



Tauākī Ā-Whāinga Whakatutuki

Statement of Performance Expectations

2023–2024

Legislation enforced by the Commerce Commission

- Commerce Act 1986
- Fair Trading Act 1986
- Telecommunications Act 2001
- Dairy Industry Restructuring Act 2001
- Credit Contracts and Consumer Finance Act 2003
- Fuel Industry Act 2020
- Retail Payment System Act 2022
- Grocery Industry Competition Act 2023
- Water Services Entities Act 2022

© Crown copyright

This work is licensed under the Creative Commons Attribution 4.0 International licence. In essence, you are free to copy, distribute and adapt the work as long as you attribute the work to the Commerce Commission and abide by the other licence terms.

To view a copy of this licence, visit <http://creativecommons.org/licenses/by-nc/4.0/>.

Presented to the House of Representatives pursuant to section 149L(3) of the Crown Entities Act 2004.

NGĀ KIKO O ROTO

CONTENTS

Tauākī haepapatanga Statement of responsibility	4
--	----------

Tirohanga whānui Overview	5
Kupu whakataki Introduction	6
Ngā haepapatanga ā-ture me ngā tino mahi Legislated responsibilities and essential functions	8
Anga rautaki Strategic framework	10
Tō mātou tirohanga roa, anga rautaki hoki Our vision and strategic direction	11
Ā Mātou Pānga - Ngā hua ka puta Our impacts	12
Ngā Mātāpono Our values	14

Ō mātou tutukitanga Our performance	15
Ngā inenga hua me ngā pārongo taha pūtea Output measures and financial information	16
Tirohanga whakataetae, mākete hoki, kiritaki Competition, market studies, consumer	17
Whakataetae Competition	18
Tirohanga mākete Market studies (also known as competition studies)	19
Kiritaki Consumer (including fair trading and credit)	20
Ngā ture ohaoha Economic regulation	21
Torotoro waea Telecommunications (including fibre)	22
Hinu Fuel	23
Ratonga waea hiko Electricity lines services	24
Ratonga kapuni Gas pipeline services	25
Ratonga tauranga rererangi Specified airport services	26
Pūnaha Retail payment system	27
Huarahi kōkūhanga Input methodologies	28
Mahi miraka kau Dairy	29
Ture rāngai hoko kai Grocery sector regulation	30
Nga wai Water services	31
Uiuinga Wāhanga 4 Part 4 inquiries	32
Ngā take ture Major litigation	33

Ō mātou pūtea āmua Our prospective finances	34
Tauākī whakapae matua Statement of significant underlying assumptions	35
Tauākī pūtea āmua Prospective financial statements	36
Tauākī moni puta, utu āmua hoki Statement of prospective comprehensive revenue and expense	36
Tauākī panoni ōritetanga āmua Statement of prospective changes in equity	37
Tauākī tūranga ā-pūtea āmua Statement of prospective financial position	38
Tauākī kapewhiti āmua Statement of prospective cash flows	39
Tauākī kaupapa-here kaute Statement of accounting policies	40
Kuputaka mō ngā tauākī pūtea Financial statements glossary	44
Ngā kupu waiwai Commonly used terms	46

**Te Komihana Tauhokohoko |
The Commerce Commission
presents this Statement of
Performance Expectations to
the House of Representatives
under Part 4, section 149L (3)
of the Crown Entities
Act 2004.**

This Statement of Performance Expectations reflects our proposed performance targets and forecast financial information for the period 1 July 2023 to 30 June 2024. It is prepared in accordance with the requirements of section 149E of the Crown Entities Act 2004.

The prospective financial statements and performance expectations are prepared following generally accepted accounting standards. They were not audited and may not be relied upon for any other purpose.

The Board acknowledges responsibility for information and prospective financial statements contained in this Statement of Performance Expectations.



A handwritten signature in black ink, appearing to read 'J Small'.

Dr John Small
Chair
22 June 2023



A handwritten signature in black ink, appearing to read 'S Begg'.

Sue Begg
Deputy Chair
22 June 2023

Tirohanga whānui

Overview

KUPU WHAKATAKI

INTRODUCTION

While we are part of the public sector, the independence of our decision making is important in allowing the Commission to carry out its regulatory functions in an impartial and fair manner.

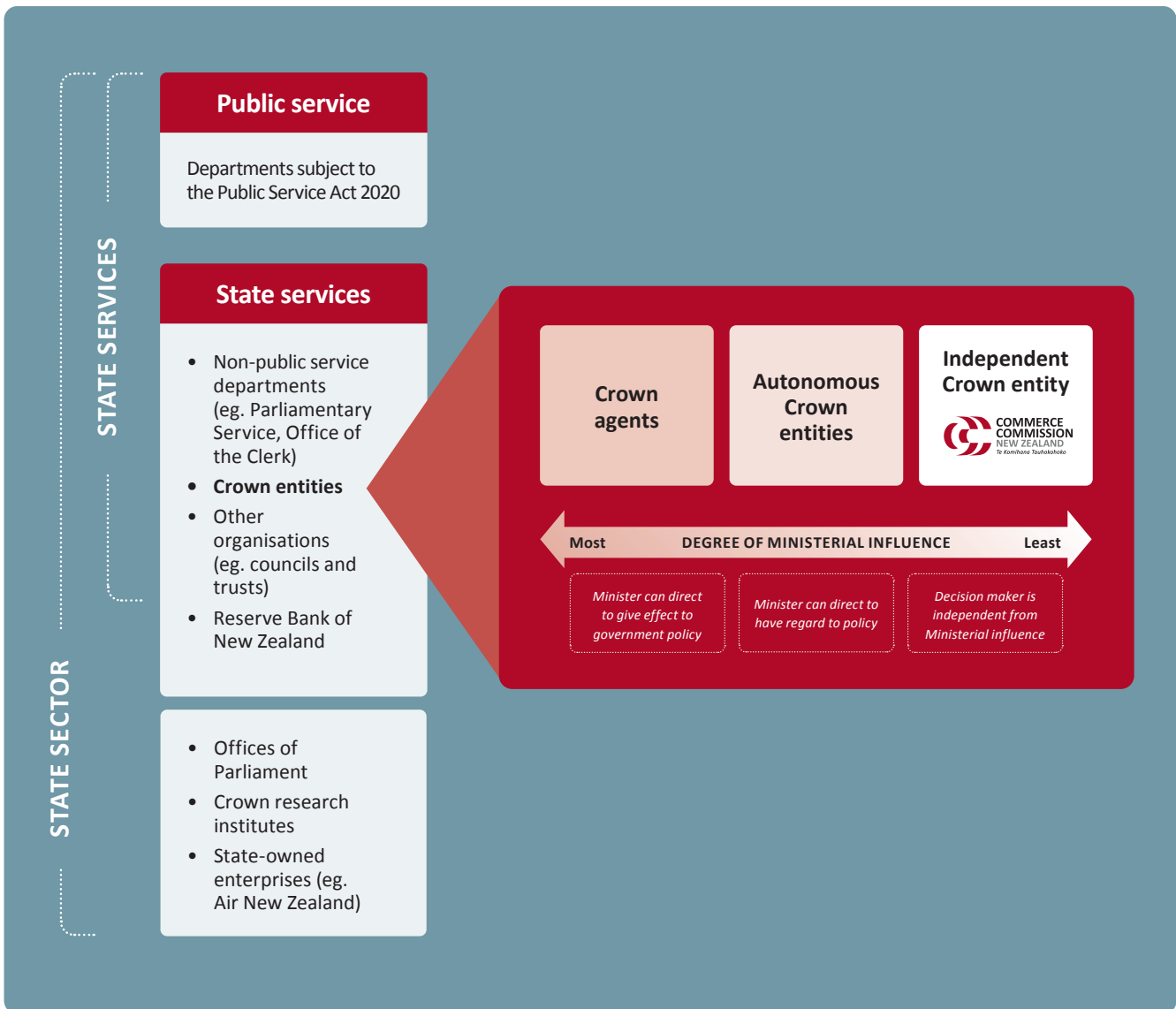
The government cannot direct us to carry out particular enforcement and regulatory activities.

