

2002

TRANSPORT ACCIDENT COMMISSION

ANNUAL REPORT

TAC



COVER IMAGE

SHANE BRAND, TAC client

28-year-old Shane became an incomplete quadriplegic when he lost control of his car in a heavy fog late at night on a country road.

Prior to his accident, Shane was a business analyst for the Victorian Government's Department of Natural Resources and Environment (DNRE) and enjoyed socialising in a large circle of friends and family and practising and instructing martial arts.

With ongoing physical rehabilitation support, Shane started back at work six months after his accident – a remarkable achievement which demonstrates his positive approach to returning to a 'normal' life.

Shane currently works four half-days a week at DNRE but hopes to progress to two full-time days and two half-days in the near future.

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COMPLIANCE

The Transport Accident Commission was established, and is governed by, the *Transport Accident Act 1986*. The TAC administers a comprehensive no-fault compensation scheme for Victorians who are injured or die as a result of a transport accident. Benefits include the payment of hospital, medical and rehabilitation expenses as well as loss of earnings. Additional compensation may be available through common law in cases of serious injury or death.



(L-R Stephen Grant, Bob Cameron, James MacKenzie)

TAC

October, 2002

The Hon. Bob Cameron, MP
Minister for WorkCover
Level 21, Nauru House
80 Collins Street
Melbourne Vic 3000

Dear Minister

I am pleased to submit the Sixteenth Annual Report of the Transport Accident Commission for presentation to Parliament, pursuant to Part 7 of the *Financial Management Act 1994*.

A handwritten signature in cursive script, reading "James MacKenzie".

JAMES MACKENZIE

Chair

THE TRANSPORT ACCIDENT COMMISSION'S MISSION
IS TO REDUCE ROAD TRAUMA AND ITS IMPACT ON THE
LIVES OF ACCIDENT VICTIMS IN A CARING, EFFICIENT
AND FINANCIALLY RESPONSIBLE MANNER.

THE TRANSPORT ACCIDENT COMMISSION'S VISION
IS TO PROVIDE VICTORIANS WITH THE MOST EQUITABLE
PERSONAL INJURY COMPENSATION SCHEME IN THE
WORLD AND SET INTERNATIONAL STANDARDS IN ITS
DELIVERY. TO BE A LEADER IN CHANGING ATTITUDES
AND BEHAVIOURS SO THAT VICTORIA SETS
INTERNATIONAL STANDARDS FOR ROAD SAFETY.

HIGHLIGHTS 2002

SERVICE DELIVERY

\$534m in benefits paid to 42,584 people.

Client satisfaction at an all-time high 6.95 out of a possible 10.

Development of lifetime support model for clients with serious permanent disabilities.

Significant improvements in the time taken to deliver benefits to clients, including loss of earnings benefits and common law settlements, and a reduction in the number of clients awaiting impairment assessments/payments.

Awarded the 'Best Call Centre in Australia' by the Customer Service Institute of Australia.

ROAD SAFETY

5% reduction in claims.

TAC campaigns are changing attitudes to speeding – with several key indicators showing road users are slowing down.

Launch of new state-wide road safety strategy *arrive alive!*

HIGHLIGHTS

2002

HUMAN RESOURCES

TAC shared values and guiding principles launched.

Staff Health and Well-being Program extended.

Staff morale index increased from 63 to 68, reaching the TAC's long-term target level.

FINANCIAL MANAGEMENT

Funding ratio of 110.7% despite significant falls in world equity markets.

Actuarial release of \$153m, more than 50% above the TAC's target of \$100m.

Impact on profit from internal factors of \$347m, \$92m above target.

No increase in premiums beyond CPI.

CHAIR'S REPORT

2002

**IN THE INCREASINGLY VOLATILE INTERNATIONAL ENVIRONMENT
POST-SEPTEMBER 11 2001, EFFECTIVE MANAGEMENT IS
CRUCIAL TO THE ONGOING SUCCESS AND STABILITY OF SCHEMES
SUCH AS VICTORIA'S TRANSPORT ACCIDENT COMMISSION.
AND ON ANY OBJECTIVE ASSESSMENT THIS PAST YEAR HAS BEEN
AN OUTSTANDING ONE FOR THE TAC.**



Against the key criteria of service delivery, financial management and client satisfaction, the TAC not only met but exceeded expectations for the 2001/02 year.

Importantly, the TAC achieved these results whilst maintaining a funding ratio of 111% and with no increase in motorists' premiums (other than CPI).

To quote the TAC's independent actuaries, PricewaterhouseCoopers: *"The fact that there has been no significant one-off increase in premium, to keep it all in balance, is a remarkable achievement."*

And it is an achievement made all the more remarkable against the backdrop of one of the most volatile international investment markets in 50 years.

It is therefore timely that the TAC Board of Management – with the support of the Victorian Auditor General – has decided to provide additional financial information in this and future annual reports, to better reflect the long-tail nature of the scheme.

Such an approach will, we believe, give users of the annual reports a much more meaningful picture of the scheme and its financial performance.

Victoria's only other compulsory accident compensation scheme, the Victorian WorkCover Authority, is adopting a similarly improved reporting regime.

In essence, this improved reporting methodology recognises the fact that the TAC's reported annual result

can be very volatile, and the TAC's reported profit or loss can vary by significant amounts on a monthly basis.

For example, in the days immediately following September 11, the TAC's investment returns fell to -8.6%, bounced back to -5.9% a week later, and recovered throughout the remainder of the year to -2.9% as at 30 June 2002.

Given the sheer size of the post-September 11 market fall, the TAC's end of year investment result was an extremely strong one. By comparison, the median return for balanced Australian superannuation funds for the 2001/02 year was -4.9%.

Unpredictable short-term fluctuations in the investment market coupled with the requirements under Australian Accounting Standards to "mark to market" the TAC's considerable financial assets, while discounting to present value its financial liability at 30 June each year, may not always provide a full picture of the scheme's underlying position.

The TAC Board considers that this "mark to market" approach has particular limitations for long-tail insurance schemes such as the TAC's because it requires results to include the effects of external factors over which management has no material control.

By way of illustration, the TAC has \$5 billion in investment assets and claims liabilities valued at \$4 billion. The key drivers for the valuation of these

figure 01

\$M	2001/02	2000/01	1999/00	1998/99	1997/98	1996/97
IMPACT ON PROFIT FROM INTERNAL FACTORS	347	69	194	299	313	134
IMPACT ON PROFIT FROM EXTERNAL FACTORS						
<i>Difference between actual returns and long-term expected returns</i>	(550)	(288)	192	84	45	333
<i>Change in inflation assumptions and discount rates</i>	29	9	100	73	(118)	(198)
<i>Impact of claims past inflation</i>	N/A*	31	99	98	29	(47)
<i>Impact of legislative changes</i>	16	(23)	(22)	(47)	-	-
TAX AND OTHER	(2)	10	(116)	(64)	(4)	27
NET PROFIT/(LOSS) AFTER TAX	(160)	(192)	447	443	265	249

*The impact of claims past inflation is no longer relevant due to a change in the actuarial calculation methodology and is therefore not required in this year's attribution.

items are equity market prices and prevailing interest rates – external factors beyond the TAC's control – but capable of significantly impacting the scheme's reported results.

This annual report therefore provides, for the first time, details of the impact of these external factors on results in addition to the standard annual profit or loss.

The table above highlights the impact of internal factors on the TAC's result before short-term fluctuations and economic assumptions.

The Board believes that this additional information should set a precedent for greater transparency in financial reporting and assist users of this and future reports to better understand the complexity of long-tail schemes.

Despite the impact of September 11, and total external factors in 2001/02 contributing a negative impact to the scheme of \$505 million, the TAC's full year operating loss after tax was limited to \$160 million – a \$32 million improvement on last year's loss of \$192 million.

Most importantly, the effective management of CEO Stephen Grant and his team has seen a significant strengthening of the TAC's underlying financial position, including a write-down of projected liabilities – or actuarial release – of \$153 million.

The leadership of Stephen Grant in steering the TAC through this volatile external environment has been second to none. His continued emphasis – in partnership with the Board – on corporate governance and risk management has ensured that the TAC has delivered outstanding results on each and every measure over which it has control.

I welcome Paul Barker and Melanie McMillan to the TAC Board. Paul is the former head of Audit Victoria and the current Chairman of the Victorian Council of the Institute of Chartered Accountants in Australia. A Director of the Victorian WorkCover Authority, Paul brings to the TAC significant risk management, corporate governance and international accounting and banking expertise. Likewise, Melanie is already providing valuable input to the TAC's communications and marketing programs through her extensive experience as a brand and marketing consultant. I would also like to thank Alan Goodfellow (Board member 2000 – 2002) for his contribution.

Finally, I extend my thanks to the TAC staff. With a record high in our client satisfaction survey and a consistently strong approach to all facets of the TAC's core business, our staff remains the single most important key to our ongoing success.



JAMES MACKENZIE

Chair

CHIEF EXECUTIVE OFFICER'S REPORT

2002

IN A YEAR IN WHICH THE TAC RECORDED ITS HIGHEST-EVER CLIENT SATISFACTION RATING, OUR MOTIVATION FOR ACHIEVING SERVICE EXCELLENCE AT EVERY LEVEL OF THE ORGANISATION GROWS STRONGER BY THE DAY. GOING FORWARD, OUR OVERRIDING FOCUS WILL BE PROVIDING VICTORIANS WITH THE MOST EQUITABLE TRANSPORT ACCIDENT SCHEME IN THE WORLD AND SETTING INTERNATIONAL STANDARDS IN ITS DELIVERY.



