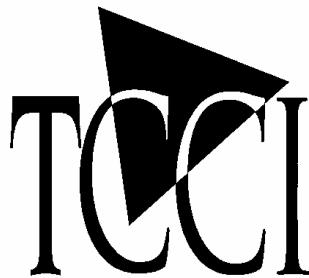


Submission to the

Australian Competition and Consumer Commission's  
Consideration of  
Transend Network's  
Revenue Cap Application  
1 January 2004 to 30 June 2009

By the



Tasmanian Chamber of Commerce and Industry Ltd

April 2003

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# 1.0 Tasmanian Chamber of Commerce & Industry

1.1 As the peak business organisation in Tasmania, the Tasmanian Chamber of Commerce & Industry (TCCI) welcomes the opportunity to provide comment to the Australian Competition and Consumer Commission’s (ACCC) consideration of Transend Network’s revenue cap application.

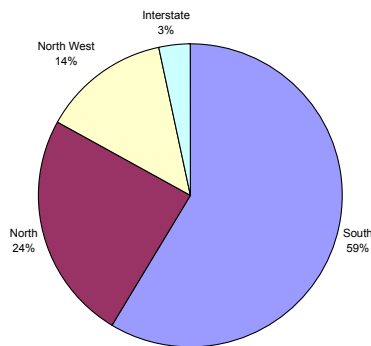
Electricity costs are a significant business input and impact on investment decisions. It is essential that careful consideration be given to this process and that the State’s pricing regime be competitive particularly with that applicable in Victoria and NSW.

1.2 The TCCI is Tasmania's largest business organisation. It has a statewide membership drawn from all industry sectors and is Tasmania's peak employer body. The Chamber seeks to work with Government and other groups to shape Tasmania's economic and social environments in a way that promotes business growth and community prosperity.

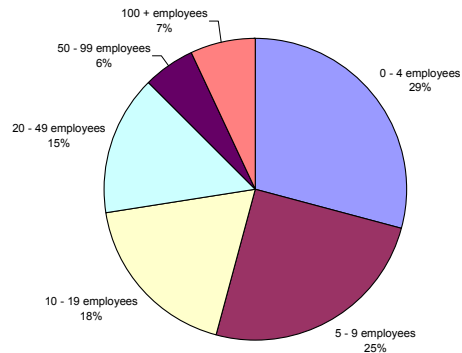
1.3 A profile of TCCI membership is contained below.

The TCCI directly represents in excess of 1,790 businesses employing 58,700 Tasmanians approximately 40% of the Tasmanian private sector workforce. TCCI member average number of employees (FTE) is 31.9, however, the mean number of employees is 8.

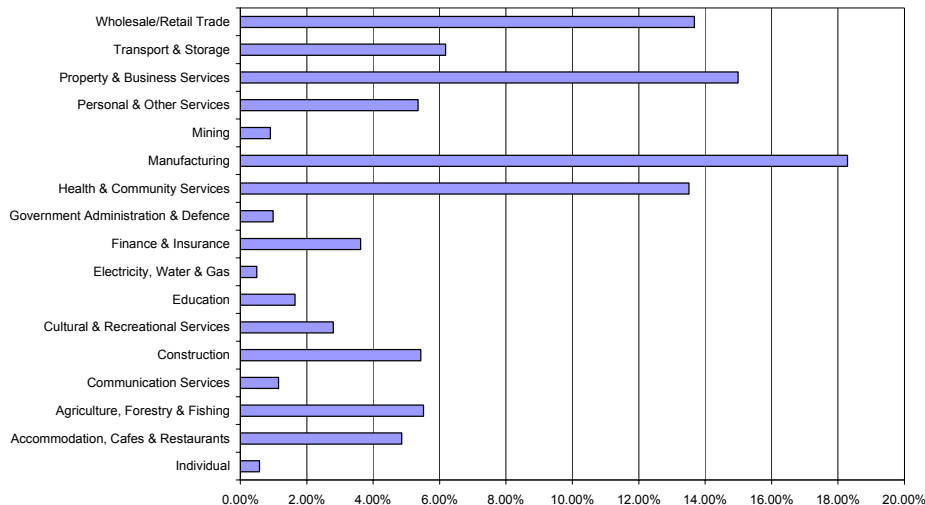
TCCI Members by Region



TCCI Members by Company Size



TCCI Members by Industry



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## 2.0 Executive Summary

- 2.1 Electricity costs are a significant business input and impact on investment decisions. It is essential that careful consideration be given to this process and that the State's pricing regime be competitive particularly with that applicable in Victoria and NSW.
- 2.2 The TCCI recognises the vital role that energy plays in building and sustaining the Tasmanian economy and consequently has been actively involved in facilitating discussion and understanding of energy in Tasmania. The TCCI believes itself to be well placed to provide representative and informed comment to ACCC's consideration of the revenue cap application.
- 2.3 Transend's application is taking place in an environment that has changed dramatically during the past year. Tasmanian businesses have enjoyed an extremely buoyant twelve months and the immediate economic outlook for the State is probably the strongest in the past several decades. The TCCI believes an ACCC decision conscious of business needs would provide a solid foundation for further economic and employment growth in the State.
- 2.4 The State's transmission company is in a natural monopoly position and not surprisingly appears more preoccupied with adequacy of revenue than competitive pricing issues. With transmission comprising of 10% of the end electricity price and Transend seeking 40% (real terms) increase in revenue this would equate to a 4% increase in the end electricity price which TCCI views as unsatisfactory.
- 2.5 There may be considerable merit in aspects of Transend's submission however we ask that the ACCC balance against this the result on electricity prices and their competitiveness with other States. Furthermore we ask that the ACCC consider whether or not Tasmanian businesses desire any further increase in electricity supply reliability and how much they are willing to pay for this.
- 2.6 There remains strong evidence of an uncompetitive tariff regime in Tasmania compared with market rates in Victoria and NSW in particular. The cost disadvantage in Tasmania is particularly evident with medium and larger businesses. This is of particular concern where electricity costs constitute significant business input costs, and the likelihood of electricity costs impacting on location/investment decisions is much greater. TCCI is of the strongly held view that Tasmanian electricity prices should not be increased in real terms regardless of circumstances.
- 2.7 Tasmania's system performance has generally improved over recent years. Overwhelmingly business customers exhibit a high level of satisfaction with their electricity service. Research indicates that businesses believe that the greatest effort should be made to keep the price of electricity as low as possible. A proportion of businesses do want some level of improvement, however, a sizeable proportion of business also want the status quo. Any improvement in service must be funded by only a modest amount.
- 2.8 TCCI recommends that the weighted average cost of capital for Transend be set at a level consistent with interstate benchmarks.
- 2.9 It is extremely disappointing when any monopoly providers can grant themselves the ability to automatically index charges in line with inflation. There is principle at stake here - an indexation mentality is an acceptance of mediocrity and a relegation to the status quo in terms of efficiency improvement. TCCI would argue strongly that if this system is to stay in place then a mandatory efficiency dividend (CPI - X) must accrue to customers.
- 2.10 The most efficient means of imposing competitive market forces upon Transend could be through the widespread introduction of KPIs and the use of Benchmarking.
- 2.11 Transend has made additional efforts to improve efficiency but these must be ongoing. TCCI is confident that additional efficiencies can be found.
- 2.12 The TCCI was disappointed with the process for revaluing Transend's regulated asset base. Such a significant increase in our view circumvented an independent valuation process and instead should have been performed by an independent body such as OTTER or the ACCC.

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## 3.0 Introduction

- 3.1 The TCCI recognises the vital role that energy plays in building and sustaining the Tasmanian economy and consequently has been actively involved in facilitating discussion and understanding of energy in Tasmania.
- 3.2 Tasmanian businesses believe energy related matters to be of crucial importance in their operating environment. Consistently TCCI surveys have identified the cost and reliability of energy as a major constraint on business growth. The Tasmanian Survey of Business Expectations consistently identifies the cost of energy to be a major constraint on business growth and have firmly placed this constraint in the top ten of all impediments (Appendix Three).
- 3.3 In light of this importance the TCCI has been highly involved in energy related matters.
- The TCCI has provided submissions to the 1996 Government Prices Oversight Commission's Inquiry into Electricity Prices, the 1999 Electricity Regulator's Electricity Supply Industry Pricing Policies Inquiry and the 2003 Office of the Tasmanian Energy Regulator's (OTTER) 2002-03 Investigation into the Maximum Prices of Electricity Distribution and Retail Tariffs on Mainland Tasmania.
  - The TCCI was a representative on the Tasmanian Electricity Supply Industry Act 1995 Review Group.
  - The TCCI is a representative on the Electricity Regulator's Energy Customer Consultative Committees.
  - The TCCI has received regular progress reports and briefings from the Tasmanian Department of Treasury and Finance and the Office of Energy Planning and Conservation on Basslink, Tasmania's process of joining the National Electricity Market and the Natural Gas Project.
  - The TCCI provided a detailed submission to the Australian Competition and Consumer Commission's process to consider Tasmania's application to join the National Electricity Market.
  - The TCCI provided a detailed submission to the Basslink Joint Advisory Panel's consideration of the Intergrated Impact Assessment Statement.
  - The TCCI held a Natural Gas Forum on the 23 April 2001 at the Hotel Grand Chancellor with over 165 attendees. Organisations that presented at the forum included the Tasmanian Minister for Energy, Secretary of the Department of Infrastructure Energy and Resources, Duke Energy, Aurora Energy / Agility and Origin Energy.
  - The TCCI held a Basslink Benefits to Business briefing session on the 16 August 2001 at the Hotel Grand Chancellor with over 80 attendees. Organisations to present at the briefing session included Hydro Tasmania, Basslink Pty Ltd and the Basslink Development Board.
  - The TCCI has run numerous articles in the Tasmanian Business Report (TCCI's newspaper circulated to 17,200 businesses throughout Tasmania) on Basslink, the Natural Gas Project and many other issues related to energy.
- 3.4 The TCCI believes itself to be well placed to provide representative and informed comment on Transend's revenue cap application. The TCCI has prepared this submission to provide objective comment which we believe is the responsible way to participate in this process. Our particular area of interest is on low and high voltage business customers.