We have a Commission structure, which means our Board members are also Commissioners involved in regulatory decision making. We are primarily

accountable for our performance to the Minister of Commerce and Consumer Affairs and, in relation to telecommunications services, the Minister for the Digital Economy and Communications.

The Ministry of Business, Innovation and Employment (MBIE) is our monitoring agency.

The graphic below depicts where the Commission, as an independent Crown entity, fits within the wider state sector.



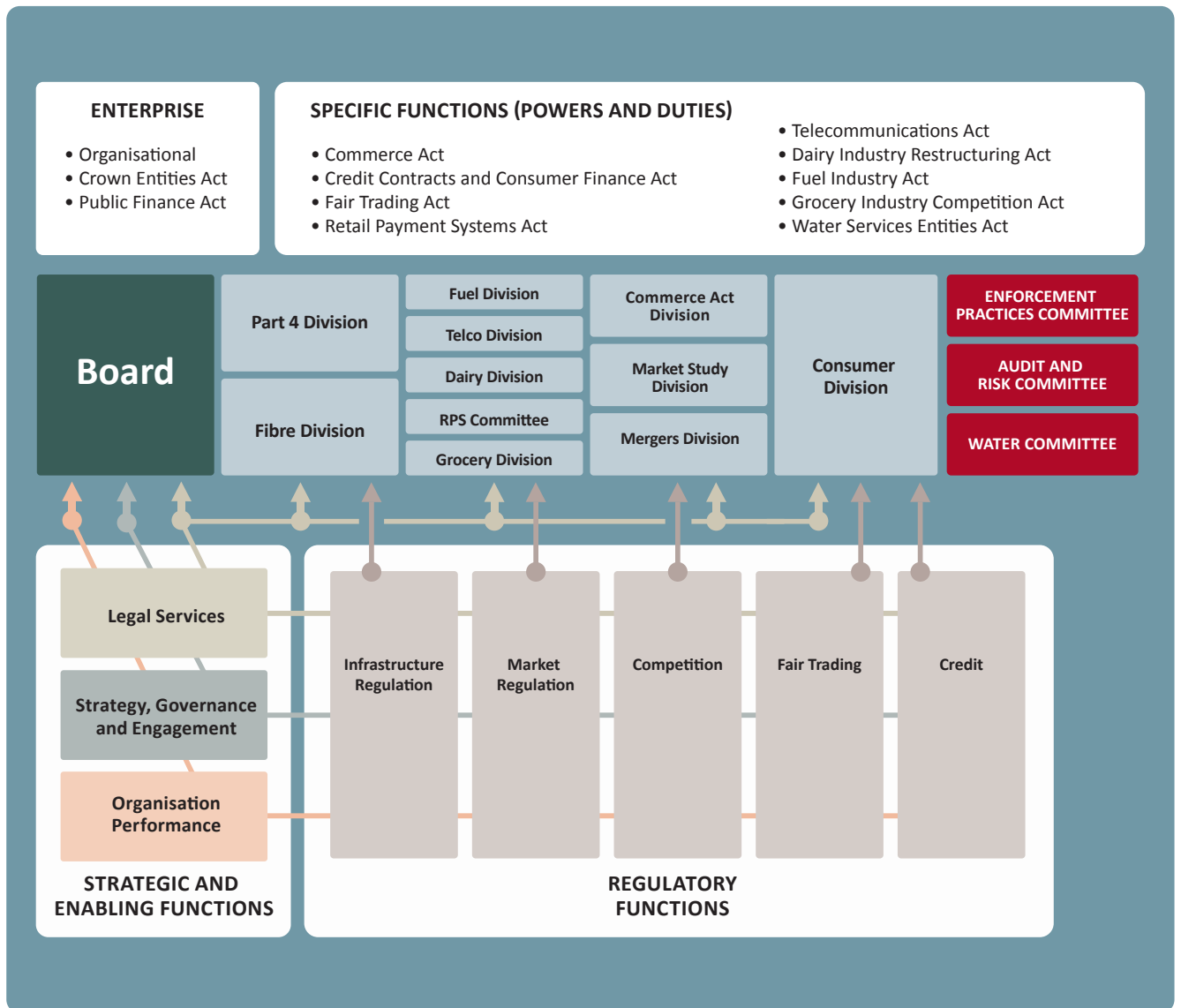
Our Commissioners are the Commission’s Board under the Crown Entities Act 2004, and together with the Associate Commissioners, they exercise functions, powers and duties under various pieces of legislation.

The graphic below shows the Commission’s current structure.

In the 2023/24 financial year, we will contribute to the Government’s three overarching objectives:

- To keep New Zealanders safe from COVID-19.
- To accelerate New Zealand’s economic recovery.
- To lay the foundations for a better future.

A key part of achieving these objectives is the Government’s plan for the economy to be more productive, sustainable and equitable.



The Commission is a multi-functional regulator of commercial trade with statutory responsibilities under the Acts of Parliament shown on the following page.

We expect to take on new regulatory functions in relation to the grocery industry and water services in the coming years.

We also expect to continue to see further changes to legislation that affect our mandate and responsibilities. It is critical to our role that we can quickly adapt to deliver on new expectations.

The diagram below outlines the legislation we implement and enforce and the sectors influenced by our work.

In addition to carrying out our responsibilities under these Acts, we contribute to the development and implementation of competition, fair trading, consumer credit and economic regulatory policy settings and laws.

Commerce Act 1986 (Parts 2, 3 and 5)

Prohibits anti-competitive behaviour and acquisitions that substantially lessen competition.

It also provides for a clearance and authorisation regime for mergers and restrictive trade practices and enables the Commission to carry out competition (or market) studies.

Commerce Act 1986 (Part 4)

Part 4 provides for information disclosure and the regulation of price and quality of goods and services in markets where there is little or no competition and little or no likelihood of a substantial increase in competition.

Sectors that are currently subject to the provisions of Part 4 are electricity distribution and transmission, gas pipelines and selected airport services.

Retail Payment System Act 2022

Promotes competition and efficiency in the retail payment system for the long-term benefit of merchants and consumers.

It establishes a monitoring regime for the sector, puts in place an initial pricing standard to regulate the interchange fees of Visa and Mastercard networks and provides a range of other tools to regulate fees, prices and access to networks.

Credit Contracts and Consumer Finance Act 2003

Protects the interests of consumers in relation to consumer credit contracts, consumer leases and buy-back transactions of land.

It includes provisions relating to disclosure and unforeseen hardship and sets out rules about interest, payments, credit fees, responsible lending and lender certification.

Water Services Entities Act 2022¹

Establishes water services entities and provides the Commission functions to scrutinise entity initial asset management and funding and pricing plans.

Grocery Industry Competition Act 2023

Establishes a monitoring and reporting regime for the grocery sector, provides for the making and enforcement of a Grocery Supply Code to promote fair conduct between grocery retailers and suppliers and includes a range of default and backstop regulatory tools to promote the availability of reliable and cost-effective wholesale supplies of groceries.

Fuel Industry Act 2020

Promotes competition in engine fuel markets for the long-term benefit of fuel users.

It establishes a wholesale pricing regime, rules governing wholesale contracts, an information disclosure regime and requirements for the display of price information at retail fuel sites.

Telecommunications Act 2001

Regulates the supply of certain wholesale telecommunications services (including the price and quality of fibre networks) and the quality of retail services.

Dairy Industry Restructuring Act 2001

Promotes the efficient operation of dairy markets in Aotearoa New Zealand by regulating the activities of Fonterra to ensure New Zealand markets for dairy goods and services are contestable.

Fair Trading Act 1986

Prohibits false and misleading behaviour by traders and a range of other unfair business practices.

It also requires that consumers are given specified information about certain products and promotes product safety.

¹ More substantive regulatory functions for the Commission in relation to water services are anticipated under the Water Services Economic Efficiency and Consumer Protection Bill currently before Parliament.

Anga rautaki

Strategic framework

This 2023/24 Statement of Performance Expectations has been prepared at the same time as the new 2023-2027 Statement of Intent.