Without question 2001/02 has been a year of significant and continuous improvement for the TAC.

Improved service delivery timelines, a record Employee Opinion Survey score, a new lifetime support model, a national customer service award, and an all-time high client satisfaction rating are just some of the year's outstanding developments.

And each has been achieved within a framework of sound financial management.

IMPROVED SERVICE

Client satisfaction and continued excellence in service delivery remain the TAC's top priorities. It is therefore extremely pleasing to report that in 2001/02 the TAC's clients measured the organisation's performance in service delivery at its highest level ever. In a survey of 2,500 clients, the TAC recorded an overall score of 6.95 out of 10 – a substantial increase on the previous year's score of 6.8.

All TAC claims divisions recorded an improved performance on the previous year – largely driven by a significant improvement in the way the TAC keeps clients informed of decisions that affect them.

Fortunately, the majority of our clients suffer relatively minor injuries and require specific short-term assistance from the TAC. For many, the most immediate and critical need is to receive income benefits to tide them over until

they are able to return to work. As a result of a sustained and systematic approach, the TAC achieved a 32% reduction in the time taken to make these payments to clients.

Similarly, the time taken to settle common law claims reduced from 24 to 15 months, and there has been a 15% reduction in the number of clients awaiting impairment assessments and payments.

Our increased focus on service delivery was nationally recognised when the TAC Customer Service Centre received the 2001 Excellence Award for service in a call centre by the Customer Service Institute of Australia (CSIA).

LIFETIME SUPPORT

The TAC took a significant step in 2001/02 towards improving the way it provides support for clients experiencing a significant, permanent disability. Our newly introduced lifetime support model focuses on improving our clients' transitions to independent living and ensuring clients receive the support they need to become active members of their communities.

The new model reflects a changing approach to the way the TAC provides long-term client support. It aims to improve the transition from hospital to home to ensure that the client's return to community life is as seamless as possible. Put simply, we are making it easier for clients to

take a more active role in deciding what they need in lifetime disability support services – giving them greater control and independence.

Continuing to work with our clients and stakeholders to further improve the model and ensure the program's success will be a major focus for the business in 2002/03.

FINANCIAL RESPONSIBILITY

The TAC last year paid \$534 million in benefits and services.

While no two schemes are exactly alike, the benefits provided in Victoria are recognised as being amongst the most generous of any scheme in the world.

In delivering these benefits, the TAC must be mindful of what is fair, compassionate and reasonable, and financially sustainable for the scheme and the Victorian community more broadly.

This is the only way to ensure that we will continue to have a viable scheme into the future and that the TAC can continue to provide lifetime support for the most seriously injured.

ROAD SAFETY

While Victoria's road toll has stabilised during the past five years, too many people continue to die or sustain serious injuries on our roads.

A co-ordinated approach to road safety by the TAC, Victoria Police and VicRoads under the banner *arrive alive!* is a blueprint for action across government agencies to reduce the level of trauma on Victoria's roads. It recognises that the road toll is a community-wide problem requiring community-wide solutions.

During 2001/2002, the TAC maintained a strong focus on the proven causes of road trauma – namely speed,

drink-driving, fatigue and inexperience – while expanding its role in vehicle safety promotion, youth education and new in-vehicle technologies.

Significantly, there are a number of indicators that our campaign targeting low-level speeding – 'Wipe off 5' – is also beginning to generate strong results in changing community attitudes and behaviours. For example, infringements for speeding have not increased despite a 50% increase in police safety camera activity since July 2001.

A new website – www.howsafeisyourcar.com.au – was launched during the year, and a new road safety-specific website is currently in development.

Building on our reputation for road safety innovation, the TAC will in 2002/03 launch an Australian-first rewards program designed to encourage responsible driving and behaviour across the State.

CORE VALUES

During the year, the TAC launched a set of shared values and guiding principles to help guide the day-to-day behaviour of all staff. Integrity, unity of purpose, dignity and respect, innovation, and accountability and responsibility were identified by staff as important qualities to adhere to in representing the TAC and in going about their daily work lives. Our values and guiding principles will be important tools in the TAC reaching an even higher standard of service delivery.

For all of these achievements, I would like to thank the TAC's dedicated and professional staff for their contribution in the past 12 months. The business has made substantial progress in the past year, and with numerous initiatives in place for the coming year, I am confident the TAC will continue to achieve impressive results.



STEPHEN GRANT
Chief Executive Officer

BOARD OF MANAGEMENT 2002



(top row left to right)

JAMES MACKENZIE BBus, FCA

CHAIR

APPOINTED 2001

Chair Victorian WorkCover Authority

Director James Fielding Group

Director Circadian Technologies Ltd

Director Victorian Major Events Company Ltd

Director Monivae College Foundation Ltd

Chairman Child Care Centres Australia Ltd

STEPHEN GRANT BA (Marketing), FCA

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

APPOINTED 2000

Chair Victorian Trauma Foundation

Director Myers Pharmacy Pty Ltd

MICHAEL PRYLES AM, LLB, LLD (Melb), LLM, SJD (SMU),

PhD (Bond), FCIArb, FAMINZ, FIArbA

DEPUTY CHAIR

APPOINTED 1995

Chair TAC Remuneration Committee

Chair TAC Law Pty Ltd

Partner Minter Ellison Lawyers

Director Victorian WorkCover Authority

President and Director Australian Centre for International Commercial Arbitration

Commissioner United Nations Compensation Commission

Professorial Associate The University of Melbourne

PAUL BARKER BBus, FCA, ACIS

APPOINTED 2002

Chair TAC Audit & Risk Management Committee

Director Employment National Ltd

Director Victorian WorkCover Authority

Chairman Victorian Council Institute of Chartered Accountants in Australia

(bottom row left to right)

MELANIE McMILLAN MA (Communications), AFAMI, AFAIM

APPOINTED 2002

Chair TAC Marketing & Road Safety Committee

Director The Brand Business Pty Ltd

DANNY SAMSON BE (Chem Eng), PhD (NSW)

APPOINTED 1994

Professor and Head of the Department of Management The University of Melbourne

ANNE WARD BA, LLB (Melb)

APPOINTED 2000

Partner Minter Ellison Lawyers

Chair Pyrenees Vineyard Management Ltd

Director TAC Law Pty Ltd

Director Brain Imaging Research Institute

JUDY WARD BCom (Melb), ACA, FTIA, AICD

APPOINTED 2001

Chair TAC Financial & Investment Strategies Committee

Chairperson Falls Creek Resort Management Board

Member Alpine Resort Co-ordinating Council

President The Merton Hall Foundation Ltd

Council Member Melbourne Girls Grammar

SENIOR MANAGEMENT 2002



(top row left to right)

STEPHEN GRANT

Chief Executive Officer & Managing Director

ANDREW JOHNSTON

*General Manager, Common Law & Appeals and
General Manager, TAC Law*

ANN DONNAN

General Manager, Human Resources

DAVID HEALY

General Manager, Road Safety

DOUG KEARSLEY

Executive General Manager, Finance & Planning

(bottom row left to right)

KERRY POWER

General Manager, Health Care

GREG TWEEDLY

Executive General Manager, Service Delivery

TONY MARXSEN

Executive General Manager, Operational Efficiency

SUE KAPOURELAKOS

General Manager, Major Injury

COLIN RADFORD

General Manager, Corporate Affairs



6.95

TAC CLIENT SATISFACTION
SURVEY SCORE

**IN JUNE 2002, THE TAC RECORDED ITS HIGHEST-EVER
CLIENT SATISFACTION SCORE – A SUBSTANTIAL INCREASE
ON THE PREVIOUS YEAR’S AVERAGE AND THE SECOND
CONSECUTIVE PERFORMANCE IMPROVEMENT.**

ABOVE – TAC CUSTOMER SERVICE CENTRE TEAM LEADER, ROBYN IVE

SERVICE DELIVERY

2002

THE TAC PROVIDES BENEFITS TO PEOPLE WHO ARE INJURED AND WHOSE LIVES ARE IMPACTED AS THE RESULT OF TRANSPORT ACCIDENTS. THE TAC IS A 'NO-FAULT' SCHEME WHICH MEANS THAT ANYONE INJURED IN A TRANSPORT ACCIDENT WITHIN VICTORIA OR INTERSTATE IN A VICTORIAN-REGISTERED VEHICLE IS ELIGIBLE TO RECEIVE BENEFITS, IRRESPECTIVE OF WHO CAUSED THE ACCIDENT.

The governing principle of the TAC scheme is to provide appropriate and reasonable care for those injured on our roads for as long as necessary. In the case of the catastrophically injured, this can mean lifetime support.

BENEFITS THE TAC OFFERS

Benefits available under the TAC Scheme include:

- ambulance transport;
- hospital treatment;
- medical, health and rehabilitation treatment provided by doctors and other health professionals;
- attendant care, home help and child-minding;
- disability services including home and car modifications;
- income replacement; and
- lump sum and weekly payments for permanent impairment.

Where death occurs as a result of a transport accident, support is provided for dependents in the form of lump sum and periodic income replacement payments, child-minding and home help, counselling for immediate family members and payment of reasonable funeral expenses.

