2	→ No judgments with adverse comments about the Commission	→ Proceedings filed 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
COMPLIANCE WITH TERMS OF AUTHORISATIONS			
No further action	0 - 1	→ No successful legal challenges of the Commission's processes during the course of the Commission assessment	
Administrative resolution (remedies and penalties)	0 - 1	→ No successful legal challenges of the Commission's processes during the course of the Commission assessment	→ Assessments completed within an average of 90 working days of receiving statement
Litigation resolved	0 - 1	→ No judgments with adverse comments about the Commission	<ul style="list-style-type: none"> → Proceedings filed 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
FRAMEWORK DEVELOPMENT			
Advice to officials on proposed law reform	0		
International information exchange and liaison (international links with the URF)*	1 - 3		

* URF (Utility Regulators Forum)

SOUND REGULATORY REGIMES – GAS contd

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
PUBLIC INFORMATION AND EDUCATION			
Media releases	1 - 3	→ Releases are consistent with Media Release Protocol	
Presentations	1 - 5		
Publications	1 - 5	→ Publications conform to brand guidelines/standards	

SOUND REGULATORY REGIMES – REGULATORY PRINCIPLES AND GUIDELINES FOR GAS, ELECTRICITY, AIRPORTS 2008/09

SUB-OUTPUT	QUANTITY	QUALITY MEASURES	TIMELINESS MEASURES
DETERMINATIONS			
Determinations made	0	No successful legal challenges of the Commission's processes during the course of the Commission's consideration	Determinations completed within an average of 12 months
DEVELOPMENT OF PRINCIPLES AND GUIDELINES			
Development of principles and guidelines (gas and electricity)	1 - 8	No successful legal challenges of the Commission's processes during the course of the Commission's consideration	Principles and guidelines completed within an average of 12 months
Development of principles and guidelines (airports)	1 - 3	No successful legal challenges of the Commission's processes during the course of the Commission's consideration	Principles and guidelines completed within an average of 12 months
FRAMEWORK DEVELOPMENT			
Advice to officials on proposed law reform	0		
International information exchange and liaison organisations include multi-national organisations	0		
PUBLIC INFORMATION AND EDUCATION			
Media releases (gas, electricity, airports)	3 - 13	Releases are consistent with Media Release Protocol	
Presentations (gas, electricity, airports)	1 - 7		
Publications (gas, electricity, airports)	1 - 3		

SOUND REGULATORY REGIMES – DAIRY 2008/09

SUB-OUTPUT	QUANTITY MEASURE	QUALITY MEASURES	TIMELINESS MEASURES
CASES CLOSED			
Administrative resolutions – the ‘estimates’ record the total quantity for output 16.1 as 0-1 for 2008/09. Recorded here as 0-1 for each output as it is difficult to predict where that 1 might occur	0 - 1	<ul style="list-style-type: none"> → No successful legal challenges of the Commission’s processes during the course of the investigation 	<ul style="list-style-type: none"> → 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
Litigation resolved	0 - 1	<ul style="list-style-type: none"> → No successful legal challenges of the Commission’s processes during the course of the investigation → No judgments with adverse comments about the Commission 	<ul style="list-style-type: none"> → Investigation phase completed within an average of 6 months of commencing the investigation → Proceedings filed within an average of 20 working days of the decision to prosecute → Trial held or pre-trial resolution achieved within an average of 24 months of filing of proceedings
No further action required	0 - 1	<ul style="list-style-type: none"> → No successful legal challenges of the Commission’s processes during the course of the investigation 	<ul style="list-style-type: none"> → Reports completed within an average of 6 months of commencing the investigation
DETERMINATIONS			
Determinations made	0 - 1	<ul style="list-style-type: none"> → No judgments with adverse comments about the Commission → No successful legal challenges of the Commission’s processes during the course of the investigation 	<ul style="list-style-type: none"> → Determinations completed within an average of 6 months of receiving the application
Litigation resolved (appeals and s103 prosecutions determined)	0 - 1	<ul style="list-style-type: none"> → No successful legal challenges of the Commission’s processes during the course of the investigation → No judgments with adverse comments about the Commission 	<ul style="list-style-type: none"> → Proceedings filed 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
FRAMEWORK DEVELOPMENT			
Advice to officials on proposed law reform	0 - 1	<ul style="list-style-type: none"> → n/a 	

SOUND REGULATORY REGIMES – DAIRY contd

SUB-OUTPUT	QUANTITY MEASURE	QUALITY MEASURES	TIMELINESS MEASURES
PUBLIC INFORMATION AND EDUCATION			
Media releases	0 - 2	→ Releases are consistent with Media Release Protocol	
Presentations	0 - 1		
Publications	0 - 1	Publications conform to brand guidelines/standards	

PROSPECTIVE FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY

Pursuant to the Crown Entities Act 2004, the Commission must prepare a statement of intent including prospective financial statements at or before the start of each financial year to promote public accountability. The prospective financial statements may not be appropriate for any other purposes and are unaudited.