The Statement of Intent 2023–2027 describes the strategic intentions and objectives of the Commission. It outlines how the Commission will manage its operations, functions and organisational capability to meet those objectives.

While the Statement of Intent 2023–2027 sets the new direction with new impacts and impact indicators to be achieved over the medium term, the Statement of Performance Expectations 2023/24 continues with existing output classes and associated performance measures.

The Commission is continually evolving and improving performance measurement with an initial focus on medium-term measures. Output class measures will be revised during the 2023/24 year to more closely align with the Statement of Intent 2023–2027, ready for the Statement of Performance Expectations 2024/25.

The diagram below shows the new outcomes framework featuring in the Statement of Intent 2023–2027.

Ō MĀTOU PUTANGA, PĀNGA HONOHOHO

OUR CONNECTED OUTCOMES, IMPACTS AND OUTPUTS

TŌ MĀTOU TIROHANGA ROA
OUR VISION

Making New Zealanders better off because markets work well and consumers and businesses are confident market participants

TŌ MĀTOU TŪ
OUR ROLE

We are an independent competition, fair trading, consumer credit and economic regulator.

NGĀ PUTANGA
OUTCOMES

Kaitiaki
Stewardship

New Zealanders, including Māori, have trust and confidence in the regulatory systems that we implement and enforce.

Ā MATOU PĀNGA
IMPACTS

New Zealanders understand and value the Commission's role as regulator because we are:

- viewed as a modern and responsive regulator
- visible and engaging proactively with stakeholders
- supporting Māori to achieve their aspirations through our work and engagement
- ensuring our processes are open and transparent.

Māketē whakataetae
Competitive markets

New Zealanders receive the benefits of competition: greater value, innovation, productivity and choice.

Anti-competitive conduct is deterred.
Harmful concentration of market power is prevented.
Barriers to entry, harm caused by imbalances in market power and information asymmetries are identified and reduced.

Tauhokohoko tōkeke
Fair trade

Consumers, including businesses, are informed, empowered and their interests are protected.

Consumers have the information they need to know their rights and make informed choices.
Businesses have the information they need to know their obligations.
Consumer interests are protected.

Ngā tino ratonga
Essential services

Consumers get quality and value from reliable essential services.

Essential services providers are delivering services of appropriate quality at reasonable cost.
The performance of essential infrastructure is monitored and reported on to enable effective public scrutiny.
The ability to extract excessive profits for essential services is limited.

Output classes and outputs feature in the **Statement of Performance Expectations**.

Ā mātou tino mahi ā-ture
Our core regulatory activities

Competition	Retail payment system	Electricity lines services	Water services
Market/competition studies	Dairy	Gas pipeline services	Part 4 inquiries
Consumer (including fair trading and credit)	Grocery sector regulation	Specified airport services	Major litigation
Fuel	Telecommunications (including fibre)	Input methodologies	

Ngā mātāpono
Our values

Excellence
Respect

Integrity
Good judgement

Accountability

Ā MĀTOU PĀNGA – NGĀ HUA KA PUTA

OUR IMPACTS – THE DIFFERENCE WE MAKE

Our Vision describes what we are working towards through our mahi. In order to deliver on this, we have identified the four mid to long-term outcomes described on the previous pages.

Within each of these outcomes we have identified 10 short to mid-term impacts that will directly contribute to a particular outcome.

- 1 New Zealanders understand and value the Commission's role as regulator because we are:
 - > viewed as a modern and responsive regulator
 - > visible and engaging proactively with stakeholders
 - > supporting Māori to achieve their aspirations through our work and engagement
 - > ensuring our processes are open and transparent.
- 2 Anti-competitive conduct is deterred.
- 3 Harmful concentration of market power is prevented.
- 4 Barriers to entry, harm caused by imbalances in market power and information asymmetries² are identified and reduced.
- 5 Consumers have the information they need to know their rights and make informed choices.
- 6 Businesses have the information they need to know their obligations.
- 7 Consumer interests are protected.
- 8 Essential services providers are delivering services of appropriate quality at reasonable cost.
- 9 The performance of essential services is monitored and reported on to enable effective public scrutiny.
- 10 The ability to extract excessive profits for essential services is limited.

These impacts will directly inform how we prioritise our mahi.

² Asymmetries in this context mean imbalances in market power contributed to or caused by information and knowledge inequality.

NGĀ MĀTĀPONO

OUR VALUES

Our strategic direction and the work we do are about people and making a difference.

Our current values describe who we are, what we stand for and the behaviours we expect of each other.³

Excellence

We produce excellent work that stands up to scrutiny. We continually look for ways to improve. We recruit and retain excellent people and support their development.

Integrity

Our independence inspires the trust and confidence of New Zealanders. We are fair, honest and impartial.

Accountability

We answer to New Zealanders for the work we do and the money we spend. We take individual responsibility to deliver what we say we will.

Respect

We work together, support and respect each other. We value the diversity of people and their opinions.

Good judgement

We understand the environment in which we operate and the impact of our actions. What we do is relevant and useful. We are proactive and flexible and look for common sense solutions.

³ These values are expected to be updated in 2024. The Commission will then seek to amend the Statement of Intent to include the new refreshed values.

Ō mātou tutukitanga

Our performance

Ō MĀTOU TUTUKITANGA OUR PERFORMANCE

This section describes our outputs and how we will measure performance. It also provides a breakdown of our expected revenue and proposed expenditure for each output class.

The Commission will use a range of internal systems and processes to capture and track output measures and performance in 2023/24. Results against our performance measures and targets for 2023/24 will be reported in our Annual Report 2023/24.

The Statement of Intent 2023–2027 contains a new outcomes framework that will assist us to assess the

impact that we have. In 2023/24, we will review the outputs and measures so that we can report on our progress against our strategic direction from 2024/25 onwards.

Until these outputs and measures are developed, we will continue to report against the existing measures.

NGĀ INENGA HUA ME NGĀ PĀRONGO TAHA PŪTEA OUTPUT MEASURES AND FINANCIAL INFORMATION

We will achieve our vision of making New Zealanders better off because markets work well and consumers and businesses are confident market participants by implementing our strategy and carrying out our functions across our output classes.

Our work is primarily funded through a variety of annual and multi-year appropriations⁴ under Vote Business, Science and Innovation.⁵

The largest contribution to our revenue is from the Crown, which is sourced through a combination of general taxes and industry levies (for instance, to pay for the regulation of electricity lines services). Other sources of revenue include interest on cash we hold, court cost awards from litigation and application fees paid by businesses seeking clearances and other determinations.

⁴ Please refer to Treasury Technical Guide [Estimates, Supplementary Estimates and their Supporting Information](#) (December 2022) for further information.

⁵ The Commission's appropriations are included in Vote Business, Science and Innovation, which is administered by our monitoring agency MBIE.

Tirohanga whakataetae, māketē hoki, kiritaki

Competition, market studies, consumer

This section outlines our output measures, expected revenue and proposed expenditure relating to our role under the:

- Commerce Act 1986 (Parts 2, 3, 3A and 5)
- Fair Trading Act 1986
- Credit Contracts and Consumer Finance Act 2003.

Whakataetae Competition

Competitive markets deliver long-term benefits to New Zealanders. Competition between businesses improves affordability and quality of goods and services. Competition can provide stronger incentives for businesses to innovate, be more efficient and use fewer resources, which increases productivity in our economy.

Under Parts 2, 3 and 5 of the Commerce Act, our role involves:

- preventing harmful concentration of market power through our merger control function
- identifying, deterring and enforcing against cartel conduct (bid rigging, price fixing or market sharing), anti-competitive agreements and misuse of market power.

This conduct can result in higher prices and/or lower quality goods and services and can raise barriers to entry to markets.

This output class is intended to achieve the education, prevention, identification and remediation of trader behaviour that is anti-competitive.