Benefits are indexed annually in accordance with the Consumer Price Index (CPI) or Average Weekly Earnings (AWE).

figure 02

BENEFITS PAID (\$ MILLION)

42,584 people received benefits from the TAC in 2001/02.

BENEFIT TYPE	PAYMENTS 2001/02	2000/01	1999/00	1998/99
TREATMENT	160.0	158.4	139.3	123.8
LOSS OF INCOME	58.1	55.8	51.7	49.6
IMPAIRMENT	27.0	19.2	20.5	26.7
DEATH BENEFITS	46.2	42.5	35.4	37.1
LONG-TERM CARE	37.4	30.8	24.7	19.9
OTHER NO-FAULT	19.4	16.7	10.5	13.8
COMMON LAW – SERIOUS INJURY	116.7	119.7	142.2	143.2
COMMON LAW – INTERSTATE AND OTHER	50.1	44.6	29.5	44.2
OLD SCHEMES	19.3	10.1	15.2	10.4
TOTAL	534.2	497.9	469.0	468.7



In addition to no-fault benefits, a person who is seriously injured in a transport accident is entitled to pursue a claim for further compensation through the court system where another party is proved to be at fault.

Common law damages are payable for economic loss up to \$835,620 and for pain and suffering up to \$371,380 and can be recovered by the dependents of a person killed in a transport accident, up to a maximum of \$608,300. These benefits are indexed each year with CPI.

The TAC also administers claims remaining from previous Victorian no-fault common law and journey-to-work compensation schemes.

BENEFITS PAID

During 2001/02, 21,361 new claims were lodged with the TAC, a 2% decrease on the previous year's figure of 21,702 and the lowest level of lodgements on record (figure 3). In the same period, 42,584 people received benefits and/or compensation from the TAC, compared with 42,856 people in the previous year.

Payments for the year totalled \$534 million, compared to \$498 million in 2000/01 (figure 2).

CLIENT SATISFACTION

Client satisfaction and excellence in service delivery remain the TAC's top priorities.

To create a benchmark and an ongoing assessment method for its performance in service delivery, the TAC has established a client satisfaction survey. Each year the TAC asks 2,500 clients to rate its performance against the three key planks of our client satisfaction pyramid (figure 4).

In June 2002, the TAC recorded its highest-ever score of 6.95 out of 10 – a substantial increase on the previous year's score of 6.8.

All divisions improved – largely as the result of improving the way the TAC keeps clients up to date, including clearer explanations of decisions and improved written communication.

figure 03

ALL CLAIM LODGEMENTS

Claim lodgements decreased to an all-time low in 2001/02.

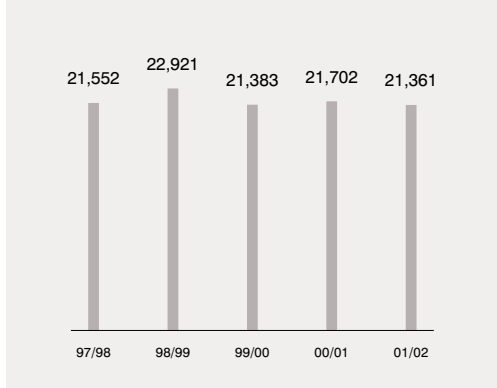
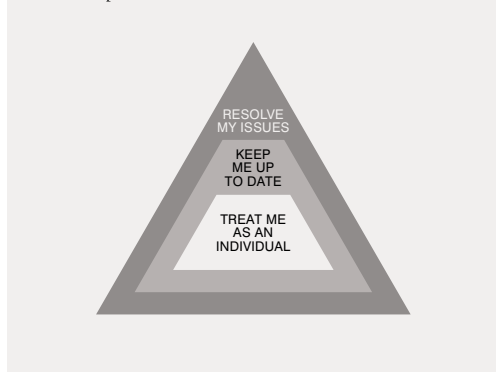


figure 04

CLIENT SATISFACTION PYRAMID

TAC clients have identified the following elements as being core to a positive interaction with the TAC.





The satisfaction survey revealed that TAC clients were more trusting of the organisation, reflecting the positive manner of staff toward clients and the organisation's strong service culture. This outcome also reflects the solid commitment staff have had to improving service delivery during the past year.

The TAC is continually looking at ways to improve how it delivers services and benefits to injured people and has made substantial progress toward its long-term goal of setting international standards in service delivery.

Key achievements in service delivery include:

- developing an impairment communication pack to supplement the TAC's introductory brochure and Acquired Brain Injury information pack;
- developing and applying Client Communication Principles, service standards and complaints protocols, and ongoing service training;
- reducing waiting times for clients to undergo elective surgery by working closely with the College of Surgeons to improve the quality of information provision;
- introducing a call priority rating system with set timeframes for returning client phone calls so that client issues are resolved as quickly as possible; and
- empowering clients to be more responsible for the treatment of their accident injuries by providing them with information about self-management.

The TAC has developed a long-term service delivery strategy designed to communicate with clients through the life of their claims, in addition to addressing specific segments of TAC clients according to changes in their circumstance and minimum standards of service delivery for all clients.

CALL CENTRE WINS NATIONAL AWARD

The TAC Customer Service Centre was awarded the prestigious 2001 Excellence Award for service in a call centre by the Customer Service Institute of Australia (CSIA). Entrants were judged following a written self-

assessment of performance in areas including service delivery, financial operations, operational details and staff opportunities for learning and growth; a presentation from senior managers; and an onsite grading by an independent auditor representing the CSIA. Following these assessments, the TAC reached the International Customer Service Standard (ICSS) 1999–2002 recognising customer service excellence.

SERVICE QUALITY AND EFFICIENCY

The Operational Efficiency Division was formed in August 2001 to increase the TAC's focus on service quality and efficiency.

Major achievements during the year included the successful implementation of an electronic claim file system and significant improvements in the time taken to deliver benefits to clients.

Fortunately, the majority of our clients suffer relatively minor injuries and require specific short-term assistance from the TAC. With these clients, our role is to meet their treatment and income needs and help them to return to their normal lives as soon as possible. The Operational Efficiency Division has a dedicated team focused on providing assistance and support for these clients for the short period of time they are dealing with the TAC.

The success of the team in performing this task was clearly demonstrated during the past year by two very significant achievements. For many clients, their most immediate and critical need is to receive income benefits to tide them over until they are able to return to work. As a result of a sustained and systematic approach to better meeting this need, the team achieved a 32% reduction (from 31 to 21 days) in the time taken to make these payments to clients (*figure 5*).

In addition, the helpful, efficient and professional service provided by this team was recognised by their clients who gave them an overall rating of 7.9 (out of a possible 10) in our June 2002 Client Feedback Survey.

The following comment is typical of those received from clients during the survey:

“Just every time I’ve spoken to them they’ve been fantastic and given me the right answers. With the call backs they always respond within the hour. I just can’t knock them – they are fantastic.”

The introduction of a new Early Claim Process to further improve service delivery to clients and business efficiency will be a major focus in 2002/03. The coming year will also see completion of further phases of the TAC’s e-file program and substantial progress towards retirement of the TAC’s ageing mainframe systems.

RETURNING TO WORK

The TAC paid \$58.1 million in loss of income benefits in 2001/02, compared with \$55.8 million in the previous year (figure 6). Return to work strategies have moderated the growth in these benefits.

Typically, almost one third of TAC clients are employed at the time of their accident. Studies show that getting people back to work is an important part of the rehabilitation process – benefiting the client, their employer and the broader community.

The TAC is maximising return to work and vocational rehabilitation outcomes for clients with serious injuries by improving communication and work practice arrangements.

In the coming year, the TAC will also focus on improving operational areas to influence claims outcomes, particularly paramedical costs which continue to be a major challenge. As clients receive additional treatment options from the TAC – and greater empowerment for self-management – the TAC’s challenge is to ensure appropriate levels of rehabilitative care are provided to return clients to health, without creating a culture of dependence.

During the year, the TAC’s Service Delivery Division grouped together claims from clients assessed with impairment levels of more than 50% and with income entitlements until age 65. This client grouping allows a focus on proactive claims management. Clients are being progressively assessed for their capacity to receive

vocational assistance and to potentially return to work – with more than 30 clients already identified to undergo this process. Returning clients to the workforce provides substantial social benefits for clients and the community, while also helping to maintain the financial fundamentals of the TAC scheme.

LIFETIME SUPPORT

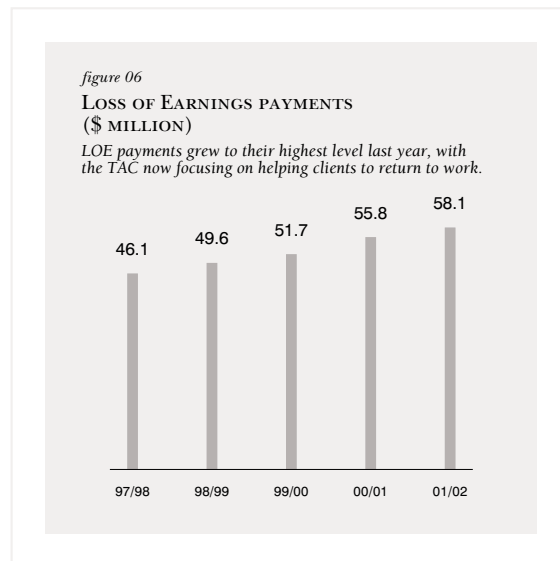
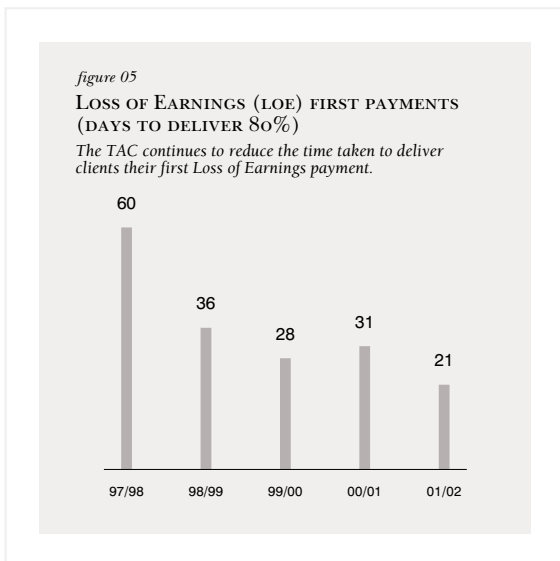
A small portion of road accident victims will be reliant on TAC benefits for the rest of their lives. The Major Injury Division seeks to develop long-term relationships with catastrophically injured clients and their families and to provide for their unique support and treatment needs.