The prospective financial statements have been prepared on the basis of best estimates and assumptions as to future events expected to occur. As the financial statements are prospective, inherently actual results are likely to vary from the information presented. All material variations are required to be disclosed in the subsequent annual report.

The Commerce Commission accepts responsibility for:

- the preparation of the prospective financial statements in accordance with generally accepted accounting practice in New Zealand and the judgments made therein; and that
- those prospective financial statements fairly reflect the financial position of the Commission as at 30 June 2009 and the results of its operations, cash flows and service performance for the period ending 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 prospective financial statements fairly reflect the financial position of the Commission as at 30 June 2009 and the results of its operations, cash flows and service performance for the period ending on that date.



PR Rebstock

Chair – Commerce Commission



PJM Taylor

Chair – Audit, Finance and Risk Committee

PROSPECTIVE INCOME STATEMENT
FOR THE YEAR ENDING 30 JUNE 2009

	FORECAST 2008/09 \$000
OPERATING REVENUE	
Government Grants	41,455
Fees and Recoveries	550
Interest	900
Sundry Income	60
TOTAL OPERATING REVENUE	42,965
OPERATING EXPENDITURE	
Members and Personnel	22,119
Direct Output Costs	13,733
Occupancy	1,766
Depreciation and Amortisation	853
Other Expenditure	4,294
TOTAL OPERATING EXPENDITURE	42,765
OPERATING SURPLUS FOR THE YEAR	200

PROSPECTIVE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDING 30 JUNE 2009

	FORECAST 2008/09 \$000
Operating Surplus for the Year	200
RECOGNISED INCOME FOR THE YEAR	200
TOTAL CHANGES IN EQUITY	200
Equity at the Beginning of the Year	5,065
EQUITY AT THE END OF THE YEAR	5,265

The accompanying Prospective Statement of Service Performance and Summary of Significant Accounting Policies are on pages 55 to 60.

PROSPECTIVE BALANCE SHEET

AS AT 30 JUNE 2009

	FORECAST 2008/09 \$000
EQUITY	
Accumulated Funds	3,265
Litigation Fund	1,500
Litigation Costs Reserve	500
TOTAL EQUITY	5,265
CURRENT ASSETS	
Cash and Cash Equivalents	4,076
Fees and Recoveries Receivable	155
Government Grants Receivable	3,000
TOTAL CURRENT ASSETS	7,231
NON-CURRENT ASSETS	
Property, Plant and Equipment	1,734
Intangibles	790
TOTAL NON-CURRENT ASSETS	2,524
TOTAL ASSETS	9,755
CURRENT LIABILITIES	
Creditors	1,292
Accrued Expenses	1,326
Government Grants Repayable	605
Employee Entitlements	307
TOTAL CURRENT LIABILITIES	3,530
NON-CURRENT LIABILITIES	
Employee Entitlements	775
Reinstatement Provision	185
TOTAL NON-CURRENT LIABILITIES	960
TOTAL LIABILITIES	4,490
NET ASSETS	5,265

FORECAST SERVICE
PERFORMANCE

The accompanying Prospective Statement of Service Performance and Summary of Significant Accounting Policies are on pages 55 to 60.

PROSPECTIVE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2009

	FORECAST 2008/09 \$000
CASH FLOWS FROM OPERATING ACTIVITIES	
Government Grants Received	38,590
Fees and Recoveries Received	550
Interest Received	1,010
Sundry Receipts	60
Member and Employee Payments	(21,992)
Supplier Payments	(21,042)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(2,824)
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in Investments	7,500
Property, Plant and Equipment Purchases	(450)
Intangible Purchases	(450)
NET CASH INFLOW FROM INVESTING ACTIVITIES	6,600
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,776
Opening Cash and Cash Equivalents	300
CLOSING CASH AND CASH EQUIVALENTS	4,076
CASH AND CASH EQUIVALENTS COMPRISE:	
Cash and Cash Equivalents	4,076
CLOSING CASH AND CASH EQUIVALENTS	4,076

The accompanying Prospective Statement of Service Performance and Summary of Significant Accounting Policies are on pages 55 to 60.

PROSPECTIVE STATEMENT OF SERVICE PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2009

	FORECAST 2008/09 MEASURES	FORECAST 2008/09 \$000
COMPETITIVE MARKETS – COMMERCE ACT		
OPERATING REVENUE		9,173
Market Structure Cases	2 - 8	209
Coordinated Behaviour Cases	10 - 16	3,642
Unilateral Conduct Cases	9 - 16	1,893
Determinations	23 - 30	3,205
Framework Development	11 - 18	502
Public Information	59 - 78	22
TOTAL OUTPUT EXPENDITURE		9,473
COMPETITIVE MARKETS – COMMERCE ACT OPERATING DEFICIT		(300)
INFORMED CONSUMERS – FAIR TRADING ACT		
OPERATING REVENUE		4,537
Cases Closed	257 - 312	4,222
Product Safety Cases Closed	45 - 67	290
Framework Development	48 - 67	20
Public Information	31 - 41	5
TOTAL OUTPUT EXPENDITURE		4,537
INFORMED CONSUMERS – FAIR TRADING ACT OPERATING SURPLUS		–
INFORMED CONSUMERS – CCCF ACT		
OPERATING REVENUE		1,485
Cases Closed	39 - 52	1,330
Framework Development	1 - 5	67
Public Information	5 - 13	88
TOTAL OUTPUT EXPENDITURE		1,485
INFORMED CONSUMERS – CCCF ACT OPERATING SURPLUS		–