It includes our work with MBIE and other government agencies in policy development and regulatory initiatives, understanding the impact on markets and educating industry about its obligations under competition law.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Percentage of merger clearance decisions made within 40 working days when no statement of issues is published	75%	71%	75%
Average number of working days from date of decision to date of publication of reasons for declined merger clearance applications	10 days	Not applicable ⁶	10 days
Number of Commerce Act 1986 matters ⁷ completed	5–20	20	5–20
Percentage of competition investigations decided within 18 months of the investigation being opened	75%	95%	75%
Percentage of investigations involving a court action, statutory undertaking or negotiated settlement response meeting our internal process quality standards	100%	100%	100%

This work is funded through the multi-category appropriation *Vote Business, Science and Innovation: Enforcement of General Market Regulation – Enforcement of Competition Regulation*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	11,879	11,879	12,507
Other revenue	213	359	296
Total operating revenue	12,092	12,238	12,803
Total operating expense	12,092	12,136	12,803
Surplus/(deficit)	0	102	0

⁶ There have been no declined applications in 2022/23

⁷ The Commission describes matters as “a mixture of investigations and litigation”

Tirohanga māketē

Market studies (also known as competition studies)

In some markets, competition does not work well. Our market studies examine the factors affecting competition in a market and consider whether competition is working well and, if not, what can be done to improve it.

Market studies can identify barriers to entry, harm caused by imbalances in market power and information asymmetries and make recommendations to address these.

This output class is intended to achieve improved market performance and outcomes through detailed research into a particular market or markets where there are concerns the market could be functioning suboptimally.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
All competition studies undertaken are completed within agreed timeframes	Achieved	Achieved	Achieved

This work is funded through the annual appropriation *Vote Business, Science and Innovation: Competition Studies*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	3,022	2,798	3,465
Other revenue	12	55	62
Total operating revenue	3,036	2,853	3,527
Total operating expense	3,036	2,853	3,527
Surplus/(deficit)	0	0	0

Kiritaki

Consumer (including fair trading and credit)

An integral part of our role is to protect consumers from harm caused when traders and lenders breach fair trading and consumer credit laws. Tackling consumer harm is vital to ensuring New Zealanders have the confidence to participate in our economy as buyers and sellers of goods and services and as users of consumer credit.

Under the Fair Trading Act 1986, we help make sure consumers are not misled when buying products and services and enforce rules relating to product safety and consumer information standards and other unfair business practices.

Under the Credit Contracts and Consumer Finance Act 2003, we help protect consumers when they borrow money or buy goods on credit, including through mortgages, credit cards and short-term or long-term loans.

This output class is intended to achieve the education, prevention, identification, investigation and remediation of trader behaviour that is harmful for consumers.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Number of product safety and consumer information standards matters completed	At least 75	75	At least 75
Number of Fair Trading Act 1986 matters completed	At least 175	175	At least 175
Percentage of Fair Trading Act 1986 investigations decided within 12 months of the investigation being opened	95%	95%	95%
Number of Credit Contracts and Consumer Finance Act 2003 matters ⁸ completed	At least 50	55	At least 50
Percentage of Credit Contracts and Consumer Finance Act 2003 investigations decided within 18 months of the investigation being opened	95%	98%	95%
Percentage of investigations involving a court action, statutory undertaking or negotiated settlement response meeting our internal process quality standards	100%	100%	100%
Percentage of fit and proper person applications processed under the Credit Contracts and Consumer Finance Act 2003 within 60 working days where all information has been received and no conditions have been imposed ⁹	75%	75%	95%

This work is funded through the multi-category appropriation *Vote: Business, Science and Innovation: Enforcement of General Market Regulation – Enforcement of Consumer Regulation*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	19,123	19,123	21,145
Other revenue	509	915	873
Total operating revenue	19,632	20,038	22,018
Total operating expense	19,720	20,499	21,955
Surplus/(deficit)	(88)	(461)	63

⁸ The Commission describes matters as “investigations undertaken”

⁹ In previous years this measure was applications processed within 30 working days.

Ngā ture ohaoha

Economic regulation

This section outlines our output measures, expected revenue and proposed expenditure relating to our role under the:

- Telecommunications Act 2001
- Commerce Act 1986 (Part 4)
- Fuel Industry Act 2020
- Dairy Industry Restructuring Act 2001
- Retail Payment System Act 2022
- Grocery Industry Competition Act 2023
- Water Services Entities Act 2022¹⁰

Our targets for economic regulation often fluctuate year to year due to the phasing of the regulatory cycle.

¹⁰ More substantive regulatory functions for the Commission in relation to water services are anticipated under the Water Services Economic Efficiency and Consumer Protection Bill currently before Parliament.

Torotoro waea Telecommunications (including fibre)

Our role is to promote competition in fixed-line and mobile markets for the long-term benefit of end users. Under the Telecommunications Act 2001, we have functions at both the wholesale and retail levels.

At the wholesale level, we set and administer the price-quality regulation of Chorus's fibre network, the information disclosure of Chorus and local fibre companies and the access terms of certain mobile and legacy copper services.

At the retail level, our focus is on improving the quality of services provided to consumers by retail service providers (RSPs). We publish the results of our monitoring to help people understand the performance of RSPs and to support end-user choice. We also have code-making powers relating to copper withdrawal, 111 access and aspects of retail service quality that fall below end-user expectations.

This output class is intended to achieve the promotion of competition in broadband and mobile markets for the benefit of consumers through regulation of wholesale telecommunications services and monitoring of how the retail market is performing by the Commission.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Number of determinations (includes determinations, clarifications, reviews, codes and amendments)	At least 15	15	At least 7
Percentage of Telecommunications Act 2001 determinations completed by statutory deadlines	100%	100%	100%
Number of reports completed (monitoring reports, summary and analysis reports and information disclosure reports)	At least 3	6	At least 7
Quality assurance processes for determinations and code amendments are in place and applied	100%	100%	100%

This work is funded through the multi-year appropriation *Vote Business, Science and Innovation: Regulation of Telecommunications Services 2022-2025*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	14,500	12,286	15,811
Other revenue	63	225	292
Total operating revenue	14,563	13,051	16,103
Total operating expense	14,563	13,051	16,103
Surplus/(deficit)	0	0	0

Hinu Fuel

Our role is to promote competition through a monitoring and enforcement regime for liquid fuels under the Fuel Industry Act 2020. Core components of the regime involve oversight of wholesale pricing and contracts, information disclosure requirements and how price information is displayed at retail fuel sites. A Fuel Industry Amendment Bill is currently being considered by Parliament that would grant the Commission new powers to regulate terminal gate prices under certain circumstances.

This output class is intended to achieve the promotion of competition in engine fuel markets for the long-term benefit of end users of engine fuel products.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Number of Fuel Industry Act 2020 reports completed	At least 2	2	At least 4

This work is funded through the multi-category appropriation *Vote Business, Science and Innovation: Enforcement of General Market Regulation – Liquid Fuels Monitoring and Enforcement*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	4,819	5,319	5,090
Other revenue	20	72	82
Total operating revenue	4,839	5,391	5,172
Total operating expense	4,839	4,264	5,172
Surplus/(deficit)	0	1,127	0

Ratonga waea hiko

Electricity lines services

Our role is to regulate the monopoly providers of electricity lines and national electricity grid services under Part 4 of the Commerce Act 1986 to ensure monopolies have incentives to invest efficiently and deliver reliable and resilient essential services to consumers at the lowest cost. We use a range of regulatory tools to achieve this such as price-quality and information disclosure regulation, and we can take enforcement action when monopolies break the rules.

This output class is intended to achieve the delivery of regulated electricity lines services at prices and quality that would have been available if the market were competitive for the long-term benefit of consumers.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Number of determinations (includes determinations, clarifications, reviews, codes and amendments)	At least 4	6	At least 4
Percentage of Part 4 of the Commerce Act 1986 determinations completed by statutory deadlines	100%	100%	100%
Number of reports completed (monitoring reports, summary and analysis reports and information disclosure reports)	At least 4	6	At least 4
Quality assurance processes for determinations and code amendments are in place and applied	100%	100%	100%

This work is funded through the multi-year appropriation *Vote Business, Science and Innovation: Regulation of Electricity Lines Services 2019–2024*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	8,510	7,883	11,872
Other revenue	39	139	215
Total operating revenue	8,549	8,022	12,087
Total operating expense	8,549	8,022	12,087
Surplus/(deficit)	0	0	0

Ratonga kapuni

Gas pipeline services

Our role is to regulate the transmission and distribution businesses that own and operate New Zealand’s gas pipeline infrastructure under Part 4 of the Commerce Act 1986 to ensure they have incentives to deliver reliable and resilient services to consumers at the lowest cost.