The Major Injury Division now manages more than half the TAC’s net liabilities of \$4,137 million. In 2001/02, payments were made to 4,175 clients (10% of clients paid by the TAC), including clients with catastrophic injuries (both the TAC scheme and the former MAB scheme) and the dependents of people killed in transport accidents.

Following a comprehensive review, the TAC has reformed the way it provides support to these most-seriously injured road trauma victims. The TAC’s lifetime support model funds assistance for clients living with disabilities and encourages their full participation in community life. Underpinning this model, are the key principles of:

- the TAC’s commitment to providing access to quality care and support;
- a recognition that the delivery of care and support is best handled by professionals in their respective fields; and
- an acknowledgement that effective integration into the community best serves the long-term interests of the injured person, their family, the TAC scheme and the broader community.

The TAC’s vision for lifetime support is to fund the right assistance for clients living with disabilities so they can rebuild their lives and participate in community life. This vision reflects a changing approach to the way the TAC provides care to people with a disability, with a greater focus on improving the transition and discharge planning processes to streamline TAC clients’ return to community life.



An example of this new approach is the TAC's partnership with the Department of Human Services (DHS) to improve the activity and leisure options for people with disabilities in the eastern metropolitan region.

A DHS Eastern Metropolitan Region project report (December 2000) indicated a lack of flexible, appropriate and individually focused day service options for people with Acquired Brain Injury (ABI) in the region.

Following further consultation with the Eastern Metropolitan ABI Advisory Network, the TAC and DHS have provided joint funding for Eastern Access Community Health – an organisation that provides social activities and programs for people with ABI. TAC clients will benefit through having more opportunities to meet and socialise, increased access to a variety of support options for recreation and leisure, expanded service options, and more activities in their local area. This pilot program – which is the first-ever funded jointly by the DHS and the TAC – may be expanded into other metropolitan and regional areas in addition to developing service options with other partners such as supported employment.

The TAC is linking service delivery and other initiatives through its Risk Vision program to continuously improve its client service. Risk Vision is a proactive management tool based on TAC data used to review claims regularly and systematically. Risk Vision helps claims managers to identify client needs and requirements progressively, ensuring closer client contact to discuss rehabilitation progress, injury management, return to work plans and other assistance required to return to health.

PROVIDING CARE

The TAC has created a new Health Care division to encourage the uptake of best practice principles in treatment, rehabilitation and support to achieve optimal and measurable outcomes for clients and the TAC. As part of this program, the TAC has developed a stronger focus on the relationships it shares with various provider groups, with the creation of a provider relationships team.

The TAC has also hosted education forums for therapists and providers on specific entitlements (such as travel, home services and equipment) with a focus

on identifying client needs and providing services and treatment that concentrate on improving clients' functional independence.

TAC staff have undergone education and training on the community care and disability services operating in Victoria so that clients can be referred to appropriate primary health and community support agencies for non-accident related services and supports.

The TAC continues to foster the growth of the Victorian Trauma Foundation, which was established in 1999 in the belief that the outcomes from traumatic injury could be improved by better co-ordination and improved infrastructure and research within Victoria's trauma system. The Foundation comprises key stakeholders and professionals involved in the management of trauma services in Victoria. A business plan and new funding guidelines have been developed to continue the Foundation's growth in providing much-needed funding for medical research projects. More than \$10 million has already been provided to fund important, groundbreaking medical research with the aim of reducing trauma injuries and deaths.

REVIEWS OF TAC DECISIONS

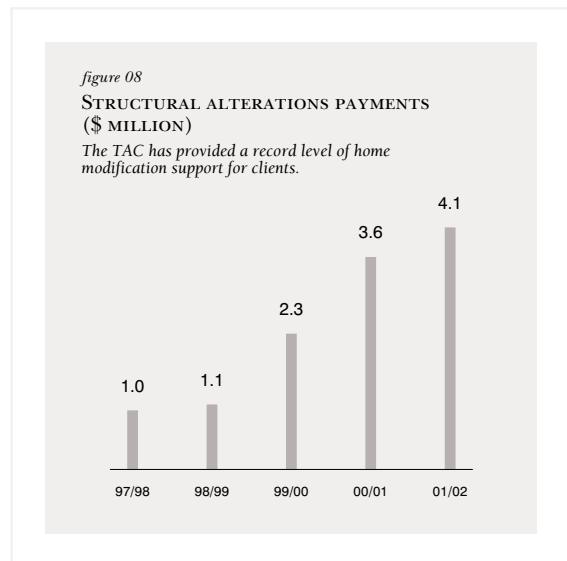
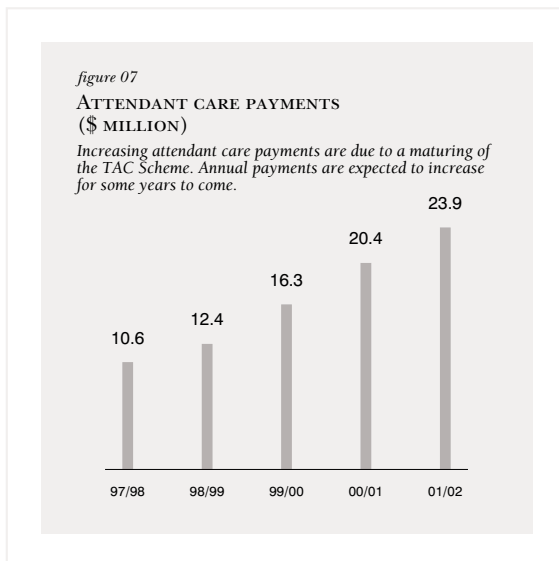
The level of dispute over TAC decisions remains low. The TAC offers an informal independent review process as a cost-free and efficient alternative to the Victorian Civil and Administrative Tribunal (VCAT).

Informal review lodgements increased by 361 to 955 compared with the previous 12 months. The main causes of the increased lodgements were reviews related to pharmacy accounts and medico-legal report fees. Resolutions for the same period increased by 201 to 816, with 10% seeking a further review at VCAT.

In the past year, 1,179 claims were lodged with VCAT, compared to 1,074 in 2000/01, with the increase mainly attributable to treatment-related decisions.

PHARMACY PROJECT

The TAC initiated a review of pharmacy costs during the year in response to significant increases during the past two years, with costs growing at a rate of 18% in 2000/01.





An audit identified a disturbing number of inappropriate billing practices including billing of products unrelated to transport accident injuries, failure to pass on PBS concessions, and pharmacists charging considerably above normal retail prices.

As a result of the review a number of new policies and work practices regarding pharmaceutical items have been instituted. The TAC has also worked closely with the Pharmacy Guild in a collaborative effort to communicate changes to pharmacists to increase understanding of the new practices.

The TAC has now standardised billing requirements for pharmacists in line with the Health Insurance Commission and has implemented system changes to act as an automatic filter on specific pharmacy items to restrict payment by the TAC to items linked to clients' road accident-related injuries.

Cost control based on the removal of inappropriate payments to pharmacists and inappropriate provision

of pharmacy products ensures the TAC scheme resources are spent serving those people it was established to care for.

Impacts on overall pharmacy cash payments for all divisions of the TAC are as follows:

- End June 2000 +17%
- End June 2001 +18%
- End June 2002 - 8%.

COMMON LAW

Now in its fourth year of operation, TAC Law manages all defendant legal work for common law claims and no-fault appeals, previously handled by a panel of legal firms.

Common law liabilities have been brought further under control during 2001/02. Major achievements in 2001/02 include:

- stabilising of the average size of common law settlements – up 1.3% on the previous year to \$208,800 (\$206,100 in 2000/01) (figure 9);

figure 09

SERIOUS INJURY – AVERAGE SETTLEMENT COST (\$ THOUSAND)

Average settlement costs for common law cases remain stable.