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## 4.0 The Background Economic Environment

- 4.1 Transend's application is taking place in an environment that has changed dramatically during the past year. Tasmanian businesses have enjoyed an extremely buoyant twelve months and the immediate economic outlook for the State is probably the strongest in the past several decades.
- 4.2 There exists a growing perception that the Tasmanian economy is increasingly on track. It is not yet firing at the level that is possible but it is definitely making steady progress. TCCI believes that Tasmania is experiencing a period of sustained economic buoyancy with contributing factors including:
- Significant capital investment on major infrastructure projects including the Basslink Development, Natural Gas and Wind Farm Generation.
  - A robust national economy clearly having a positive stimulatory effect on our State economy.
  - The introduction of two fast monohull ferries and the enormous impetus they are having and will have on our State's tourism industry.
  - The complete deregulation of shop trading hours.
  - Extremely buoyant business confidence.
  - Expansionary and business friendly State Budgets.
  - Continuing improvement in the State's financial picture with the complete retiring of public debt now clearly in sight.
  - A low Australian dollar having helped Tasmanian exporters withstand a soft global environment.
  - Favourable seasonal conditions and prices for the State's primary industries.
- 4.3 Of course the silliest thing we could do in the wake of this good economic news would be to rest on this improvement and become complacent. More needs to be done and we must all ensure the economic and business policy settings are squarely focused on maintaining Tasmania's growth momentum into the future.
- 4.4 TCCI believes that Tasmania is on the cusp of a strong economic future if we can reinforce this promising position. A full summary of Tasmania's economic performance is contained in Appendix One.
- 4.5 Tasmania's electricity costs represent a major area where we can stimulate ongoing economic growth. Energy constitutes a significant business input cost, and as with other 'costs of doing business' issues within our control the TCCI believes we should champion the need to be competitive.

The TCCI believes an ACCC decision conscious of business needs would provide a solid foundation for further economic and employment growth in the State.

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## 5.0 TCCI Position

- 5.1 TCCI is concerned at aspects of Transend's Revenue Cap Application to the ACCC and accordingly met with the ACCC on Thursday 3 April 2003 to discuss this unease.
- 5.2 The State's transmission company is in a natural monopoly position and not surprisingly appears more preoccupied with adequacy of revenue than competitive pricing issues.
- 5.3 Transmission costs contribute significantly towards the end electricity price:
- Energy (40% of final price) price regulated by a contract approved in principle by ACCC
  - Transmission (10% of final price) investigation will be undertaken by the ACCC.
  - Distribution Services (40% of final price) part of this inquiry
  - Retail Services (10% of final price) part of this inquiry.
- 5.4 With transmission comprising of 10% of the end electricity price and Transend seeking 40% (real terms) increase in revenue this would equate to a 4% increase in the end electricity price which TCCI views as unsatisfactory.
- 5.5 TCCI wishes to highlight that the Tasmanian Business Community is not primarily interested in the process but the outcomes of ACCC's consideration of Transend's revenue cap application. The Tasmanian Business Community particularly medium to larger businesses wish to see a further increase in the competitiveness of the State's electricity prices. This process irrespective of the methodology adopted is the tool to deliver this much needed outcome.
- 5.6 There may be considerable merit in aspects of Transend's submission however we ask that the ACCC balance against this the result on electricity prices and their competitiveness with other States. Furthermore we ask that the ACCC consider whether or not Tasmanian businesses desire any further increase in electricity supply reliability and how much they are willing to pay for this. TCCI will now discuss these points in further detail.

### **Background:**

The Australian Competition and Consumer Commission (ACCC) will commence regulation of Transend Networks (Transend) transmission network from 1 January 2004. On 14 March 2003 Transend lodged an application with the Commission outlining its proposed revenue cap.

The Commission's review will determine the appropriate revenue cap for non-contestable transmission network services provided by Transend for a period of five and a half years from 1 January 2004 to 30 June 2009.

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## 6.0 Competitiveness of Tasmanian Electricity Prices

6.1 A significant and historical power cost disadvantage faces business customers in Tasmania. In terms of Tasmania's relative competitive position, Victoria and NSW should be seen as our closest and most significant competitors.

6.2 OTTER in 1999 issued a determination for price reductions of seven per cent in real terms for high-voltage customers effective from 1 January 2000 with low voltage business customers experiencing a drop in their tariffs of 1.3 per cent per annum, on average, for each of the three years of the regulatory period from 1 January 2000.

The decision to immediately reduce charges for high voltage customers from 1 January 2000 was taken given the high level of competition Tasmanian manufacturers were facing from interstate businesses. Furthermore the decision was based on interstate competitors having enjoyed significant reductions in electricity charges over the preceding two years. Additionally business tariffs were acknowledged as being higher than the underlying costs of supply.

Savings to the Tasmanian Business Community were estimated to be \$5 million between 2000 and 2002.

6.3 The decision by OTTER to reduce prices for commercial customers was a welcome start to improving the competitive position of businesses in Tasmania. The decision closed the gap on competition however it did not remove it. Tasmanian businesses continue to face a cost disadvantage compared with Victoria and NSW. We would have preferred a significantly greater price reduction although we recognised the competing considerations OTTER was required to take into account.

6.4 There remains strong evidence of an uncompetitive tariff regime in Tasmania compared with market rates in Victoria and NSW in particular. The cost disadvantage in Tasmania is particularly evident with medium and larger businesses. This is of particular concern where electricity costs constitute significant business input costs, and the likelihood of electricity costs impacting on location/investment decisions is much greater. Full details of Tasmania's uncompetitive business electricity prices are contained in Appendix Two.

6.5 The analysis on the next page clearly reveals that our electricity prices are simply not competitive for medium and large business customers. Anything less than 8<sup>th</sup> is in the second half of competition and therefore uncompetitive.

If a new company was examining which State to locate in, then based on electricity costs, Tasmania as a State would regularly be in the uncompetitive position of fourth or fifth in line to attract the new investment.

6.6 TCCI strongly recommends that the ACCC take into consideration the impact of Transend's revenue cap application on end electricity prices and their competitiveness with other States.

6.7 TCCI is of the strongly held view that Tasmanian electricity prices should not be increased in real terms regardless of circumstances.