We use a range of regulatory tools to achieve this such as price-quality and information disclosure regulation, and we can take enforcement action when monopolies break the rules.

This output class is intended to achieve the delivery of regulated gas pipeline services at prices and quality that would have been available if the market were competitive for the long-term benefit of consumers.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Number of determinations (includes determinations, clarifications, reviews, codes and amendments)	2	2	At least 2
Percentage of Part 4 of the Commerce Act 1986 determinations completed by statutory deadlines	100%	100%	100%
Number of reports completed (monitoring reports, summary and analysis reports and information disclosure reports)	3	4	At least 3
Quality assurance processes for determinations and code amendments are in place and applied	100%	100%	100%

This work is funded through the multi-year appropriation *Vote Business, Science and Innovation: Regulation of Gas Pipeline Services 2019–2024*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	3,812	3,342	3,638
Other revenue	18	65	60
Total operating revenue	3,830	3,407	3,698
Total operating expense	3,830	3,407	3,698
Surplus/(deficit)	0	0	0

Ratonga tauranga rererangi

Specified airport services

Our role is to regulate specific airport services at New Zealand's three international airports (Auckland, Wellington and Christchurch) under Part 4 of the Commerce Act 1986, which regulates markets with little or no competition. This includes our work monitoring airport pricing and spending decisions to improve transparency about the airports' performance.

This output class is intended to achieve the delivery of regulated specified airport services at prices and quality that would have been available if the market were competitive for the long-term benefit of consumers.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Number of determinations (includes determinations, clarifications, reviews, codes and amendments)	At least 2	2	At least 2
Percentage of Part 4 of the Commerce Act 1986 determinations completed by statutory deadlines	100%	100%	100%
Number of reports completed (monitoring reports, summary and analysis reports and information disclosure reports)	At least 1	2	At least 1
Quality assurance processes for determinations and code amendments are in place and applied	100%	100%	100%

This work is funded through the multi-year appropriation *Vote Business, Science and Innovation: Regulation of Specified Airport Services 2019–2024*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	896	763	974
Other revenue	4	13	16
Total operating revenue	900	776	990
Total operating expense	900	776	990
Surplus/(deficit)	0	0	0

Pūnaha

Retail payment system

Our main regulatory function in the retail payment system includes monitoring and analysing competition and efficiency in the retail payment system, recommending regulation for specific retail payment networks where competition or efficiency can be improved and setting and enforcing rules for regulated networks.

This output class is intended to achieve the promotion of competition and efficiency in the retail payment system for the long-term benefit of consumers.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Number of retail payment systems reports completed ¹¹	At least 1	1	At least 2

This work is funded through the multi-category appropriation *Vote Business, Science and Innovation: Enforcement of General Market Regulation – Retail Payment System Administration and Enforcement*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	4,577	4,577	5,111
Other revenue	19	70	97
Total operating revenue	4,596	4,647	5,208
Total operating expense	4,596	4,214	5,208
Surplus/(deficit)	0	433	0

¹¹ This is a new performance indicator for 2023/24 and was selected as it better represents our activities in relation to this appropriation.

Huarahi kōkūhanga Input methodologies

Our regulation helps mimic the effects of competition by ensuring monopolies have incentives to deliver reliable and resilient services to consumers at the lowest cost. The upfront rules or input methodologies are used to set a range of regulatory tools to achieve this such as price-quality and information disclosure regulation.

This output class is intended to achieve the Commission's review of input methodologies in order to promote certainty for suppliers and consumers in relation to the rules, requirements and processes applying to the regulation or proposed regulation of goods and services under Part 4 of the Commerce Act 1986.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Input methodologies under Part 4 of the Commerce Act 1986 are reviewed by December 2023	Achieved	Achieved	Achieved
Quality assurance processes for determinations and code amendments are in place and applied ¹²	New measure	New measure	100%

This work is funded through the multi-year appropriation *Vote Business, Science and Innovation: Review of Commerce Act Input Methodologies for Economic Regulation for the period 2021–2024*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	5,600	5,672	1,911
Other revenue	25	88	31
Total operating revenue	5,625	5,760	1,942
Total operating expense	5,625	5,760	1,942
Surplus/(deficit)	0	0	0

¹² This is a new performance indicator for 2023/24 and was selected because it best represents our activities in relation to this appropriation.

Mahi miraka kau Dairy

Our primary role under the Dairy Industry Restructuring Act 2001 is to publicly report on the extent to which Fonterra’s milk price-setting methodology and calculations provide incentives for Fonterra to operate efficiently and are consistent with contestability in the market for purchasing farmers’ milk.

In November 2022, the Dairy Industry Restructure (Fonterra Capital Restructuring) Amendment Act 2022 was enacted. That amendment strengthens our oversight of Fonterra’s base milk price-setting arrangements, including by giving us additional powers to issue binding directions on Fonterra and requiring Fonterra to publicly disclose information in relation to its base milk price-setting process. We also have a role in enforcing and determining disputes in relation to Fonterra’s obligations to supply raw milk to independent processors.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Number of reports completed (monitoring reports, summary and analysis reports and information disclosure reports)	At least 2	2	At least 2

This work is funded through the appropriation *Vote Business, Science and Innovation: Enforcement of Dairy Sector Regulation of Milk Price Setting*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	757	751	1,690
Other revenue	3	11	32
Total operating revenue	760	762	1,722
Total operating expense	760	762	1,722
Surplus/(deficit)	0	0	0

Ture rāngai hoko kai Grocery sector regulation

Our proposed role under the Grocery Industry Competition Act 2023 is to promote competition, fair trading and transparency in the grocery industry for the long-term benefit of consumers in New Zealand. Our main regulatory functions will include monitoring, analysing and reporting on competition and efficiency in the grocery sector, enforcing a grocery supply code of conduct, taking measures to facilitate the wholesale supply of groceries (including having the ability to recommend or impose further regulation of wholesale access if required) and supporting the industry to understand and comply with relevant legislation and regulations.

This output class is intended to promote competition and efficiency in the grocery industry for the long-term benefit of consumers. Ahead of commencement of the legislation, this output class/appropriation is being used to support the establishment of our grocery regulatory function.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Number of determinations (includes determinations, clarifications, reviews, codes and amendments)	New measure	New measure	0 ¹³
Percentage of determinations completed by the Commission by statutory deadlines	New measure	New measure	100%
Percentage of determinations and code amendments that the Commission's quality assurance processes have been applied to	New measure	New measure	100%
Number of reports completed as part of the Commission's obligations under the (proposed) Grocery Industry Competition Bill (includes guidance, monitoring reports, summary and analysis reports and information disclosure reports)	New measure	New measure	At least 1
Percentage of grocery reports completed by statutory deadlines	New measure	New measure	100%
Number of compliance assessments completed	New measure	New measure	6

This work is funded through the multi-category appropriation *Vote Business, Science and Innovation: Enforcement of General Market Regulation – Grocery Industry Competition Administration and Enforcement*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	-	4,125	7,286
Other revenue	-	60	145
Total operating revenue	-	4,185	7,431
Total operating expense	-	4,185	7,431
Surplus/(deficit)	-	0	0

¹³ The target for the number of determinations is zero in 2023/24 because determinations are made when there are suitable grounds to make them and the number of determinations cannot be predetermined.

Ngā wai Water services

Our role during the transitional period of the Government's water services reforms is to support the implementation of our new proposed function as the independent economic and consumer protection regulator of the new water services entities. Core components over this period include building our capability and understanding of the water sector and the sector's understanding of economic regulation.