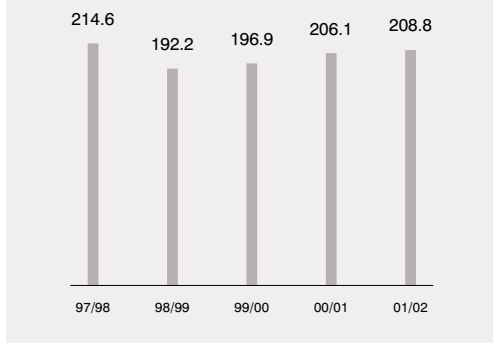
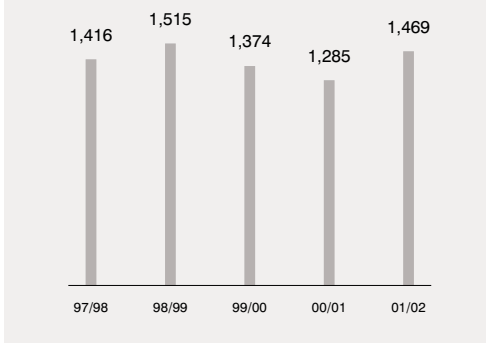


figure 10

SERIOUS INJURY LODGEMENTS

Serious injury lodgements grew in 2001/02, following two years of decreasing lodgements.





- significant improvement in the time taken to settle a common law claim once serious injury has been granted (from 24 to 15 months); and
- significant reductions in the number of claims awaiting an impairment determination (2,632 at June 2002; 3,109 at June 2001).

TAC Law is seeking acceptance of a draft voluntary pre-litigation process which should result in faster settlements and lower legal costs for all parties.

REDUCING FRAUD

While the overwhelming majority of TAC clients and service providers are entitled to the benefits and payments they claim, a very small minority seek to defraud accident victims of funds held in trust on their behalf. The TAC maintains a sophisticated anti-fraud strategy and vigorously pursues cases where fraud is apparent.

Through a carefully targeted program, the TAC was able to reduce the number of investigations conducted in 2001/02 by 30%, while retaining the very strong returns generated by this important claims management function.

Approximately \$9 million was identified in 2001/02 in savings to TAC as a result of investigations conducted by the in-house team.

In the past year, two providers have been referred to regulatory boards such as the Pharmacy Registration Board and the Chiropractors' Registration Board.

SAFEGUARDING CLIENT PRIVACY

Privacy is an integral part of the TAC – client relationship. New privacy laws were introduced nationally on 21 December 2001, the *Information Privacy Act 2000* and the *Health Records Act 2001*. A key requirement of the

legislation is that the TAC implement work practices to deal with the new privacy laws, including the development of a privacy policy and principles. Building on its existing privacy provisions, the TAC has:

- developed a privacy policy that clearly explains the way the TAC obtains, uses and discloses people's personal and health information;
- provided clients with information about its privacy policy including how and for what purpose the TAC uses their personal and health information;
- assigned a staff member to manage any client concerns in relation to their personal information; and
- provided training to staff about the privacy policy and related issues.

The TAC continues to foster a culture that respects and safeguards our clients' personal and health information.

CHALLENGES

Challenges the TAC scheme faces in the coming year include:

- managing the rising costs of health care and associated pressures on fees;
- private hospitals moving toward an episodic-based payment model involving 'bundling' of both acute and rehabilitation services. The TAC has negotiated new arrangements which will bring the organisation closer to episodic-based funding;
- improving treatment outcomes for clients through medical panel research into rehabilitation treatments, with an emphasis on measuring best practice treatment;
- reviewing vocational approaches to increase our ability to help clients to return to work; and
- extending provider consultation and forums to support enhanced provider relationships.



1

**PERSON IS INJURED EVERY 30
MINUTES ON VICTORIA'S ROADS**

THE HUMAN TOLL:

1 DEATH EVERY DAY

1 SEVERE BRAIN INJURY EVERY FOUR DAYS

1 PARAPLEGIC/QUADRIPLEGIC EVERY 17 DAYS

1 'MODERATE' INJURY EVERY TWO-AND-A-HALF DAYS.

ROAD SAFETY

2002

VICTORIA'S ROAD TOLL IS A COMMUNITY-WIDE PROBLEM REQUIRING COMMUNITY-WIDE SOLUTIONS.

Victoria's annual road toll reduced dramatically between 1988/89 and 1997/98 from 762 to 373. Since 1997/98 however, the State's road toll has stabilised at or around 400.

Reducing Victoria's road toll provides enormous and obvious social benefits, while also contributing to the long-term viability of the State's transport accident scheme. The TAC is committed to pursuing further reductions in the State's road toll in partnership with other road safety authorities and the general public.

Victoria's new road safety strategy *arrive alive!* was launched in November 2001, providing a blueprint for integrated actions across government agencies to reduce the level of trauma on Victoria's roads. *arrive alive!* is designed to provide Victoria with the safest road system possible, change driver attitudes and behaviours and improve significantly the road safety outcomes for all road users. Implementation of the initiatives detailed in the strategy will place Victoria at the leading edge of road safety throughout the world. Initiatives will be tackled by a combination of educational and promotional campaigns, road infrastructure and vehicle safety improvements, legislation and enforcement, research and community participation.

During 2001/02, the TAC maintained a strong focus on core behaviours such as speeding, drink-driving, fatigue and inexperience while expanding its role in

vehicle safety promotion, youth education and new in-vehicle technologies.

Changing community attitudes toward 'low level' speeding has been targeted in conjunction with Victoria Police, through the 'Wipe off 5' campaign which educates road users on the dangers of exceeding the speed limit even by seemingly small margins. Surveys show early success for the campaign, with the proportion of drivers who admit to speeding "all or most of the time" dropping from 25% to 15% in the past year.

At the same time, Victoria Police report that the number of infringements for speeding has not risen, despite an increase in safety camera hours of almost 50% since July 2001.

This indicates that the additional safety camera hours are having the desired effect – not to catch more drivers, but to get people to slow down generally and obey the speed limits.

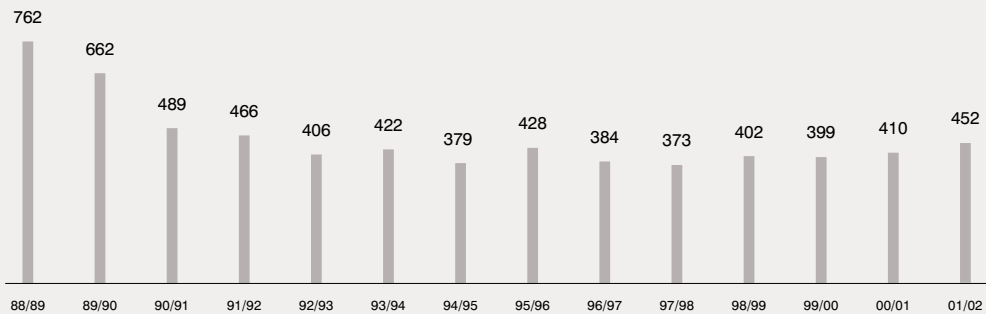
In response to research indicating that road deaths and injuries could be cut by 40% through every car owner driving the safest vehicle in their category, the TAC launched a website comparing how various car makes and models perform in crashes. The website – www.howsafeisyourcar.com.au – encourages new or used-car buyers to consider safety as a high priority in their purchasing decisions.



figure 11

VICTORIAN ROAD TOLL

Victoria's road toll remains a focus for the TAC.





GOOD SPORTS

The TAC has forged a new partnership with the Australian Drug Foundation (ADF) to promote responsible alcohol serving practices and improved training and management policies within licensed premises and sporting clubs. The TAC and ADF's 'Good Sports' venue accreditation program now operates in 25% of licensed sporting clubs in Victoria.

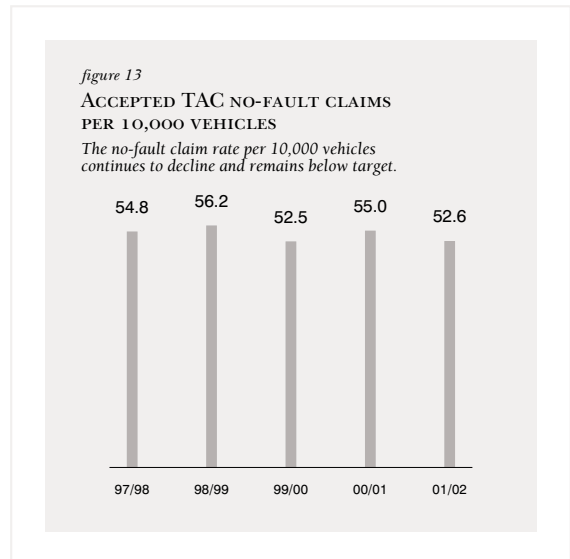
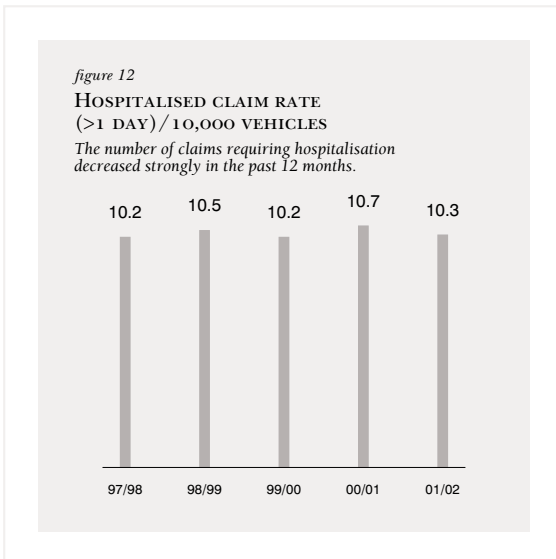
ROLLING 12-MONTH TOLL

The yearly toll (to 30 June 2002) stood at 452, 10% higher than for the previous year (410) (figure 11).