Customer Category	Relative position Aurora Prices	TCCI Ranking	TCCI State Ranking
Large Size Business – contestable customers with annual peak demand of 2,500 kW at 70% load factor.	<b>3rd quartile.</b> Placed tenth after Melbourne SE suburbs. A total of 16 regions compared.	10	5 (NSW, VIC, QLD, SA)
Large Size Business – contestable customers with annual peak demand of 2,500 kW at 60% load factor.	<b>3rd quartile.</b> Placed equal ninth after Melbourne SE suburbs. A total of 16 regions compared.	9 / 10	5 (NSW, VIC, QLD, SA)
Large Size Business – contestable customers with annual peak demand of 1,000 kW at 60% load factor.	<b>3rd quartile.</b> Placed ninth after Melbourne SE suburbs. A total of 16 regions compared.	9	5 (NSW, VIC, QLD, SA)
Large Size Business – contestable customers with annual peak demand of 1,000 kW at 40% load factor.	<b>2nd quartile.</b> Seventh after Melbourne SE suburbs. A total of 16 regions compared.	7	4 (NSW, VIC, SA)
Medium Size Business – contestable customers with annual peak demand of 500kW at 50% load factor	<b>3rd quartile.</b> Eleventh after Melbourne-Nth suburbs. A total of 16 regions compared.	11	5 (NSW, VIC, QLD, SA)
Medium Size Business – contestable customers with annual peak demand of 500kW at 40% load factor	<b>3rd quartile.</b> Eleventh after Melbourne-Nth suburbs. A total of 16 regions compared. Highest was Northern Territory (+115%).	11	5 (NSW, VIC, QLD, SA)
Medium Size Business – contestable customers with annual peak demand of 250kW at 50% load factor	<b>3rd quartile.</b> Tenth after Melbourne-Nth suburbs. A total of 16 regions compared.	10	4 (NSW, VIC, QLD)
Medium Size Business – contestable customers with annual peak demand of 250kW at 40% load factor	<b>3rd quartile.</b> Tenth after Melbourne-Nth suburbs. A total of 16 regions compared.	10	4 (NSW, VIC, QLD)
Small Size Business – contestable customers with annual peak demand of 100kW at 40% load factor	<b>2nd quartile.</b> Equal Seventh after Sydney-Newcastle, Melbourne-Nth, Brisbane-Gold Coast, Melbourne City, Western Sydney-Illawarra, Regional Queensland. A total of 16 regions compared.	7 / 8	4 (NSW, VIC, QLD)
Small Size Business – contestable customers with annual peak demand of 100kW at 30% load factor	<b>2nd quartile.</b> Seventh after Sydney-Newcastle, Melbourne-Nth, Brisbane-Gold Coast, Melbourne City, Western Sydney-Illawarra, Regional Queensland. A total of 16 regions compared.	7	4 (NSW, VIC, QLD)
Small Size Business – standard general supply tariff with annual consumption of 100 MWh	<b>2nd quartile.</b> Third lowest after Sydney-Newcastle, and W Sydney Illawarra. A total of 17 regions compared.	3	2 (NSW)
Small Size Business – standard general supply tariff with annual consumption of 30 MWh	<b>2nd quartile.</b> Fifth lowest after Sydney-Newcastle, W Sydney Illawarra, Canberra, and Southern NSW. A total of 17 regions compared.	5	2 (NSW)

Source: ESAA Electricity Prices in Australia 2002/03

## 7.0 The Case for an Improvement in Reliability

7.1 The TCCI believes one of the main considerations for ACCC in its consideration of Transend's revenue cap application is to examine what level of service customers value and at what price. Individual customers have different expectations as to service levels.

7.2 The first point that TCCI wishes to highlight is that Tasmania's system performance has generally improved over recent years. OTTER's Tasmanian Electricity Supply Industry Performance Report 2002 concludes:

*Overall, the year to 30 June 2002 saw an improvement in industry technical performance in terms of reliability of supply, with the average customer minutes off supply reducing from 292 minutes in 2000-01 to 239 minutes in 2001-02.*

*Transend's performance improved with regards to circuit availability and unserved energy and the recent trend of increasing system minutes off-supply was reversed this year, with Transend reporting just 9.11 minutes off-supply, its best performance since 1996-97.*

7.3 TCCI encourages the ACCC to examine Transend's actual reliability and assess whether this level of service justifies the extent of capital and operating expenditure proposed by Transend during the regulatory period.

7.4 TCCI wishes to highlight Aurora Energy research on satisfaction of customers with their electricity supply. Overwhelmingly business customers exhibited a high level of satisfaction with service. Based on their latest 12 month experience businesses were asked to indicate their satisfaction. The average (mean) score given by both business customers and residential was 5.8 out of 7 or 83%.

7.5 The Aurora Energy research indicated that the 1,200 business customers surveyed ranked the following as critically important:

- providing a continuous power supply (68%);
- restoring power quickly after blackouts (61%); and
- keeping the price of electricity as low as possible (58%).

However, further analysis reveals that when asked which areas should the greatest effort for improvement be made, keeping the price of electricity as low as possible becomes the highest priority. This in TCCI's opinion is the pillar in which any decision to increase service at the expense of price should be considered.

Area Most in Need of Improvement	Business Customers	Residential
Keeping the price of electricity as low as possible	48	55
Providing a continuous power supply	41	32
Providing enough street lights	14	18
Restoring power quickly after blackouts	37	31
Providing supply connections, re-connections quickly	7	9
Making it easier to contact Aurora by phone	17	17

Source: Aurora Energy Pty Ltd

7.6 Furthermore Tasmanian businesses were asked to express their view about service levels and their willingness to pay for service improvements. The below results indicate that a proportion of businesses do want some level of improvement, however, a sizeable proportion of business also want the status quo and that any improvement in service improvements should be funded at the most by only a modest amount.

Options	Business Customers	Residential Customers
Maintain the system at current level of efficiency	32	42
Increase investment by a modest amount to reduce power interruptions somewhat	40	35
Increase investment so as to reduce power interruptions by a large amount	24	23
It depends	4	

Source: Aurora Energy Pty Ltd

7.7 The above table should not be interpreted as business having a stronger desire than residential customers to improve performance and accordingly a stronger desire to foot the bill for an improvement in reliability. TCCI draws ACCC's attention to the following table that clearly demonstrates that residential customers are more willing to pay for improvements than business. The table identifies business and residential willingness to pay for reductions in the number of power failures.

	Business Customers			Residential Customers			
	1% increase	2.5% increase	7.5% increase		1% increase	2.5% increase	7.5% increase
10%	15	6	1	10%	19	10	3
20%	18	15	3	20%	31	18	4
40%	36	26	10	40%	43	33	13

Source: Aurora Energy Pty Ltd

This table also clearly indicates that business is only prepared to foot a modest 2.5% or less increase in their power bill. It also does not represent the sizeable majority who are currently content with the level of service that are overwhelmingly not prepared to pay for any further increase.

An overwhelming message from the research is that those customers not experiencing power supply problems have a high degree of satisfaction with performance.

Those customers who have not experienced any supply problems have no propensity to pay for any better performance outcomes. Those customers who have experienced interruptions during the previous year report only some willingness to pay modest price increases for improvements in supply.

7.7 The challenge is balancing the needs of business. To TCCI's mind ACCC should not make businesses in general pay for the benefit of a few. Irrespective of where there is strong willingness to pay for any increase in service (ie those locations where liability may be considered to be poor) we cannot differentiate by region. Government policy, reflected in the ESI Act and Regulations, requires uniformity in retail tariffs for customers of the same class within a supply area (mainland Tasmania).

Historically OTTER has been able to remove cross subsidies from the Tasmanian Electricity Supply Industry. However, one remaining cross subsidy is that based on location. By increasing capital expenditure to improve reliability in a number of regions of the State ACCC would effectively be increasing the extent of an undesirable but currently tolerable cross subsidy.

7.8 In summary TCCI believes there is only modest willingness by businesses to pay an additional amount to secure an improvement in electricity supply. TCCI invites the ACCC to examine the Aurora Energy research on this issue.

The majority of Tasmanian businesses are satisfied with their current electricity supply reliability. Of those businesses not happy with current standards there is only a modest propensity to fund any improvement in reliability of electricity supply. The overall Tasmanian business community should not be forced to fund improvements benefiting only a small minority of business and residential customers.

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## 8.0 Additional Comments

### 8.1 Weighted Average Cost of Capital

TCCI recommends that the weighted average cost of capital for Transend be set at a level consistent with interstate benchmarks.

### 8.2 CPI Indexation

CPI indexation approach is contrary to regular business practices. Given the extremely competitive market within Tasmania, the Tasmanian Survey of Business Expectations has consistently shown that no business within this State has continually been able to index prices upwards by CPI.

It is extremely disappointing that a monopoly provider can grant itself the ability to automatically index charges in line with inflation. There is principle at stake here - an indexation mentality is an acceptance of mediocrity and a relegation to the status quo in terms of efficiency improvement.

TCCI would argue strongly that if this system is to stay in place then a mandatory efficiency dividend (CPI - X) must accrue to customers.

### 8.3 Benchmarking and KPIs

The most efficient means of imposing competitive market forces upon Transend could be through the widespread introduction of KPIs and the use of Benchmarking.

TCCI is highly supportive of the process of comparing an organisation's performance with some standard as a means of discovering ways to improve that performance. TCCI supports KPIs used to measure performance.

The benefits of adopting Benchmarking through KPIs can largely be categorised into three areas including improving management practices and inevitably efficiency; clarifying objectives and responsibilities; and increasing transparency and accountability of electricity transmission within Tasmania.

### 8.4 Efficiency and Industry Performance

There is no question that Transend has made significant efforts to increase its efficiency but these efforts must be ongoing. TCCI is confident that additional efficiencies can be found.

The benefits resulting from any cost savings must be shared amongst all stakeholders. It is TCCI's position that any efficiency gains need to be shared between providing lower tariff prices to business customers and increasing the return to shareholders.

However until such time as the electricity businesses are delivering electricity at across the board competitive prices, the lion's share of productivity improvements should translate directly into reduced tariffs.

### 8.5 Additional Generation Projects

TCCI believes additional energy projects planned in Tasmania can not be used as a means to justify additional revenue for the State's Electricity Supply companies. These projects are being implemented to save Tasmanian customers money yet at the same time they are being used to justify an outcome that would see the end electricity price increase by 4%.