FORECAST SERVICE
PERFORMANCE

PROSPECTIVE STATEMENT OF SERVICE PERFORMANCE contd
FOR THE YEAR ENDING 30 JUNE 2009

	FORECAST 2008/09 MEASURES	FORECAST 2008/09 \$000
LITIGATION FUND		
OPERATING REVENUE		10,500
Market Structure Cases	n/a	680
Coordinated Behaviour Cases	n/a	3,646
Unilateral Conduct Cases	n/a	3,592
Commerce Act Determinations	n/a	270
Fair Trading Act Cases	n/a	1,682
CCCF Act Cases	n/a	130
TOTAL OUTPUT EXPENDITURE		10,000
LITIGATION FUND OPERATING SURPLUS		500
SOUND REGULATORY REGIMES – TELECOMMUNICATIONS		
OPERATING REVENUE		8,040
Access Determinations	6 - 9	1,333
Telecommunications Service Obligations	5 - 7	740
Monitoring and Reporting	11 - 13	2,361
Enforcement Cases	0 - 10	568
Code Approval	0 - 2	191
Reports to Ministers	1 - 2	718
Framework Development	4 - 8	317
Public Information	47 - 74	147
Information Disclosures	2 - 4	1,665
TOTAL OUTPUT EXPENDITURE		8,040
SOUND REGULATORY REGIMES – TELECOMMUNICATIONS OPERATING SURPLUS		–
SOUND REGULATORY REGIMES – ENERGY (ELECTRICITY)		
OPERATING REVENUE		5,630
Thresholds	0 - 3	1,089
Threshold Inquiries – Compliance Assessment	37 - 59	1,556
Control Authorisations	0 - 5	–
Information Disclosures	1 - 3	–
Framework Development	2 - 6	1,472
Public Information	27 - 48	1,513
TOTAL OUTPUT EXPENDITURE		5,630
SOUND REGULATORY REGIMES – ENERGY (ELECTRICITY) OPERATING SURPLUS		–

PROSPECTIVE STATEMENT OF SERVICE PERFORMANCE contd
FOR THE YEAR ENDING 30 JUNE 2009

	FORECAST 2008/09 MEASURES	FORECAST 2008/09 \$000
SOUND REGULATORY REGIMES – ENERGY (GAS)		
OPERATING REVENUE		300
Determinations	2 - 4	207
Authorisations – Compliance Assessment	0 - 3	93
Framework Development	1 - 3	–
Public Information	3 - 13	–
TOTAL OUTPUT EXPENDITURE		300
SOUND REGULATORY REGIMES – ENERGY (GAS) OPERATING SURPLUS		–
REGULATORY PRINCIPLES AND GUIDELINES		
OPERATING REVENUE		3,000
Determinations	0	–
Principles and Guidelines Development	2 - 11	3,000
Framework Development	0	–
Public Information	5 - 23	–
TOTAL OUTPUT EXPENDITURE		3,000
REGULATORY PRINCIPLES AND GUIDELINES OPERATING SURPLUS		–
SOUND REGULATORY REGIMES – DAIRY		
OPERATING REVENUE		300
Cases Closed	0 - 3	300
Determinations	0 - 2	–
Framework Development	0 - 1	–
Public Information	0 - 4	–
TOTAL OUTPUT EXPENDITURE		300
SOUND REGULATORY REGIMES – DAIRY OPERATING SURPLUS		–

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDING 30 JUNE 2009

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 prospective financial statements have been prepared in accordance with the Crown Entities Act 2004. The prospective financial statements have been prepared on a historical cost basis in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and were authorised for issue by the Commission on 15 May 2008.

The prospective 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.

The prospective financial statements comply with FRS-42 – Prospective Financial Statements. The Commission must prepare a statement of intent including prospective financial statements at or before the start of each financial year to promote public accountability. The prospective financial statements may not be appropriate for any other purposes.

The prospective financial statements have been prepared on the basis of best estimates and assumptions as to future events expected to occur. Revenue is based on the estimates included in the Crown's 2007/08 budget. As the financial statements are prospective, inherently actual results are likely to vary from the information presented. All material variations are required to be disclosed in the subsequent annual report.

FUNCTIONAL AND PRESENTATION CURRENCY

The Commission's functional currency is the New Zealand dollar, and, accordingly, these prospective 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 prospective financial statements. 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 is 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.

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 31 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 data 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. Only actual and direct operating costs of Litigation Fund cases are charged against the Fund.

Cash and Cash Equivalents – Cash and cash equivalents comprise 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 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 the 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.

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.



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