This output class is intended to achieve the preparation and implementation of the new economic regulation and consumer protection regime for water services.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Progress preparatory work to meet relevant timelines	Achieved	Achieved	Achieved

This work is funded through the multi-category appropriation *Vote Business, Science and Innovation: Enforcement of General Market Regulation – Transition and Implementation of Economic Regulation and Consumer Protection Regime of Water Services*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue – Crown	-	1,613	2,687
Other revenue	-	14	76
Total operating revenue	-	1,627	2,763
Total operating expense	-	1,523	4,542
Surplus/(deficit)	-	104	(1,779)

Uiuinga Wāhanga 4 Part 4 inquiries

Part 4 of the Commerce Act 1986 sets out the particular goods and services that are currently subject to regulation as well as the process for us to undertake inquiries into whether regulation of other goods or services may be needed.

This output class is intended to achieve better long-term outcomes for consumers by undertaking economic regulation inquiries (if required) under Part 4 of the Commerce Act in markets where there is little or no competition and little or no likelihood of a substantial increase in competition. Such inquiries can be undertaken on our own initiative or at the direction of the Minister of Commerce and Consumer Affairs. This work is funded through the annual appropriation *Vote Business, Science and Innovation: Economic Regulation Inquiries*.

We have not budgeted for any Part 4 inquiries as no inquiries have yet been approved or are under consideration by the Commission.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Part 4 inquiries will be completed as required	Achieved	Not applicable ¹⁴	Achieved

¹⁴ There were no Part 4 inquiries in 2022/23

Ngā take ture Major litigation

Our litigation workload varies considerably each year based on the:

- number and types of cases we choose to litigate or that are brought against us
- appeals we defend
- complexity of the cases we have before us
- court timetables
- parties' approaches to the litigation.

This output class is intended to achieve the best possible outcomes for New Zealanders in competitive and regulated markets by undertaking major or complex litigation where appropriate.

Output performance measure	2022/23 Target	2022/23 Estimated actual	2023/24 Target
Litigation funds are used in accordance with the Litigation Fund Criteria	Achieved	Achieved	Achieved

This work is funded through the multi-category appropriation *Vote Business, Science and Innovation: Commerce Commission Litigation Funds* consisting of *Internally-Sourced Litigation* and *Externally-Sourced Litigation*.

Expected revenue and proposed expenditure	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Internally-Sourced Litigation			
Operating revenue			
Revenue – Crown	5,585	5,430	6,087
Other revenue	31	147	138
Total operating revenue	5,616	5,577	6,225
Total operating expense	5,616	5,577	6,225
Surplus/(deficit)	0	0	0
Externally-Sourced Litigation			
Operating revenue			
Revenue – Crown	8,500	3,911	6,500
Other revenue	0	0	0
Total operating revenue	8,500	3,911	6,500
Total operating expense	8,500	3,911	6,500
Surplus/(deficit)	0	0	0

Ō mātou pūtea āmua

Our prospective finances

The prospective financial statements are presented on pages 36-39 based on existing government policies, and in consultation with our monitoring agency, the Ministry of Business, Innovation and Employment (MBIE).

The prospective financial statements are presented on pages 32–35 based on existing government policies and in consultation with our monitoring agency, the Ministry of Business, Innovation and Employment.

There are several assumptions used in preparing the prospective financial statements. The prospective financial statements should be read with these assumptions in mind.

We have made the following significant underlying assumptions in preparing the prospective financial statements:

- The Commission’s functions will remain broadly the same as the 2022/23 year, with the addition of regulating the grocery sector, establishment work related to economic regulation and consumer protection functions for water services entities and possible new regulatory powers. The funding shortfall in the water services output class for 2023/24 will be funded through the Commission’s general reserve funds. The Commission assumes that the Fuel Industry Amendment Act is passed.
- Application fee revenue for the fit and proper person certification regime is broadly consistent with the forecast developed at the start of the five-year cycle. Surpluses and deficits for this function are held in a separate reserve.
- Revenue from the Crown received by the Commission is consistent with the 2022/23 Estimates of Appropriations and the anticipated Supplementary Estimates of Appropriations.
- The Commission’s operations are largely unaffected by any further COVID-19 restrictions as staff can continue to work remotely.
- We will not commence any Part 4 inquiries during the year.
- We will conduct one competition study during the financial year.
- We have based our expected expenditure on major litigation activities on our estimate of the timing and extent of court hearings for existing and expected litigation cases. If delays, settlements or significant other litigation matters arise from Commission cases, expenditure on major litigation will change, favourably or unfavourably, for the year.
- A significant portion of our work is reactive based on investigations or regulatory enforcement and on complaints we receive. In preparing the prospective financial statements, we have assumed that some activity (particularly in our competition and consumer work) will occur at a level in line with historical activity.

The Commission has adopted these assumptions as at 30 June 2023.

TAUĀKĪ PŪTEA ĀMUA

PROSPECTIVE FINANCIAL STATEMENTS

Tauākī moni puta, utu āmua hoki

Statement of prospective comprehensive revenue and expense

for the year ending 30 June 2024

	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Operating revenue			
Revenue from non-exchange transactions			
Revenue – Crown	91,580	90,012	105,774
Court cost awards	50	50	50
Total revenue from non-exchange transactions	91,630	90,062	105,824
Revenue from exchange transactions			
Fees and recoveries	513	697	413
Interest	300	1,454	1,965
Other revenue	95	32	0
Total revenue from exchange transactions	908	2,183	2,378
Total operating revenue	92,538	92,245	108,202
Operating expenses			
Members and personnel	60,440	63,188	76,444
Legal and other professional fees	22,418	18,411	22,523
Computer information and information technology	3,442	2,677	3,711
Occupancy	2,846	2,818	2,852
Depreciation and amortisation	1,585	1,410	1,817
Other expenditure	1,895	2,506	2,561
Total operating expenses	92,626	90,940	109,918
Surplus/(deficit)	(88)	1,305	(1,716)
Total comprehensive revenue and expense for the year	(88)	1,305	(1,716)

Tauākī panoni ōritetanga āmua

Statement of prospective changes in equity

for the year ending 30 June 2024

	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Balance at 1 July	16,331	16,927	18,232
Comprehensive revenue and expense			
Surplus/(deficit)	(88)	1,305	(1,716)
Total comprehensive revenue and expense	(88)	1,305	(1,716)
Less repayment of reserves	0	0	0
Balance at 30 June	16,243	18,232	16,516

Tauākī tūranga ā-pūtea āmua

Statement of prospective financial position

for the year ending 30 June 2024

	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Equity			
General funds	12,799	15,357	13,578
Registry function reserve	444	(125)	(62)
Litigation costs reserve	3,000	3,000	3,000
Total equity	16,243	18,232	16,516
Current assets			
Cash and cash equivalents	5,008	8,975	5,504
Fees and recoveries receivable	290	203	198
Short-term investments	15,000	23,949	14,000
Prepayments	1,405	1,489	1,579
Total current assets	21,703	34,616	21,181
Non-current assets			
Property plant and equipment	1,967	2,377	4,431
Intangibles	481	63	24
Total non-current assets	2,448	2,440	4,455
Total assets	24,151	37,056	25,736
Current liabilities			
Creditors and other payables	1,984	2,018	2,353
Accrued expenses	954	954	1,011
Lease incentive	170	170	229
Penalties and cost awards held in trust	50	50	50
Crown funding repayable	5	10,859	29
Employee entitlements	4,235	4,262	5,198
Total current liabilities	7,398	18,314	8,870
Non-current liabilities			
Lease incentives	510	510	350
Total non-current liabilities	510	510	350
Total liabilities	7,908	18,824	9,220
Net assets	16,243	18,232	16,516

Tauākī kapewhiti āmua

Statement of prospective cash flows

for the year ending 30 June 2024

	2022/23 Budget \$000	2022/23 Estimated actual \$000	2023/24 Budget \$000
Cash flow from operating activities			
Crown funding received	91,585	100,871	105,803
Fees and recoveries received	658	910	463
Receipt of payment of penalties (net)	0	(133)	0
Interest received	239	1,490	1,970
Member and employee payments	(59,891)	(62,836)	(75,320)
Supplier payments	(30,753)	(26,909)	(31,790)
Repayment of Crown funding	(5,291)	(9,805)	(10,859)
Goods and services tax (net)	95	246	146
Net cash inflow/(outflow) from operating activities	(3,358)	3,834	(9587)
Cash flow from investing activities			
Interest receipts/(deposits)	4,000	1,051	9,949
Property, plant and equipment purchases	(800)	(347)	(3,833)
Intangible assets purchase	0	0	0
Net cash inflow/(outflow) from investing activities	3,200	704	6,116
Cash flow from financing activities			
Repayment of reserves	0	0	0
Net cash inflow/(outflow) from financing activities	0	0	0
Net increase/(decrease) in cash and cash equivalents	(158)	4,538	(3,471)
Opening cash and cash equivalents	5,166	4,437	8,975
Closing cash and cash equivalents	5,008	8,975	5,504

The goods and services tax (net) component of operating activities reflects the net GST paid and received from the Inland Revenue Department. We have presented the GST (net) component on a net basis as the gross amounts do not provide meaningful information for financial statement purposes.