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As a solution TCCI is supportive of an argument that the wholesale energy price should be reviewed and the NEM vesting contract rate should be reconsidered ultimately leading to a lower wholesale electricity rate.

Many factors have and will change that will impact on the wholesale electricity price. Changes that have provided the opportunity for a reduction in the wholesale electricity price include:

- Basslink is anticipated to deliver a 6.9% reduction in wholesale electricity prices by creating competition and placing downward pressure on prices.
- 800 MW of additional wind powered electricity will massively increase the supply of electricity and accordingly decrease price.
- Furthermore a number of new private generation projects proposed for Tasmania will also increase the supply of electricity and decrease price.
- In the short to medium term the implementation of Gas will lead to a reduction in the demand for electricity, altering the supply / demand balance. It would be expected that this should result in lower wholesale electricity prices.

#### 8.6 Regulated Asset Base

The TCCI was disappointed with the process for revaluing Transend's regulated asset base. Such a significant increase in our view circumvented an independent valuation process and instead should have been performed by an independent body such as OTTER or the ACCC.

Tasmanian electricity customers now find themselves in the disadvantaged position of having their transmission company needing a considerable increase in revenue to meet its return on capital. The fact that the revenue is not being collected to deliver at the sharp end of electricity supply is even more disappointing.

TCCI recognises that this issue is largely outside the scope of ACCC's consideration of Transend's revenue cap application. Nevertheless it should influence the ACCC's consideration of the final impact of Transend's overall submission on end electricity prices.

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## **Appendix One – Tasmanian Economic Outlook**

# Economic Outlook

## Introduction

Tasmania's economic background changed dramatically during 2002.

Tasmanian businesses have enjoyed an extremely buoyant 2002 and the immediate economic outlook for the State is probably the strongest in the past several decades.

All key economic indicators improved during 2002. There now exists a growing perception that the Tasmanian economy is increasingly on track. It is not yet firing at the level that is possible but it is definitely making steady progress.

## State Final Demand

State final demand during 2002 performed admirably exceeding the National average growth rate. This promising result was across all components of the economy including public and private sector consumption, public capital expenditure and particularly in the area of private capital investment.

## Business Investment

Business investment has recorded an exceptionally positive result for the past twelve months also outmatching the national performance. The improved performance has come wholly through increased investment on plant and equipment and investment in buildings and structures. This second area is particularly due to the roll out of Tasmania's natural gas and other major infrastructure projects.

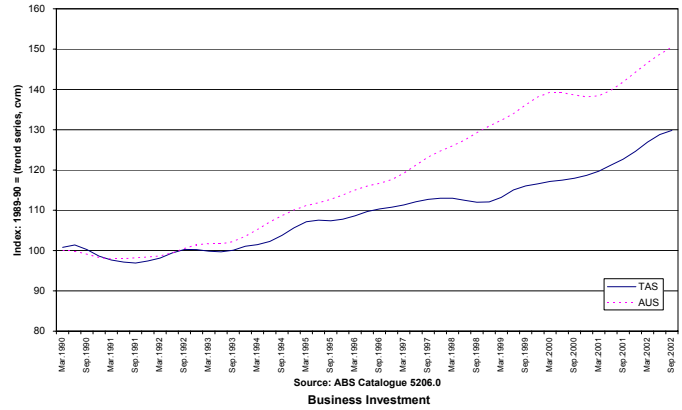
## Consumer Price Index

The CPI is currently towards the upper limit of RBA target range however evidence is that the inflation rate is falling back towards a more acceptable level. The CPI's of Hobart and the Average of the eight capitals commenced the year with some gap although the two measures are now closely aligned.

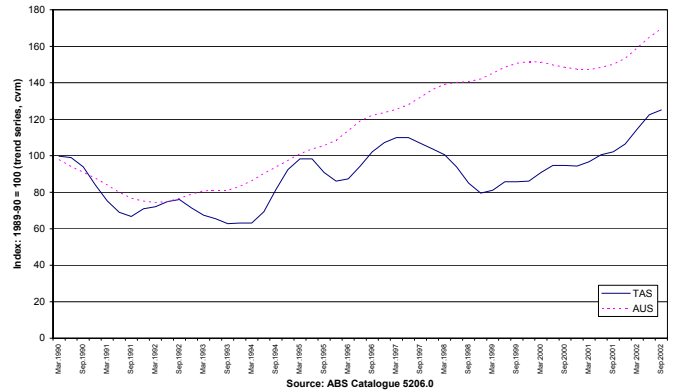
## Average Weekly Ordinary Time Earnings

The growth of wage costs remains at the higher end of the scale with Tasmanian average weekly ordinary time earnings recently increasing at rates similar to and above the National average.

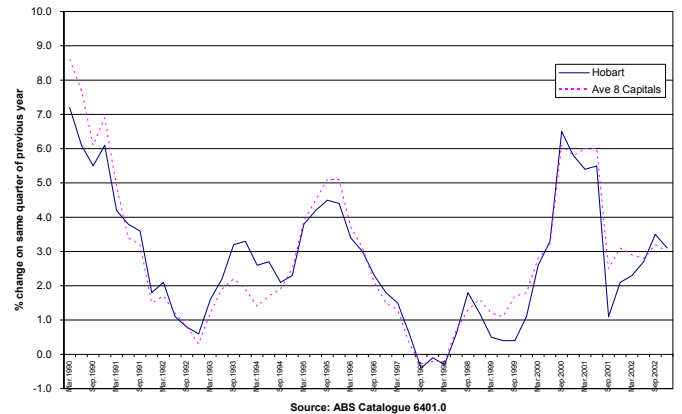
State Final Demand



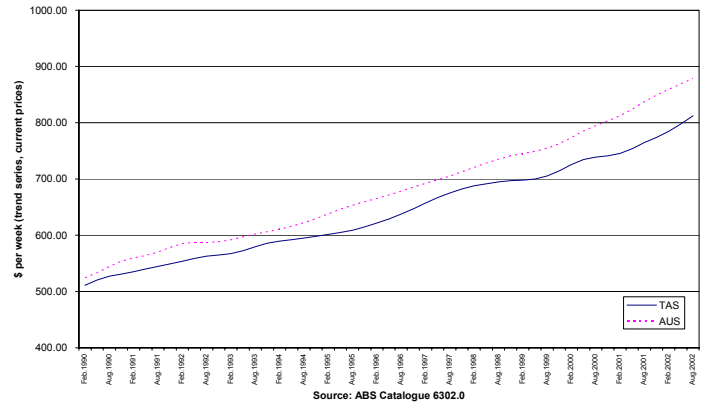
Business Investment



Consumer Price Index



Average Weekly Ordinary Time Earnings



## Tasmania's Labour Market

Tasmania's labour market has improved during 2002 although the buoyancy witnessed in most other indicators only began to emerge during the middle of the calendar year.

Overall if Tasmania's labour market can continue its recent improvement then the State can turn the corner on the mediocrity that this indicator has experienced across the 1990's.

### Total Employment

After a minor recovery in the middle of 2001 Tasmania's labour market deteriorated in the early stages of 2002.

Fortunately across the second half of 2002 total employment has moderately increased almost matching national growth.

### Full Time Employment

A very similar trend occurred in full time employment with the indicator declining in the first half of 2002 and undergoing rapid improvement across the second half of the year.

However the improvement has been much more pronounced with growth in full time employment clearly exceeding the national performance.

### Participation Rate

Tasmania's participation rate experienced a significant fall during early 2002 with a considerable number of people exiting the labour market.

Of encouragement the fall in this indicator has been partially clawed back in the second half of the calendar year.