TAC CLAIMS

Claims involving hospitalisation for more than one day represent a significant cost to the TAC and the community. Encouragingly, there has been a 4% drop in these serious claims for the 12 months to April 2002 (3,432) compared with the equivalent period in 2001 (3,589). Accepted no-fault claims have dropped by 5% over this same period (from 18,405 to 17,558).

The government target of reducing severe road trauma by 20% by 2007 can only be achieved through an integrated approach in conjunction with our road safety partners. Levels of cooperation across government agencies have been strong throughout 2001/2002.





68

TAC EMPLOYEE OPINION SURVEY SCORE

THE TAC REACHED ITS HIGHEST-EVER STAFF MORALE SCORE, THANKS LARGELY TO A NEW STAFF HEALTH AND WELL-BEING PROGRAM AND THE LAUNCH OF THE ORGANISATION'S SHARED VALUES AND GUIDING PRINCIPLES.

HUMAN RESOURCES

2002

THE TAC RECOGNISES ITS MOST VALUABLE ASSET IS ITS PEOPLE AND PLACES A HIGH PRIORITY ON ATTRACTING AND RETAINING THE HIGHEST QUALITY STAFF. THE TAC'S SKILL SET IS DIVERSE – WITH PROFESSIONALS IN THE FIELDS OF MEDICAL CARE THROUGH TO INVESTMENT MANAGEMENT – WORKING TO CREATE A COHESIVE, SYNCHRONISED ORGANISATION.

SHARED VALUES AND GUIDING PRINCIPLES

During the year, the TAC launched a set of shared values and guiding principles for day-to-day behaviour of all staff in the workplace. The values and principles were the result of a consultation process with all employees and have been endorsed by the TAC Board. Workshops have also been conducted throughout the business to help staff understand how the values and guiding principles should be applied in day-to-day work and interaction with others.

The TAC's core values are:

- Integrity;
- Unity of purpose;
- Dignity and respect;
- Innovation; and
- Accountability and responsibility.

The values have been incorporated in policies and programs across the business including the employee Performance and Development Review (PDR) process. A great deal of the TAC's work requires sensitivity, discretion, good judgement, co-operation and relationship building. The organisation's reputation and ultimate success hinges on its ability to uphold the values and principles which have been defined.

CLIENT SERVICE CHARTER

The TAC is developing a Client Service Charter, which will be publicly available later this year. The charter will clearly articulate the approach and standards the organisation will apply in its relationship with clients.

The document will also set clear expectations for our clients as to what they can expect from their partnership with the TAC and their obligations in that relationship.

The TAC has consulted extensively with staff in developing the charter, to ensure strong business input and acceptance of its objectives. The charter will also address client concerns expressed through the TAC's regular client feedback surveys. In the coming year the organisation will develop a series of internal performance targets to support the charter's objectives.

DIVERSITY AWARD

During the past year the TAC has developed and introduced a program to offer traineeships to people with disabilities. This program has the dual benefits of providing employment opportunities to people with disabilities, while enhancing the diversity and culture of the TAC workforce. One of the trainees has since moved to a full-time position in one of the TAC's claims areas.

The Commissioner for Public Employment has commended the TAC for the progressive approach it has taken with traineeships, and the organisation has also received awards for 'Managing Diversity' and 'Excellence and Leadership in Promoting Workforce Diversity'.

RECRUITMENT AND SELECTION

The TAC's recruitment and selection strategy and methodology was reviewed during the year with a view to increasing the available skills mix and decreasing recruitment costs. Key external providers were reviewed and service level agreements and reporting requirements



put in place. A careers section was developed and launched on the TAC website, which will progressively incorporate job vacancies. In addition a recruitment database and direct interface with a leading global career internet portal was also developed. An internal Staff Referral program has also been introduced.

A refresher recruitment and selection training package was delivered to more than 50 team leaders and managers during the year with a view to ensuring professional and equitable recruitment and selection practices.

ENHANCING PERFORMANCE AND DEVELOPMENT

The TAC's Performance and Development Review (PDR) process was reviewed against current best practice and management and staff feedback, and was found to be fundamentally sound, but with some room for improvement.

A refresher Performance and Development Review training package was developed and delivered to all managers to ensure competence and confidence in the PDR's use.

MANAGEMENT DEVELOPMENT

The development of PDR-generic corporate competencies highlighted the need for a supportive management development program for team leaders and middle management. The TAC selected the Diploma of Business (Frontline Management) which has been tailored to meet

the organisation's needs and is being delivered in-house by the Mt Eliza Business School. The program develops skills, knowledge and understanding to enable managers to manage their own performance and the performance of others. The TAC expects between 60–70 managers and team leaders to complete the program during the next two years.

HEALTH AND WELL-BEING PROGRAM

The TAC's Health and Well-being Program, which is conducted on a fortnightly basis for all staff, was extended to cover a wider range of subjects and activities including relaxation, fitness, rest, exercise, health and safety. Staff have regularly attended, actively participated and provided useful feedback for planning future sessions.

EMPLOYEE OPINION SURVEY

The TAC again engaged International Survey Research to conduct its Employee Opinion Survey. More than 90% of staff participated in the confidential survey, with very pleasing results. The past 18 months has seen staff morale increase substantially from an index of 63 to 68, the TAC's long-term target level. The introduction of the TAC's shared values and guiding principles, coupled with the launch of the staff health and well-being program contributed to this excellent result.

FINANCIAL MANAGEMENT

2002

THE TAC SCHEME IS A LONG-TERM SCHEME PRIMARILY FUNDED FROM TWO KEY SOURCES – PREMIUMS PAID BY THE OWNERS OF VICTORIAN-REGISTERED MOTOR VEHICLES AND FROM INVESTMENT INCOME EARNED ON FUNDS HELD TO MEET FUTURE CLAIMS PAYMENTS.

PREMIUMS

Premium levels increased in line with CPI (2.9%) on 1 July 2001, consistent with the *Transport Accident Act 1986*.

The TAC also covers people injured in train and tram accidents with premiums charged to the railways and tramway managers to fund these claims.

Premium levels for both motor vehicles and railways/tramways are set following a review of claims experience by the TAC's independent actuaries.

TAC premiums remain amongst the lowest in Australia.

INVESTMENT AND FINANCIAL RISK MANAGEMENT STRATEGIES

The TAC's objective is to maintain scheme viability through prudent investment and financial risk management.

The TAC's premiums are determined assuming that a 5% per annum real investment return can be achieved over the average duration of claims liabilities (around 10 years). Similarly, the TAC's asset allocation is set to achieve an average 5% real return through this period based on expected long-term returns provided by the TAC's asset advisor. An allocation of 60% to growth assets is expected to achieve this targeted return with minimum volatility. This allocation to growth assets is diversified across Australian and international equities and property.

In terms of managing the TAC's exposure to currency obtained via an allocation to international equities, the TAC maintains a fully hedged strategy. This means movements in the Australian dollar have no impact on the TAC's investment return or annual profit.

The TAC's annual result is dominated by the need under Australian Accounting Standards to mark the TAC's assets and liabilities to market levels on an annual basis. Both equity prices and bond yields (which impact valuation of the TAC's claims liabilities) can be volatile. Moderate changes in the valuation of the balance sheet caused by markets can have a substantial impact on the reported annual profit. Accordingly, capital levels are reviewed frequently.

The TAC has taken out reinsurance cover to protect the scheme against the impact of a catastrophic event. The Board has elected to retain the first \$75 million of exposure to any catastrophe and reinsures a further \$150 million to safeguard the scheme. Following the impact of the September 11 terrorist attacks in the USA, the TAC expects that reinsurance premium costs may rise in the short-term as the reinsurance market adjusts.

The TAC maintains a prudential margin on its outstanding claims provision to ensure that a 'probability of sufficiency' of 80–85% exists. The maintenance of a prudential margin is consistent with commercial best practice. The TAC discounts claims liabilities at a rate of 'risk free + 1%' as the TAC's investment fund is expected to earn an average rate in excess of 'risk free' over the duration of the TAC's claims liabilities (around 10 years).

Notwithstanding the above integrated financial risk management strategies, the TAC's annual profit remains volatile, with losses expected on average around once every four years, caused predominantly by investment market volatility. While a lower allocation to growth assets would reduce this volatility, premiums would need to be increased to maintain long-term profitability levels.

Accordingly, the TAC has developed a reporting framework where contributions to annual profit from internal and external factors (such as volatility in investment markets and claims discount rates and inflation) are identified and reported separately. In years where the TAC profit is high, external factors will have contributed strongly to annual profit (e.g. investment return above long-term expected levels) and similarly in years when the TAC records a loss, external factors will be significantly negative (e.g. investment return below long-term expected levels).

2001/02 RESULTS

The unprecedented impact of the September 11 terrorist attacks on world markets was felt strongly by all Australian accumulation funds with the TAC being no exception. However, despite some analysts suggesting that the fall in international equity prices may have wiped as much as \$20 billion off Australian superannuation savings, the solid financial management of the TAC has seen the potential impacts on the scheme effectively mitigated, with the funding ratio remaining well above 100%.

Effective management of the scheme ensured that the storm created by the worst world markets in 50 years, while having an impact, could be weathered.

And despite a sudden drop in investment returns immediately following September 11 to -8.6%, the TAC's full year position recovered to -2.9%. This was an outstanding result in comparative terms with balanced

Australian super funds, for example, recording a average investment return of -4.9%.