Penalty receipts and payment and cost awards are shown net because the Commission holds these funds in trust in accordance with agreements.

Tauākī kaupapa-here kaute

Statement of accounting policies

Reporting entity

The Commerce Commission is a Crown entity (defined by the Crown Entities Act 2004) established under the Commerce Act 1986 and operating solely within New Zealand. The ultimate parent of the Commission is the New Zealand Crown.

The Commission's main objective is to provide services to the New Zealand public instead of making a financial return.

We provide public services to meet our responsibilities under the Commerce Act 1986, the Fair Trading Act 1986, the Dairy Industry Restructuring Act 2001, the Telecommunications Act 2001, the Credit Contracts and Consumer Finance Act 2003, the Fuel Industry Act 2020 and the Retail Payment System Act 2022.

We are a public sector public benefit entity (PBE) for the Accounting Standards Framework issued by the New Zealand External Reporting Board because we are a public entity defined in the Public Audit Act 2001.

Measurement base and statement of compliance

We have prepared these prospective financial statements to comply with the requirements of the Crown Entities Act 2004. We prepared these financial statements on a historical cost basis for a going concern

to comply with New Zealand generally accepted accounting practice (GAAP), which includes the PBE accounting standards that apply to a public sector PBE. The Commission authorised the financial statements for issue on 30 June 2023.

The prospective financial statements comply with PBE FRS 42 – Prospective Financial Statements. We are required to prepare a Statement of Performance Expectations, 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.

We have prepared the prospective financial statements based on the best estimates and assumptions about future events that we expect to occur. As the financial statements are prospective, actual results will vary from the information presented. We will disclose and explain all material variations in the subsequent Annual Report.

Functional and presentation currency

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

Significant accounting policies

We have applied the significant accounting policies that significantly affect the measurement of comprehensive revenue and expenditure, financial position and cash flows consistently for all reporting periods covered by these financial statements, including the comparative (prior-year budget and estimated actual) information. The following are the significant accounting policies.

Revenue – Revenue is measured at the fair value of the consideration (for example, money) received or receivable. We earn revenue from providing specific services (known as outputs) for the Crown, services to other third parties, court cost award recoveries and interest income.

Revenue – Crown – The Commission receives funding via appropriations from the Crown. Revenue from the Crown is a form of non-exchange transaction because there is no direct relationship between the services we provide (funded through taxation and levies) and the general public we ultimately provide the services to. Our appropriations are restricted in their use to meet the Commission’s objectives and the scope of the relevant appropriations.

Revenue from the Crown we receive but do not spend is refunded to the Crown after year end for all output classes except those funded by Vote Business, Science and Innovation: Enforcement of General Markets Regulation, which the Commission is allowed to retain as reserves. Also, we may retain specific ring-fenced revenue provided to build up our ability to meet the cost of adverse cost awards.

Revenue from the Crown is initially recognised as a liability when received and then as revenue when we have provided services that entitle us to the funding.

Expenditure – All expenditure we incur in providing services for the Crown or to other third parties is recognised in the statement of comprehensive revenue and expense when an obligation to pay arises on an accruals basis.

Foreign currency transactions – Transactions in foreign currencies are converted into the Commission’s functional currency (New Zealand dollars) at exchange rates on the transaction date. Monetary liabilities in foreign currencies at the reporting date are converted to New Zealand dollars at the exchange rate on that date.

Leases – The Commission is a party to various operating leases as a lessee. As the lessors retain all of the risk and rewards of ownership of the leased property, plant and equipment substantially, the operating lease payments are recognised as expenses only in the period in which they arise.

Any lease incentives received or obligations to reinstate the condition of leased premises are recognised in the statement of comprehensive revenue and expense over the term of the lease. Any unamortised lease incentive and outstanding obligation for reinstatement are recognised as a liability at the balance date.

Depreciation and impairment – Depreciation and amortisation for intangible assets are provided on a straight-line basis on all assets to allocate the asset’s cost (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 items of property, plant and equipment are subject to an annual test of impairment to test the recoverable amount. Any impairment losses are recorded as an expense in the statement of comprehensive revenue and expense in the period in which they are first identified.

Estimated useful lives of the major asset classes

Computer and office equipment	Up to 5 years
Furniture and fittings	Up to 5 years
Leasehold improvements	For the period of the lease
Motor vehicles	Up to 5 years
Software and other intangible assets	Up to 5 years

Taxation – The Commission is exempt from income tax under section CW 38 of the Income Tax Act 2007.

Cost allocation – Direct costs are charged directly to outputs. Personnel costs are allocated to outputs based on time records. The indirect costs of support groups and corporate overhead costs are charged to outputs based on each output's budgeted relative time records.

Goods and services tax – All items in the financial statements are presented exclusive of GST, except for receivables and payables and unearned revenue – Crown received in advance, which are presented on a GST-inclusive basis. Where we cannot claim a portion of GST, we recognise the GST portion as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or creditors in the statement of financial position and classified as an operating cash flow in the statement of cash flows.

Equity – Equity is the Crown's ownership interest in the Commission and is measured as the difference between total assets and total liabilities. We have classified equity into components and disclosed these separately to allow clearer recognition of the specified uses that we have for our equity.

Cash and cash equivalents – Cash and cash equivalents are our cash on hand, transactional cash balances in bank accounts and some term deposits with maturities of less than 90 days held with New Zealand registered banks.

Investments – Investments are term deposits issued by New Zealand registered banks with maturities of more than 90 days. Term deposits are initially measured at fair value plus any transaction costs. After initial recognition, investments are remeasured at amortised cost using the effective interest rate method.

Property, plant and equipment – All items of property, plant and equipment owned are recorded at historical cost of purchase, 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. Any later expenditure that extends the useful life or enhances the service potential of an existing item of property, plant and equipment is also capitalised and depreciated.

All other costs we incur in maintaining the useful life or service potential of an existing item of property, plant and equipment are recognised as expenditure when incurred. Any gain or loss arising from the sale or disposal of an item of property, plant and equipment is recognised in the period in which the item 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, less accumulated amortisation. Configuration and customisation costs incurred in implementing software-as-a-service (SaaS) arrangements are generally expensed unless the criteria for recognising a separate asset are met.

This is because, in most cases, it is the SaaS provider who controls the software being configured and/or customised rather than the Commission (due to the software being run on the SaaS provider's cloud infrastructure) and therefore not meeting the criteria for control in order to capitalise these costs.

Employee entitlements – Employee entitlements are unpaid salaries, bonuses and annual leave that we owe to our personnel. At balance date, we recognise any unpaid employee entitlements as a liability and charged as an expense. Entitlements are calculated on an actual entitlement basis using current salary rates.

Contingencies – As the Commission is a quasi-judicial body, it is engaged in litigation activity, resulting in costs being ordered against or in favour of the Commission. The outcome of an order for costs may not be certain until all appeal processes are completed. Therefore, the possibility of a costs award being incurred or received is first disclosed as either a contingent liability or a contingent asset. An award for costs, whether for or against the Commission, is only recognised in the statement of comprehensive revenue and expense when it is probable that there will be a payment or receipt of resources (for example, cash) and we can measure the amount reliably.