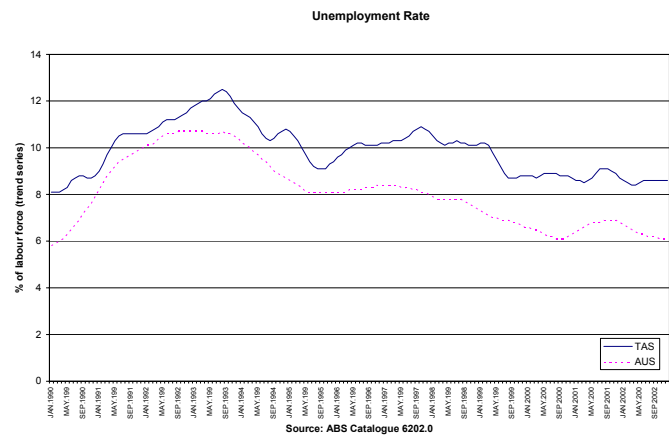
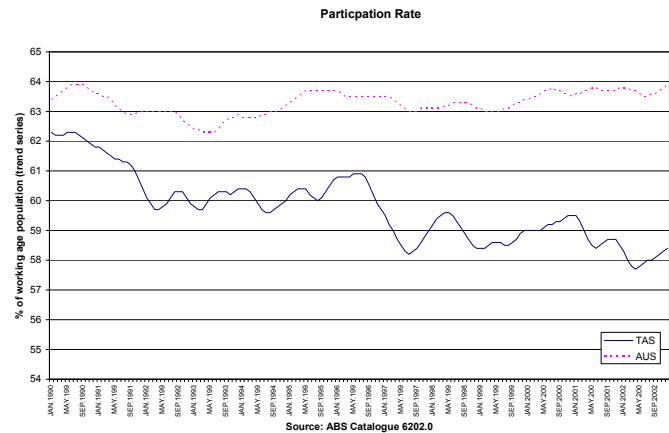
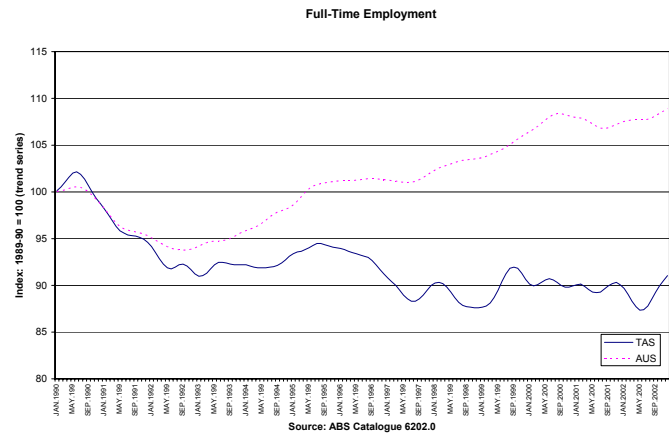
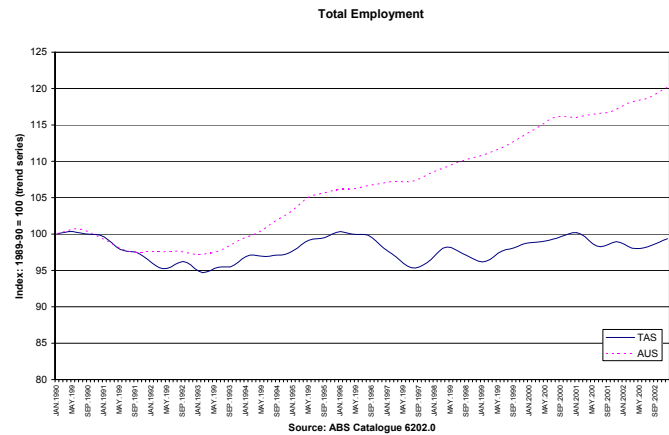
As Tasmanians optimism about employment prospects improved they have elected to reenter the Tasmanian labour market.

### Unemployment Rate

Tasmania's unemployment rate has experienced little change across the 2002 calendar year.

Indeed adjustments to the unemployment rate have appeared to be more influenced by people exiting and entering the labour market.

Growth in employment has only had a minor influence in changing the unemployment rate.





## Retail Trade

Retail spending has continued to grow at a solid pace, despite the relatively late improvement to the State's labour market. Retail turnover in real dollar terms grew soundly and outperformed the previous year's annual growth rate.

Despite this, Tasmania's performance was less buoyant than the activity occurring Nationally. As long as the Tasmanian long-term labour market remains weaker than that occurring nationally this indicator will follow that same trend. However, further solid growth in consumption seems likely in view of recent improvements in employment.

## Residential Building Activity

Dwelling unit approvals grew for the first half of 2002 stemming from the new homebuyers and building grants. With weak growth in population TCCI believed it was questionable whether building activity in Tasmania could continue to experience the buoyancy witnessed during 2001. This is clearly evident with a decline both nationally and within the State now occurring.

The Tasmanian growth rate for 2002 far exceeded that of 2001 as well as the national rates largely due to Tasmania's percentage increase on a low base.

## Non Residential Building Activity

Non residential building activity has previously been very weak, however, the onset of several major infrastructure projects within Tasmania has significantly stimulated this indicator.

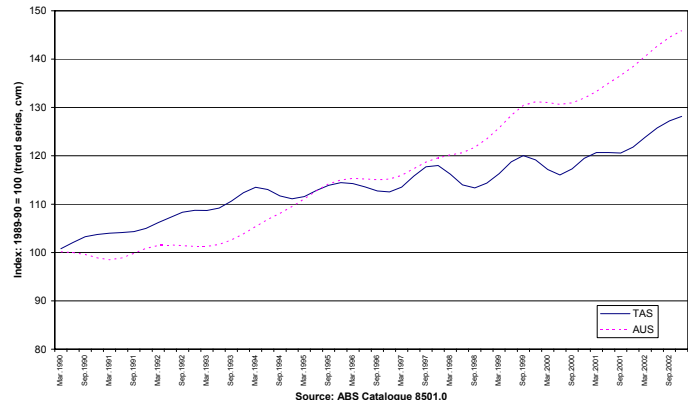
Whilst falling significantly in 2001 Tasmania's level of non residential building construction has massively increased. The challenge will be for ongoing investment stimulated by existing and new industries attracted to cheaper energy options.

## Population

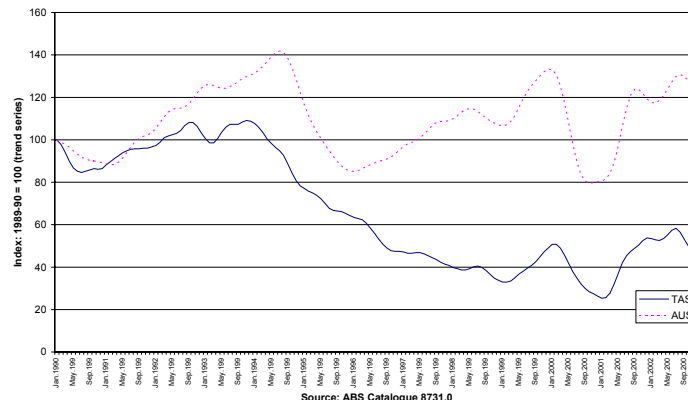
Australian Demographic Statistics have for a lengthy period of time told of a downturn in Tasmania's population between 1996 and 2001. However, Tasmania's population has again started to rise and do so at a modest rate.

Tasmania's population has recovered only a fraction of the loss reported since 1996 but it is a welcome start.

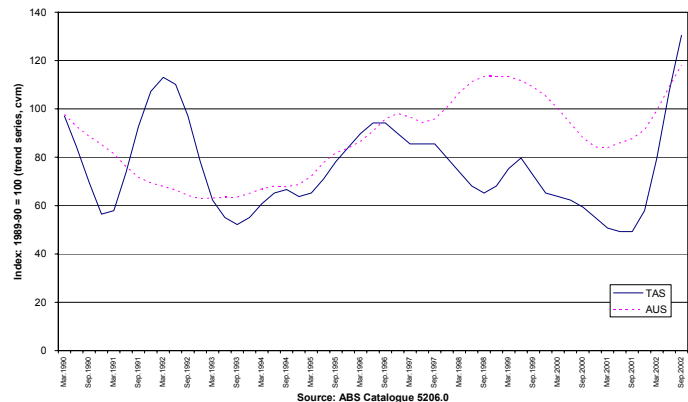
Retail Turnover



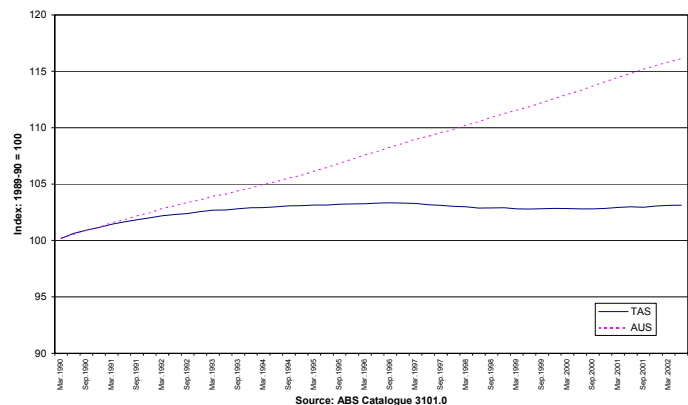
Dwelling Unit Approvals



Non Residential Building Activity



Population



## Business Confidence

There is no question that businesses have recognised a growing strength in the State economy and this has also spilled over into positive expectations.

The Tasmanian Survey of Business Expectations clearly shows a vast improvement in confidence and indeed sentiment is currently at an all time high.

The improvement witnessed throughout 2002 sees the outlook for the Tasmanian economy being more buoyant than the National economy.

## Global Outlook & Monetary Policy

The Australian economy has continued to expand at a good pace, despite the continued drag from the weak world economy and the drought.

After a promising start in the early part of 2002, the global recovery lost momentum. Most of the major economies showed little or no growth in the final months of the year, although there have remained areas of strong performance among smaller and medium-sized economies, notably in parts of east Asia.