It also meant that the TAC's operating loss after tax for the full year was limited to \$160 million (loss of \$192 million in 2000/01), despite the adverse impact arising from the effect of external factors of \$505 million (2000/01 – negative impact of \$271 million).

The TAC's rolling five-year real investment return of 3.4% per annum was slightly below the targeted real return of 5% per annum.

ASSETS AND LIABILITIES

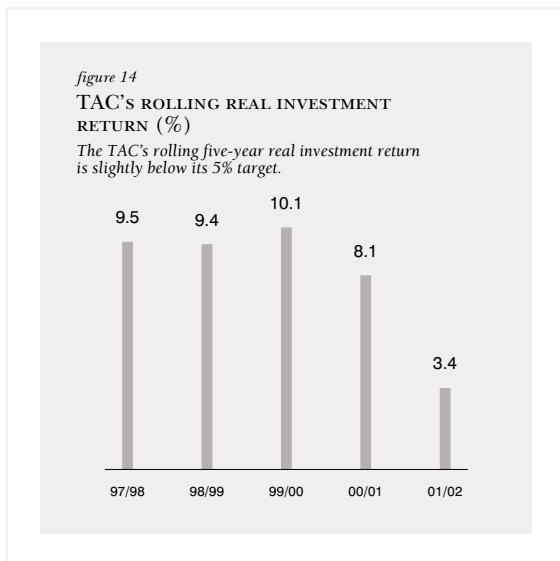
The TAC's total assets as at 30 June 2002 were \$5.57 billion (\$5.57 billion at 30 June 2001), while total liabilities were \$4.88 billion (\$4.63 billion at 30 June 2001).

The TAC's funding ratio at 30 June 2002 was 110.7% after allowing for a \$110 million accident prevention blackspot dividend to the State Government (115.3% in the previous year).

DIVIDENDS

Under the *Transport Accident Act 1986*, the TAC pays an annual dividend to the Victorian Government. The benchmark dividend payment is 50% of after-tax profit, although this may be adjusted for various factors such as scheme cost trends and funding ratio levels.

Due to the operating loss recorded for 2001/02, no ordinary dividend will be paid this financial year.



FINANCIAL REPORTS
2002



STATEMENTS OF FINANCIAL PERFORMANCE		CONSOLIDATED		TAC	
FOR THE YEAR ENDED 30 JUNE 2002		2002	2001	2002	2001
	NOTE	\$000	\$000	\$000	\$000
Net premium revenue		813,927	767,682	813,927	767,682
Gross investment revenue/(loss)	5	(147,747)	104,463	(147,747)	104,519
Claims recoveries revenue		(280)	4,328	(280)	4,328
TOTAL OPERATING INCOME		665,900	876,473	665,900	876,529
Gross claims incurred	6	(688,107)	(950,991)	(694,733)	(957,303)
Administration costs	4	(83,449)	(78,259)	(76,823)	(71,947)
Accident prevention programs		(23,080)	(21,004)	(23,080)	(21,004)
Trauma projects funding		(8,686)	(7,764)	(8,686)	(7,764)
Premium collection fees		(16,751)	(16,096)	(16,751)	(16,096)
Investment fees and expenses		(4,435)	(4,805)	(4,435)	(4,861)
LOSS FROM OPERATING ACTIVITIES	3	(158,608)	(202,446)	(158,608)	(202,446)
Farrow Group revenue		8,708	9,866	8,708	9,866
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(149,900)	(192,580)	(149,900)	(192,580)
Income tax revenue/(expense)	7(a)	(10,534)	175	(10,534)	175
NET LOSS	16	(160,434)	(192,405)	(160,434)	(192,405)

THE ATTACHED NOTES FORM PART OF THE FINANCIAL REPORTS

STATEMENTS OF FINANCIAL POSITION		CONSOLIDATED		TAC	
AS AT 30 JUNE 2002		2002	2001	2002	2001
	NOTE	\$000	\$000	\$000	\$000
CURRENT ASSETS					
Cash assets	23	3,320	13,593	3,320	13,593
Receivables	9	32,154	27,793	31,435	27,241
Other assets	10	9,265	8,421	9,265	8,421
Tax refund receivable	7(b)	0	34,785	0	34,780
Investments	8	350,173	384,725	350,173	694,225
TOTAL CURRENT ASSETS		394,912	469,317	394,193	778,260
NON-CURRENT ASSETS					
Receivables	9	130,450	106,079	130,450	106,079
Other assets	10	17,915	9,140	17,915	9,140
Equipment, furniture and IT systems	11	8,727	8,817	8,727	8,817
Investments	8	4,874,316	4,842,837	4,874,316	4,842,837
Deferred tax assets	7(d)	139,362	133,904	139,128	133,737
TOTAL NON-CURRENT ASSETS		5,170,770	5,100,777	5,170,536	5,100,610
TOTAL ASSETS		5,565,682	5,570,094	5,564,729	5,878,870
CURRENT LIABILITIES					
Payables	12	42,596	44,822	42,434	354,147
Unearned premiums		410,214	386,392	410,214	386,392
Tax liabilities	7(b)	34,449	0	34,431	0
Outstanding claims	13	628,791	573,540	628,791	573,540
Provisions	14	3,933	3,830	3,487	3,470
TOTAL CURRENT LIABILITIES		1,119,983	1,008,584	1,119,357	1,317,549
NON-CURRENT LIABILITIES					
Outstanding claims	13	3,660,712	3,508,148	3,660,712	3,508,148
Provisions	14	4,839	4,272	4,512	4,083
Deferred tax liabilities	7(c)	89,827	108,335	89,827	108,335
TOTAL NON-CURRENT LIABILITIES		3,755,378	3,620,755	3,755,051	3,620,566
TOTAL LIABILITIES		4,875,361	4,629,339	4,874,408	4,938,115
NET ASSETS		690,321	940,755	690,321	940,755
EQUITY					
Reserve for accident prevention blackspot dividend	15	110,000	200,000	110,000	200,000
Retained surplus	16	580,321	740,755	580,321	740,755
TOTAL EQUITY		690,321	940,755	690,321	940,755

THE ATTACHED NOTES FORM PART OF THE FINANCIAL REPORTS

STATEMENTS OF CASH FLOWS		CONSOLIDATED		TAC	
FOR THE YEAR ENDED 30 JUNE 2002		2002	2001	2002	2001
	NOTE	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Transport accident charges collected		918,130	867,744	918,130	867,744
Dividends received		92,376	89,922	92,376	89,922
Interest received		141,733	149,400	141,733	149,400
Claims paid		(543,717)	(508,784)	(543,717)	(508,784)
Claims recoveries received		9,564	10,849	9,564	10,849
Payments to suppliers and employees		(104,239)	(103,038)	(104,154)	(102,905)
Payments for accident prevention programmes		(25,143)	(20,615)	(25,143)	(20,615)
Goods and services tax paid		(56,613)	(94,846)	(56,613)	(94,847)
Tax refund/(paid)		34,735	(61,268)	34,780	(61,158)
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	466,826	329,364	466,956	329,606
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans received from controlled entities		0	0	(309,630)	(242)
Payments for investments		(4,616,571)	(3,233,101)	(4,616,571)	(3,233,101)
Proceeds from sale of investments		4,260,760	3,073,739	4,570,260	3,073,739
Payments for equipment, furniture and IT systems		(2,166)	(4,730)	(2,166)	(4,730)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(357,977)	(164,092)	(358,107)	(164,334)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(90,000)	(175,743)	(90,000)	(175,743)
Farrow Group liquidation distributions received		(81)	10,831	(81)	10,831
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(90,081)	(164,912)	(90,081)	(164,912)
NET INCREASE IN CASH HELD					
Cash at the beginning of the financial year		108,375	105,786	108,375	105,786
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year		1,125	2,229	1,125	2,229
CASH AT END OF THE FINANCIAL YEAR	23	128,268	108,375	128,268	108,375

THE ATTACHED NOTES FORM PART OF THE FINANCIAL REPORTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies, which have been adopted in the preparation of this financial report, are:

(A) BASIS OF PREPARATION

The financial reports of the Transport Accident Commission (TAC), the parent entity, and the consolidated financial report of the economic entity are general purpose financial reports which have been prepared in accordance with the provisions of the *Financial Management Act 1994*, applicable Australian Accounting Standards (AAS) and other mandatory professional reporting requirements.

The consolidated financial report of the economic entity includes the financial reports of the controlled entities, listed in note 18.

The consolidated financial report has been prepared on the basis of historical costs and does not take into account changing money values, except for outstanding claims liabilities, which are recognised at present value, and investments which are included at net market value. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(B) REVENUE RECOGNITION

PREMIUM REVENUE

Premium revenue comprises transport accident charges for motor vehicles and levies for Public Transport Corporation and other bodies charged under Part 7 of the *Transport Accident Act 1986*. Premium revenue does not include stamp duty and goods and services tax received on behalf of the State and Federal governments.

The earned portion of the premiums charged is recognised as revenue from the date of attachment of risk. The pattern of recognition over the policy period is based on time, which is considered to approximate closely the pattern of risks underwritten.

INVESTMENT REVENUE

Dividend income is recognised when the market prices are quoted ex-dividend, whilst interest revenue is recognised on an accrual basis. Trust distribution income is recognised when the market prices are quoted ex-distribution for listed trust.