Comparatives – To ensure consistency with the current year, all comparative information including the prior-year budget has been restated or reclassified where appropriate. The budget comparatives are those approved by the Commission at the beginning of the prior year for inclusion as prospective financial statements in our last Statement of Performance Expectations. The estimated actual is our current expectation of the financial year's outcome prior to

the budget presented in this Statement of Performance Expectations. We prepared the budget to comply with GAAP and used accounting policies consistent with what we have used to prepare these financial statements.

The estimated actual is our current expectation of the financial year's outcome prior to the budget presented in this Statement of Performance Expectations. We prepared the budget to comply with GAAP and used accounting policies consistent with what we have used to prepare these financial statements.

Changes in accounting policies

The accounting policies adopted are consistent with the previous year, apart from additional clarification of the treatment of intangible asset capitalisation in line with recent clarification issued by the International Financial Reporting Standards (IFRS) Interpretations Committee and Treasury guidance.

FINANCIAL STATEMENTS GLOSSARY

KUPUTAKA MŌ NGĀ TAUĀKĪ PŪTEA

The following table provides definitions of some terms used in our financial statements. Please note that these definitions are only provided as an aid to readers and are not part of the financial statements or necessarily reflect the way that we interpret and apply accounting standards.

Accounts payable	Debts owed to somebody (for example, a company) for goods or services provided to us that we have not yet paid at balance date.
Accounts receivable	Debts owed to us by somebody (for example, a company) for a service we have provided where we have not been paid at balance date.
Amortisation	Amortisation is basically the same as depreciation (see below) except that it is applied to intangible assets (for example, software).
Asset	An asset is something we own, expect to receive in the future or control.
Balance date	The date at which a set of accounts is prepared. For the Commission, that date is 30 June of each year.
Cash equivalents	Cash equivalents are assets like term deposits that share most of the characteristics of cash. They are cash equivalent because we can quickly turn them into cash, but they are technically not cash in a bank account or in the hand.
Comprehensive revenue and expense	Comprehensive revenue and expense is a broader concept of revenue that includes a surplus (or loss) from an entity's operations and movements in parts of equity that aren't the result of surpluses or owner transactions. An example is a revaluation gain on the value of assets, which increases equity by increasing the value of an asset revaluation reserve.
Current asset (or liability)	A current asset is an asset that can be converted into cash or used to pay a liability within 12 months. A current liability is a liability that we expect to repay within 12 months.
Depreciation	Depreciation is the charge of an asset's cost over a certain time period. Depreciation recognises that assets decline in their value and usefulness over time.
Equity	Equity represents the value of an entity to its owners and is the amount left over after deducting all liabilities from all assets. It is also known as net assets.
Exchange transactions	Exchange transactions are transactions where goods or services are received in exchange for payment of approximately equal value. The vast majority of transactions in everyday life are exchange transactions.
Financial instruments	Financial instruments are assets or liabilities that are tradable in some way such as cash, shares or loans. Other financial instruments include derivatives, which are traded securities that get their value from an underlying asset (for example, a future oil shipment or a future foreign currency purchase).

Generally accepted accounting practice (GAAP)	GAAP is the series of standards, interpretations and concepts that are followed by accountants. New Zealand GAAP is defined by law to include standards issued by the External Reporting Board and, where that (or a specific law) does not cover a matter, accounting policies considered authoritative by the accounting profession in New Zealand.
Going concern	An assumption made by an entity that it will continue to operate into the foreseeable future. If this is incorrect, the entity has to prepare its accounts as if it is being wound up.
Intangible assets	Intangible assets are assets that do not have a physical substance and are not cash.
Liability	A liability is something we owe, expect to pay in the future or may have to pay in the future.
Monetary assets	Monetary assets are assets that are cash or will become cash in a short timeframe (for example, bank account balances, term deposits and accounts receivable).
Monetary liabilities	Monetary liabilities are debts owed to another party such as accounts payable, loans or unpaid salaries.
Non-current asset (or liability)	A non-current asset is an asset we cannot ordinarily turn into cash within 12 months. A non-current liability is a liability we would not ordinarily have to repay within 12 months.
Output class	An output class is a grouping of similar outputs or activities with similar objectives. The Commission's output classes are primarily funded by appropriations from the Crown via the Ministry of Business, Innovation and Employment.
Provision	An estimate of an amount that an entity may (or will) have to pay as a result of an obligation the entity has to another party.
Public benefit entity (PBE)	An entity that aims to provide goods or services to the general public to meet a specific need rather than to make a profit for its owners.
Related party	Another person or entity that is related to us because of, for example, a common owner or person in a position of authority (for example, a director or senior management).
Statement of cash flows	A statement that shows how much cash we have received from various sources (for example, investments, operating activities and cash injections received from the Crown) and cash payments we have made (for example, expenses, salaries and repayment of money to the Crown).
Statement of comprehensive revenue and expense	A statement that shows our surplus or deficit from our operating activities plus or less any movements in non-owner equity items. This is the public sector equivalent of a statement of comprehensive income, which we used to prepare.
Statement of financial position	A statement that shows what assets we own or control, what liabilities we have and the remainder (equity) at the balance date.
TSLRIC model	A telecommunications costing model developed to determine pricing for copper broadband networks in New Zealand, based on forward-looking costs over the long run. TSLRIC stands for total service long-run incremental cost.

COMMONLY USED TERMS

NGĀ KUPU WAIWAI

Appropriation	A parliamentary authorisation for Ministers of the Crown or an Office of Parliament to incur expenses or capital expenditure.	Output class	A grouping of outputs or activities with similar objectives. A reportable class of outputs is a class of outputs the Crown entity proposes to supply in the financial year that is directly funded (in whole or in part) by the Crown. The Commission's output classes are primarily funded by appropriations from the Crown via the Ministry of Business, Innovation and Employment.
Authorisation	Under the Commerce Act, certain agreements and mergers are prohibited as they can lead to anti-competitive outcomes such as increased prices or lower-quality goods or services. However, the Commerce Act recognises that, in some circumstances, an anti-competitive transaction may lead to sufficient public benefits that would outweigh the competitive harm. In this case, the Commission can grant an authorisation for the agreement or merger to proceed.	Outputs	Goods or services provided by the Commission.
Clearance	Under the Commerce Act, the Commission can grant a clearance for a proposed merger if we are satisfied that it is not likely to substantially lessen competition in a market. We compare the likely state of competition if the merger proceeds with the likely state of competition if the merger does not proceed.	Part 4	Part 4 of the Commerce Act. Under Part 4 of the Commerce Act, the Commission has a role regulating the price and quality of goods or services in markets where there is little or no competition and little prospect of future competition. This includes electricity, gas and airport sectors.
Determination	A formal and binding decision made by the Commission under the legislation it administers.	Product safety and consumer information standards cases	Product safety and consumer information standards cases include investigations of products such as bikes, cots, cigarette lighters, baby walkers, children's sleepwear and children's toys to which certain safety standards apply as well as the incorrect labelling of footwear and clothing and failure to display required information on motor vehicles offered for sale.
Information disclosure	Under Part 4 of the Commerce Act (subpart 4), sufficient information is to be readily available to interested persons so that they can assess whether the purpose of Part 4 is being met. Under the Telecommunications Act, regulated telecommunication services are required to make reliable and timely information prescribed by the Commission publicly available so that a wide range of people are informed about their operation and behaviour.	Strategic objective	A broadly defined objective that an organisation must achieve to make its strategy succeed.
Merger	An amalgamation of two or more business enterprises into a single enterprise. Colloquially, mergers also include business acquisitions that involve the acquisition of assets or shares of a business.	Substantially lessen competition	A reduction in competition that is real or of substance, which will be reflected in higher prices or lower-quality goods or services.
		Vote	A grouping of one or more appropriations that are the responsibility of one or more Ministers of the Crown and are administered by one department.

ISSN 2382-0462 (Print)

Phone: 0800 943 600

Write: Enquiries Team, PO Box 2351, Wellington 6140

Email: contact@comcom.govt.nz

<http://www.comcom.govt.nz>