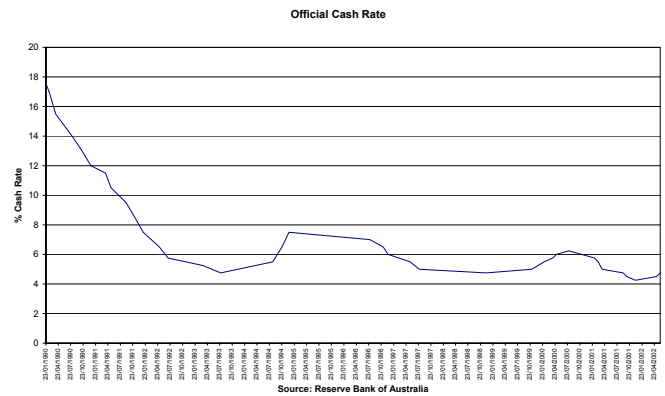
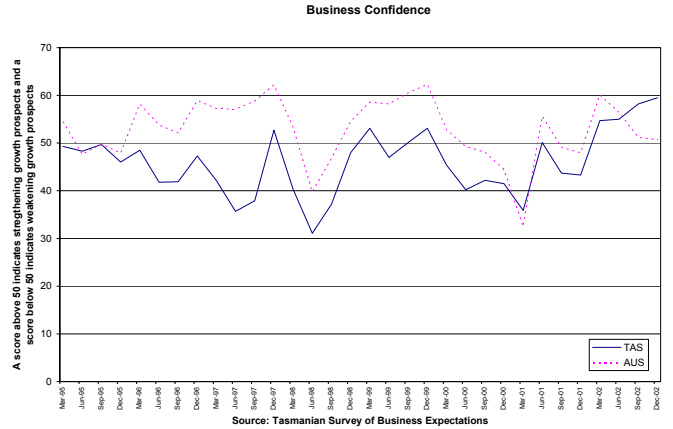
The Australian economy in aggregate looks set to continue to grow at a good pace although slower than last year. Prospects will depend importantly on how quickly the momentum in the major economies is regained. Barring a renewed deterioration in the global outlook, exports should provide some offset to the slowing in domestic demand over time. At some point, too, it must be expected that rural conditions will improve.

Under normal circumstances, domestic conditions over the past year would have suggested a case for moving to a less expansionary setting, in order to avoid contributing to inflationary risks. However, the case for doing so progressively weakened through the second half of 2002 as risks to the global recovery increased.

At the time of the February 2003 Board meeting, it was clear that the international outlook had not improved, with a loss of momentum in the major economies late last year and a general increase in geopolitical uncertainty. In these circumstances, the Board judged that the best course was to leave the cash rate unchanged.

## Access Economics

Access Economics concluded that the Tasmania economy had been firing on all cylinders.



Access Economics Forecasts				
TAS	02/03	03/04	04/05	05/06
GSP	2.2	1.1	2.0	0.0
SFD	2.3	-1.8	-0.5	-0.7
Population	0.1	-0.2	-0.3	-0.3
Employment	1.6	1.6	0.1	-1.3
Unemploy Rate	8.1	7.7	7.8	9.3
CPI	3.0	1.8	3.1	2.4
AWE	7.2	3.3	3.8	3.1
AUS				
GSP	3.2	3.5	3.3	1.6
SFD	3.4	3.4	2.7	2.1
Population	1.2	1.1	1.0	0.9
Employment	2.2	1.9	1.2	0.0
Unemploy Rate	6.1	5.7	6.0	7.0
CPI	2.9	2.4	2.7	2.3
<b>AWE</b>	<b>3.9</b>	<b>4.4</b>	<b>4.5</b>	<b>3.9</b>

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Reasons attributed to the boom times in their view included:

- Global gloom has not been a major problem for Tasmania and indeed its exports in the past year have grown faster than for any other State.
- The strength of the national economy has been overwhelmingly positive for Tasmania.
- The addition of extra ferry capacity across Bass Strait has seen cashed up mainland tourists spend big in Tasmania.
- The strength of State economy has been boosted by gas pipeline work and Basslink commencing.

However the report also ended on a less positive note saying that in such circumstances economists look to the fundamentals to see if Tassie would continue this promising progress.

In summary they concluded that 2003 may bring less welcome news than for 2002 including.

- Outside of energy, investment is still only modest with not many non residential plans.
- Signs that retail turnover is slowing and that impressive growth in this area will fade.
- An expected slowdown in housing activity.

### **Tasmanian Outlook**

Tasmanians now have much to look forward to. TCCI believes that Tasmania is experiencing a period of sustained economic buoyancy.

The TCCI believes the plusses for our economy to include:

- Significant capital investment on major infrastructure projects including the Basslink Development, Natural Gas and Wind Farm Generation.
- A robust national economy clearly having a positive stimulatory effect on our State economy.
- The introduction of two fast monohull ferries and the enormous impetus they are and will have on our State's tourism industry.
- Extremely buoyant business confidence.
- Expansionary and business friendly State Budgets.
- Continuing improvement in the State's financial picture with the complete retiring of public debt now clearly in sight.
- A low Australian dollar having helped Tasmanian exporters withstand a soft global environment.

- Favourable seasonal conditions and prices for the State's primary industries.

However we must also be mindful of the challenges in which our State continues to face. These include:

- Tasmanian businesses continue to suffer from an insurance climate that has seen both massive and exponential increases in their premiums or extreme difficulty in securing coverage.
- Tasmania's labour market remains an area of concern. As is clearly evident this indicator is some distance away from significant recovery.
- Tasmania's population in reality has only just recommenced growing and ongoing attention needs to be paid to our State's less than desirable demographic structure.
- Corporate failures remind us that many areas of the State Economy are fragile and many businesses with substantial labour forces are not in a robust condition to withstand large shocks both external and internal.
- A bearish global outlook at present including severe stock market uncertainty and the possibility of international conflict.
- The pulling forward of demand in housing activity that has occurred following the First Home Owners and Builders Grants. Inevitably the State will have to withstand a tapering effect unless there is population growth.
- We must ensure that the Reserve Bank pays sufficient attention to regional areas such as Tasmania in determining monetary policy. There is significant criticism that Tasmania's economic climate has suffered considerably due to interest rates set according to more robust mainland growth rates.

Despite these many challenges Tasmania's economy is set to continue its very encouraging progress.

Of course the silliest thing we could do in the wake of this good economic news would be to rest on this improvement and become complacent.

More needs to be done and we must all ensure the economic and business policy settings are squarely focused on maintaining Tasmania's growth momentum into the future.

TCCI suspects that Tasmania is on the cusp of a strong economic future if we can reinforce this promising news.

## Annual Growth Rates

	TAS		AUS	
	2001	2002	2001	2002
<b>State Final Demand</b>	2.77	5.81	0.54	5.70
<b>Business Investment</b>	7.45	19.01	-1.30	9.08
<b>CPI</b>	3.48	2.91	4.38	3.00
<b>AWOTE</b>	3.14	5.43	5.15	5.46
<b>Full-Time Employment</b>	-0.43	-1.02	-0.39	0.65
<b>Total Employment</b>	-0.37	-0.50	0.99	1.87
<b>Unemployment Rate (ave)</b>	8.82	8.55	6.75	6.31
<b>Participation Rate (ave)</b>	58.76	58.04	63.71	63.68
<b>Retail Trade</b>	2.93	4.40	3.59	5.57
<b>Non-Residential Building</b>	-18.50	83.69	-11.80	22.26
<b>Residential Building</b>	7.51	30.12	4.71	17.97
<b>Population</b>	0.06	0.17	1.32	1.22
<b>Business Confidence</b>	43.25	56.85	46.30	54.60

\* Time period is 12 months to the latest available measure.  
% Growth is year on year.

All figures are reported in trend terms and are expressed in 2000-2001 prices unless otherwise indicated. Analysis is based upon latest ABS data available at the 7 February 2002.

## Key Terms

### Gross State Product

Gross State Product (GSP) is an aggregate measure of the value of economic production within a State.

### Final Demand

State Final Demand is the indicator used to replace ABS' quarterly GSP series discontinued in late 1997. This indicator still measures consumer spending, private investment and public expenditure but excludes net exports (that is, exports minus imports). This indicator is a measure of expenditure within a State rather than production.

### Business Investment

Business Investment is classified into two types; buildings and structures; and plant and machinery. The level of investment in these assets has a major impact on the future production capacity of the economy. Business Investment is largely a

reflection of the level of business confidence about future demand.

### Consumer Price Index

The Consumer Price Index (CPI) is a general indicator of the change in prices paid by household consumers for the goods and services they buy. It is measured through the cost of a theoretical 'basket of goods' bought in each Capital City in Australia.

### Average Weekly Ordinary Time Earnings

Average Weekly Ordinary Time Earnings (AWOTE) is simply the ordinary time earnings (excluding overtime) of full time employees in the workforce.

### Total Employment

Total employment is one of the key economic indicators available. Employed persons are those persons aged 15 years and over who either worked one hour or more, were not at work for various defined reasons or self employed.

### Full-Time Employment

Full-Time workers are those employed persons who usually work more than 35 hours a week.

### Unemployment Rate

The unemployment rate is the percentage of the labour force (those employed and those seeking employment that are unemployed) that are unemployed.

### Participation Rate

The participation rate is the percentage of the civilian population aged 15 years and over in employment or seeking employment. Apart from influences of changes in population, fluctuations in the participation rate occur in response to the level of confidence in the community about the health of the labour market. A falling participation rate indicates that unemployed people who may have been looking for work have lost confidence in their employment prospects and have subsequently left the labour force. This is described as the 'discouraged worker' effect.

### Residential Building Activity

A residential building is defined as a building which is predominantly used for long-term residential purposes. The housing sector is seen to be a leading indicator of the general state of the economy. As economic conditions become more favorable, the housing sector is one of the first areas to strengthen as it meets the pent-up demand (due to population growth or previously high interest rates) which generally occurs.

### Non-Residential Building Activity

Non-residential buildings are defined as buildings other than residential buildings and include hotels, shops, factories, offices etc. The level of non-residential building construction is an indicator of the level of investment and activity occurring in the economy and also an indicator of business confidence.

### Population

Population is defined as the total number of people who reside in Australia or within a particular State.

### Chain Volume Measure

A chain volume measure is an alternative expression for constant or real prices. That is all figures are in 1999/2000 prices.

## Appendix Two – Interstate Comparison of Electricity Prices

Real Electricity Prices by Classified Customers 1996/97 – 2002/03

Cents per kWh 2002/03 Prices		1996/97	1997/98	1998/99	1999/00	2000/01	2001/2002	2002/03	Ranking
NSW	Small Business	13.39	13.10	12.19	11.91	11.13	10.66	10.35	1
	Large Business	8.30	5.85	5.71	6.74	6.34	6.44	5.60	2
VIC	Small Business	20.56	19.87	19.41	18.94	18.25	17.71	17.19	8
	Large Business	7.97	4.97	4.59	5.74	6.29	7.55	5.49	1
QLD	Small Business	14.50	14.43	13.57	13.34	12.95	12.94	12.98	4
	Large Business	8.32	8.14	7.65	7.55	7.89	7.34	6.46	4
SA	Small Business	16.11	16.32	16.10	15.98	15.47	15.45	15.44	6
	Large Business	8.12	8.01	7.93	8.28	9.85	10.27	6.33	3
WA	Small Business	18.87	18.91	18.58	18.16	17.15	16.66	16.17	7
	Large Business	10.64	10.39	10.20	10.04	9.43	9.16	8.89	7
TAS	Small Business	16.08	15.82	14.53	13.65	13.14	12.24	12.05	3
	Large Business	10.04	8.70	7.98	7.82	6.95	6.60	6.64	5
ACT	Small Business	15.29	15.59	14.10	14.04	12.99	12.83	11.86	2
	Large Business	10.46	10.00	7.17	8.25	7.94	8.54	7.81	6
NT	Small Business	18.54	18.58	18.54	17.72	16.42	15.76	15.30	5
	Large Business	-	-	-	-	10.64	9.90	9.61	8

Source: ESAA Electricity Prices in Australia 2002/03

### Small Business Electricity Prices (Standard General Supply Tariff)

Region	Tariff Name	Consumption – MWh per year					
		12	18	30	60	80	100
		Electricity Rate c/kWh (GST exclusive)					
		New South Wales and Australian Capital Territory					
Canberra	General	12.70	12.23	11.86	11.58	11.51	11.47
Sydney-Newcastle	General Supply – LV	11.05	10.66	10.35	10.11	10.06	10.02
Western Sydney-Illawarra	General Supply	11.58	11.19	10.88	10.65	10.59	10.55
Central NSW	Business	14.98	14.05	13.30	12.74	12.60	12.52
Northern NSW	General Supply	15.16	14.62	14.19	13.86	13.78	13.73
Southern NSW	Business – Urban	12.62	12.23	11.93	11.70	11.64	11.61
Far West NSW	General	14.43	13.94	13.54	13.25	13.17	13.13
		Victoria					
Melbourne – City	Tariff E	17.97	17.53	17.19	16.93	15.87	15.23
Melbourne – North Suburbs	Tariff E	15.52	15.10	14.77	14.52	14.10	13.85
Melbourne – SE Suburbs	Tariff E	18.01	17.57	17.23	16.97	15.90	15.26
Eastern Victoria	Tariff E	16.98	16.42	15.98	15.64	15.56	15.33
Western Victoria	Tariff E	18.92	18.42	17.78	17.25	17.12	17.04
		All other States					
Queensland	Tariff 20	13.45	13.19	12.98	12.82	12.78	12.75
South Australia	Tariff 126	15.91	15.65	15.44	15.09	15.00	14.95
Western Australia	Tariff L1	16.62	16.37	16.17	16.03	15.99	15.97
Tasmania	Tariff 22	13.45	12.67	12.05	11.58	11.47	11.40
Northern Territory	General Purpose	16.01	15.61	15.30	15.06	15.00	14.96

Source: ESAA Electricity Prices in Australia 2002/03

**Small Business Electricity Prices – Franchised Customers  
(With Annual Peak Demand of 100 kW)**

Region	Tariff Name	Load Factor					
		20%	30%	40%	50%	60%	80%
		Consumption – MWh per year					
		175	263	350	438	526	701
		Electricity Rate c/kWh (GST exclusive)					
New South Wales and Australian Capital Territory							
Canberra		12.37	11.27	10.25	9.37	8.88	8.06
Sydney-Newcastle		8.69	7.96	7.54	7.24	7.03	6.70
Western Sydney-llawarra		10.69	9.75	8.79	8.02	7.56	6.84
Regional NSW		15.94	12.64	11.32	10.21	9.59	8.60
Far West NSW		12.99	12.26	11.75	11.36	11.05	10.48
Victoria							
Melbourne – City		9.85	9.31	8.66	7.86	7.31	6.58
Melbourne – North Suburbs		9.87	8.77	7.98	7.30	6.82	6.16
Melbourne – SE Suburbs		11.24	10.38	9.46	7.40	6.90	6.23
Eastern Victoria		11.62	10.98	10.46	10.04	9.69	9.09
Western Victoria		12.87	11.62	10.14	9.22	8.58	7.71
All other States							
Queensland – Brisbane / GC		-	9.05	8.40	7.84	7.53	7.04
Queensland - Regional		-	10.25	9.43	8.72	8.34	7.71
South Australia		12.04	10.47	9.60	9.04	8.64	8.06
Western Australia	Tariff R1	15.22	14.10	13.20	12.47	11.87	10.83
Tasmania	General LV kW Demand	11.28	10.31	9.46	8.88	8.55	8.07
Northern Territory	General Supply	14.90	14.87	14.86	14.85	14.85	14.84

Source: ESAA Electricity Prices in Australia 2002/03

**Medium Size Business Electricity Prices – Franchised Customers  
(With Annual Peak Demand of 250 kW)**

Region	Tariff Name	Load Factor					
		20%	30%	40%	50%	60%	80%
		Consumption – MWh per year					
		438	657	876	1,095	1,314	1,752
		Electricity Rate c/kWh (GST exclusive)					
New South Wales and Australian Capital Territory							
Canberra		12.86	10.65	9.75	8.97	8.53	7.80
Sydney-Newcastle		9.60	8.24	7.59	7.11	6.81	6.36
Western Sydney-llawarra		10.68	8.88	8.12	7.48	7.10	6.50
Regional NSW		14.32	11.56	10.46	9.52	9.00	8.16
Far West NSW		16.51	13.78	12.60	11.60	11.01	10.03
Victoria							
Melbourne – City		10.29	8.54	7.61	7.02	6.61	6.06
Melbourne – North Suburbs		9.73	8.19	7.09	6.56	6.19	5.66
Melbourne – SE Suburbs		10.51	8.60	7.60	6.98	6.55	5.97
Eastern Victoria		12.16	10.26	8.95	8.25	7.76	7.10
Western Victoria		12.43	10.30	9.16	8.43	7.92	7.22
All other States							
Queensland – Brisbane / GC		10.23	8.64	7.99	7.45	7.15	6.68
Queensland - Regional		11.78	9.86	9.09	8.45	8.09	7.53
South Australia		11.81	10.32	9.49	8.95	8.56	8.01
Western Australia	Tariff R1 / Tariff S1	15.09	12.84	11.52	10.37	9.73	8.66
Tasmania	Tariff 22 / Tariff 82	11.18	10.17	9.42	8.84	8.52	8.04
Northern Territory	General Supply / Standard Demand Tariff	14.85	14.84	14.83	14.83	14.83	13.77

Source: ESAA Electricity Prices in Australia 2002/03

**Medium Size Business Electricity Prices – Franchised Customers  
(With Annual Peak Demand of 500 kW))**

Region	Tariff Name	Load Factor					
		20%	30%	40%	50%	60%	80%
		Consumption – MWh per year					
		876	1,314	1,752	2,190	2,628	3,504
		Electricity Rate c/kWh (GST exclusive)					
New South Wales and Australian Capital Territory							
Canberra		12.84	10.64	9.74	8.96	8.52	7.79
Sydney-Newcastle		9.45	8.11	7.47	7.01	6.71	6.27
Western Sydney-llawarra		10.40	8.67	7.94	7.32	6.96	6.38
Regional NSW		14.14	11.44	10.37	9.45	8.94	8.11
Far West NSW		16.28	13.63	12.48	11.51	10.93	9.97
Victoria							
Melbourne – City		9.28	7.80	7.01	6.52	6.17	5.70
Melbourne – North Suburbs		9.07	7.68	6.91	6.41	6.06	5.55
Melbourne – SE Suburbs		10.46	8.56	7.56	6.94	6.50	5.93
Eastern Victoria		11.75	9.79	8.75	8.09	7.62	6.99
Western Victoria		12.07	10.05	8.86	8.27	7.78	7.11
All other States							
Queensland – Brisbane / GC		9.77	8.29	7.67	7.17	6.89	6.46
Queensland - Regional		11.35	9.55	8.82	8.22	7.88	7.36
South Australia		10.17	8.95	8.26	7.81	7.49	7.02
Western Australia	Tariff R1 Tariff S1	15.05	12.84	11.52	10.37	9.73	8.66
Tasmania	Tariff 22 / Tariff 82	11.15	9.82	9.17	8.64	8.36	7.91
Northern Territory	General Supply / Standard Demand T	14.83	14.83	14.83	14.82	14.82	13.42

Source: ESAA Electricity Prices in Australia 2002/03

**Large Size Business Electricity Prices – Franchised Customers  
(High Voltage Demand Tariff With Annual Peak Demand of 1,000 kW))**

Region	Tariff Name	Load Factor					
		30%	40%	50%	60%	70%	80%
		Consumption – MWh per year					
		2,628	3,504	4,380	5,256	6,132	7,008
		Electricity Rate c/kWh (GST exclusive)					
New South Wales and Australian Capital Territory							
Canberra		9.73	8.66	8.04	7.67	7.33	7.08
Sydney-Newcastle		7.12	6.65	6.31	6.08	5.89	5.75
Western Sydney-llawarra		7.49	6.96	6.51	6.24	5.99	5.80
Regional NSW		9.81	9.03	8.36	7.98	7.62	7.36
Far West NSW		10.54	9.70	9.02	8.61	8.24	7.96
Victoria							
Melbourne – City		6.83	6.21	5.81	5.53	5.31	5.13
Melbourne – North Suburbs		7.07	6.37	5.91	5.58	5.31	5.10
Melbourne – SE Suburbs		6.74	6.09	5.68	5.39	5.16	4.99
Eastern Victoria		7.97	7.12	6.57	6.19	5.89	5.66
Western Victoria		8.70	7.73	7.11	6.66	6.32	6.04
All other States							
Queensland – Brisbane / GC		7.57	7.11	6.72	6.50	6.30	6.15
Queensland - Regional		8.67	8.10	7.62	7.36	7.11	6.93
South Australia		7.65	7.06	6.67	6.39	6.16	5.98
Western Australia	Tariff T1	11.64	10.36	9.42	8.89	8.35	7.94
Tasmania	Tariff 85	7.42	7.09	6.80	6.65	6.51	6.41
Northern Territory	Standard Demand Tariff	10.97	10.46	10.018	9.98	9.82	9.69

Source: ESAA Electricity Prices in Australia 2002/03

**Large Size Business Electricity Prices – Franchised Customers  
(High Voltage Demand Tariff With Annual Peak Demand of 2,500 kW)**

Region	Tariff Name	Load Factor					
		30%	40%	50%	60%	70%	80%
		Consumption – MWh per year					
		6,570	8,760	10,950	13,140	15,330	17,520
		Electricity Rate c/kWh (GST exclusive)					
		New South Wales and Australian Capital Territory					
Canberra		9.59	8.83	8.18	7.81	7.45	7.18
Sydney-Newcastle		6.13	5.90	5.72	5.60	5.48	5.37
Western Sydney-Illawarra		7.25	6.82	6.43	6.20	5.96	5.75
Regional NSW		9.64	8.93	8.30	7.95	7.60	7.33
Far West NSW		10.03	9.36	8.78	8.44	8.09	7.81
		Victoria					
Melbourne – City		6.62	6.08	5.74	5.49	5.28	5.09
Melbourne – North Suburbs		6.74	6.14	5.77	5.50	5.25	5.02
Melbourne – SE Suburbs		6.60	6.01	5.65	5.38	5.16	4.97
Eastern Victoria		7.72	6.96	6.48	6.14	5.85	5.60
Western Victoria		8.44	7.56	7.03	6.64	6.30	6.00
		All other States					
Queensland – Brisbane / GC		7.41	7.00	6.65	6.46	6.27	6.12
Queensland - Regional		8.51	8.00	7.55	7.31	7.07	6.89
South Australia		7.37	6.89	6.57	6.33	6.12	5.93
Western Australia	Tariff T1	11.43	10.36	9.42	8.89	8.35	7.94
Tasmania	Tariff 85	7.41	7.08	6.79	6.64	6.50	6.40
Northern Territory	Standard Demand Tariff	10.26	9.95	9.76	9.61	9.48	9.37

Source: ESAA Electricity Prices in Australia 2002/03



### Appendix Three – Constraints on Business Growth

	Mar-01		Jun-01		Sep-01		Dec-01		Mar-02		Jun-02		Sep-02		Dec-02	
	Rk	Ind	Rk	Ind	Rk	Ind	Rk	Ind	Rk	Ind	Rk	Ind	Rk	Ind	Rk	Ind
Insurance	na	na	na	na	na	na	na	na	1	68.70	1	71.30	1	70.10	1	68.1
Non - Wage Labour Costs (Super & Workers Comp etc)	1	63.10	1	66.90	1	62.70	1	63.60	2	61.80	2	61.90	2	60.10	2	59.5
Wage Costs	5	53.70	3	52.70	3	55.70	2	53.10	3	53.30	3	56.50	3	52.10	3	54.5
Availability of Suitably Qualified Employees	7	45.50	5	48.70	4	50.10	6	47.40	4	52.10	4	51.20	4	48.40	4	52.8
Business Taxes and Government Charges - State & Local	4	55.50	7	46.40	6	47.50	4	50.00	6	46.80	5	47.10	7	43.80	5	50.7
Business Taxes and Government Charges - Federal	3	56.30	6	47.20	7	47.10	5	49.10	7	46.10	6	45.70	6	44.00	6	48.9
High Level of Local Competition	6	46.00	4	48.80	5	48.80	7	43.40	8	41.40	9	43.70	8	41.00	7	42.9
Cost of Energy	8	45.20	8	44.60	8	45.30	10	41.10	10	39.40	11	40.40	9	40.70	8	42.3
Insufficient Demand / Economic Activity	2	62.80	2	64.80	2	57.40	3	52.70	5	48.30	7	45.50	5	45.90	9	41.1
State & Local Government Regulations	9	43.20	10	42.70	10	42.30	8	43.20	12	37.80	8	44.50	10	39.20	10	40.9
Compliance with IR Legislation (Awards & Unfair Dismissals)	10	41.90	9	42.90	9	45.20	9	41.30	13	37.60	10	42.80	11	38.70	10	40.9
Employee Productivity	12	38.90	12	36.30	12	41.20	12	39.50	11	39.20	13	39.30	13	38.20	12	40.8
Transport Cost & Reliability	13	37.00	11	38.30	11	41.50	10	41.10	9	39.90	14	36.20	11	38.70	13	37.8
Federal Government Regulations	11	41.70	13	35.50	14	36.00	13	39.40	15	33.10	12	39.60	14	36.30	14	35.2
Resistance to Workplace Change from Unions/Employees	16	30.40	14	34.10	16	32.90	16	30.00	18	30.20	18	31.00	18	29.80	15	33.8
Cost of Finance / Interest Rates	15	34.00	17	29.00	15	35.70	17	28.00	17	31.90	15	34.50	15	33.20	16	32.4
Current Level of Business Debt	14	35.10	15	31.00	13	37.40	14	33.70	14	33.90	16	33.80	16	33.00	17	31.8
Availability of Training	17	29.10	19	28.40	17	31.90	15	31.30	16	32.30	17	33.70	17	32.10	18	31.5
Availability of Finance	19	25.40	20	22.80	18	31.30	18	25.20	20	23.70	19	29.50	19	27.90	19	26.9
High Level of Import Competition	20	24.70	16	29.10	19	27.90	19	25.00	19	25.40	20	27.70	20	24.50	20	25.2
Exchange Rate	18	28.10	18	28.60	20	22.00	20	22.20	21	21.10	21	24.00	21	21.70	21	19.8
Total		837.60		818.80		839.90		800.30		775.30		808.60		769.30		789.7