Changes in net market values of investments at balance date, as compared with their net market value at the previous balance date or cost of acquisition if acquired during the financial year, are recognised as investment revenue. Profits and losses arising on foreign currency transactions are included in investment revenue. Realised gains or losses on the termination of derivative financial instruments and unrealised gains or losses on changes in net market values of financial instruments are included in investment revenue.

CLAIMS RECOVERIES REVENUE

Recoveries on claims paid and outstanding claims are recognised as revenue and are actuarially assessed in a manner similar to the assessment of outstanding claims.

(C) UNEARNED PREMIUMS

Unearned premiums represent the proportion of premiums written, which relate to periods of insurance subsequent to balance date, computed on the basis that the risk attaches to all policies from the middle of the month in which they are written.

(D) OUTSTANDING CLAIMS

The liability for outstanding claims is in respect of claims incurred but not yet paid, claims incurred but not yet reported (IBNR) and the anticipated direct and indirect costs of those claims. The liability for outstanding claims has been measured on the basis of actuarially estimated costs of claims, which include goods and services tax and the anticipated effects of inflation and other factors and are discounted to a present value at balance date.

The discount rate the TAC uses for discounting outstanding claims liabilities is based on the anticipated rate of return on the TAC's assets. The rate is expected to be sustainable over the duration of the liabilities.

Claims liabilities include a prudential margin to increase the probability of sufficiency of the liabilities to 80%–85% in recognition that there are inherent uncertainties in the actuarial assumptions underlying the present value calculation.

(E) CLAIMS RECOVERIES RECEIVABLES

Recoveries on claims paid and outstanding claims are reported as assets and are based on actuarial assessment in a manner similar to the measurement of outstanding claims liability and discounted to a present value at balance date (Note 1(d)).

(F) DEFERRED ACQUISITION COSTS

Acquisition costs represent fees paid and/or payable to VicRoads for the collection of transport accident charges for motor vehicles. A portion of acquisition costs relating to unearned premium is deferred in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount and are amortised over the financial year expected to benefit from the expenditure.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***(G) INVESTMENTS**

Investments are stated at net market value at balance date after allowing for anticipated costs of disposal. Net market values for listed equities, property trust units and government, semi-government and corporate bonds are determined based on market quotations and other recognised pricing sources. Discount securities are stated at net market value based on current redemption yields.

Investments that are due to mature, expire or be realised within twelve months of balance date are classified as current investments in the statement of financial position.

(H) SECURITIES LENDING

The TAC makes its investment portfolio available for securities to be lent. Securities lending involves the lending of securities to third parties in exchange for either cash or securities collateral in excess of the market value of the securities lent for a fee. The securities lent continue to be classified as investments on the basis that the risks and benefits of ownership of the securities remain with the TAC.

(I) FOREIGN CURRENCY CONVERSIONS

Transactions undertaken by international fund managers that are denoted in foreign currencies are converted to Australian currency at the rate of exchange prevailing at the date of the transaction. Investments held at balance date that are denominated in foreign currencies have been converted to Australian currency using exchange rates at the date of transaction.

(J) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives used by the TAC are financial instruments whose existence is derived from the value of, or changes in the value of, an underlying investment instrument. Derivatives are valued at net market value at balance date based on published market quotations.

Exchange traded options and futures contract may be entered into by the TAC's investment managers to manage exposure to relevant markets. Options and futures contract are marked to market daily, based on closing prices in the relevant markets.

All exchange gains and losses relating to forward foreign exchange contracts are brought to account in the profit and loss account in the same period as the exchange differences on the investments covered by the hedging transactions.

(K) EMPLOYEE ENTITLEMENTS

The provisions for employee entitlements to salaries and annual leave are recognised as a current liability. The provisions have been calculated as the amount unpaid at the balance date at undiscounted amounts based on current salary rates in respect of employees' services up to that date and includes related on-costs.

The provision for employee entitlements to long service leave are measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity, which closely match the estimated future cash outflows. Entitlements payable within twelve months are shown as a current liability.

In determining the provision for long service leave consideration has been given to future increases in salary rates and experience of employee departures. Related on-costs have also been included in the liability.

Contributions to employee superannuation funds are charged as an expense as the contributions are paid or become payable.

(L) FARROW (PYRAMID) GROUP OF BUILDING SOCIETIES – ASSETS AND LIABILITIES

In accordance with the *Transport Accident (Amendment) Act 1992*, the liabilities associated with the liquidation of the failed Farrow Group of building societies (Pyramid, Geelong and Countrywide) were transferred to the TAC on 15 January 1993, along with the right to receive the distributions from the liquidator and any outstanding amounts received from the petrol levy introduced by the Victorian Government. As a result of this transfer, the accumulated loss incurred by the TAC at balance date is \$384.4 million (2001 – \$393.1 million).

The fair market value of distributions from the liquidator represents the net present value of expected future distributions and is based on the liquidator's cash flow forecasts. The discount rate TAC uses for discounting is the same discount rate used in the actuarial assessment of outstanding claims liabilities.

(M) DEPRECIATION

Depreciation is provided on a straight line basis on IT systems, furniture and equipment at rates which allocate their costs over their estimated useful lives to the TAC. Depreciation rates are reviewed annually to ensure the carrying amounts reflect the remaining useful lives of the respective assets.

The depreciation rates applied to each of the asset classes are as follows:

- IT systems 33%
- Furniture and equipment 10%–15%

(N) DIVIDENDS

In accordance with section 29B of the *Transport Accident Act 1986*, the TAC is required to pay to the Victorian State Government, a dividend as determined by the Treasurer after consultation with the TAC and the Minister for WorkCover. No dividend has been accrued in respect of 2001/02.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(O) INCOME TAX

In accordance with section 88 (3D) of the *State Owned Enterprises Act 1992* the TAC is required to pay income tax equivalent under the National Tax Equivalent Regime (NTER), which replaced the Victorian State Tax Equivalent System, effective 1 July 2001. Controlled entities are subject to the *Federal Income Tax Assessment Act 1936*.

Tax effect accounting is applied using the liability method, whereby income tax is regarded as an expense, and calculated on accounting profit after allowing for permanent differences. Income tax on timing differences is set aside to either the deferred income tax or future income tax benefit accounts at current rates. Any future income tax benefit relating to tax losses is not carried forward unless the benefit is virtually certain of being realised.

(P) GOODS AND SERVICES TAX

Revenues, expenses and fixed assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Authority (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of expense. Receivables and payables are stated inclusive of GST. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(Q) ROUNDING OFF

All amounts are expressed to the nearest \$1,000.

2) REVENUE FROM OPERATING ACTIVITIES		CONSOLIDATED		TAC	
		2002	2001	2002	2001
	NOTE	\$000	\$000	\$000	\$000
Premium revenue		814,927	768,657	814,927	768,657
Claims recoveries revenue	6	(280)	4,328	(280)	4,328
Dividends		93,933	91,747	93,933	91,803
Interest income		141,319	146,291	141,319	146,291
Proceeds from sale of investments		4,260,760	3,073,739	4,570,260	3,073,739
		5,310,659	4,084,762	5,620,159	4,084,818

3) LOSS FROM OPERATING ACTIVITIES		CONSOLIDATED		TAC	
		2002	2001	2002	2001
	NOTE	\$000	\$000	\$000	\$000
Premium revenue		814,927	768,657	814,927	768,657
Reinsurance expenses		(1,000)	(975)	(1,000)	(975)
Net premium revenue		813,927	767,682	813,927	767,682
Claims recoveries revenue	6	(280)	4,328	(280)	4,328
Gross claims incurred	6	(688,107)	(950,991)	(694,733)	(957,303)
Administration and program costs		(115,215)	(107,027)	(108,589)	(100,715)
Premium collection fees		(16,751)	(16,096)	(16,751)	(16,096)
Underwriting loss		(6,426)	(302,104)	(6,426)	(302,104)
Investment revenue/(loss)	5	(152,182)	99,658	(152,182)	99,658
LOSS FROM OPERATING ACTIVITIES		(158,608)	(202,446)	(158,608)	(202,446)
(A) LOSS FROM OPERATING ACTIVITIES INCLUDES THE FOLLOWING EXPENSES:					
• Bad and doubtful debts		362	2,950	362	2,950
• Depreciation on equipment and furniture		2,245	1,549	2,245	1,549
• Employee entitlement provisions		1,610	1,751	1,386	1,569
• Net operating lease rentals		4,085	4,247	4,085	4,247

3) LOSS FROM OPERATING ACTIVITIES *(continued)*

(B) EXPLANATION OF VOLATILITY OF FINANCIAL RESULTS

This note provides additional analysis of the net loss after tax of \$160.4 million (2001 – \$192.4 million).

The net loss for the current year was principally due to investment markets producing a return well below long-term expectations. Given the long-term nature of the TAC scheme both from an investment and outstanding claims perspective, the operating result for the TAC is significantly affected by short-term market factors external to the organisation. External factors are factors which are beyond the control of management and include the difference between actual returns and the long-term expected returns advised by the TAC's asset consultant, changes in claims economic assumptions and changes in legislation impacting the TAC. External factors can cause significant variations in reported results from year to year as illustrated below.

The financial result for the 2001/02 financial year was adversely affected by an actual return on investment that was \$550 million (2001 – \$288 million) less than the estimated long-term return of \$398 million (2001 – \$388 million). The Board considers that additional disclosure in the financial report is therefore warranted to explain the impact of external factors on the financial performance.

The table below highlights the impact from short-term fluctuations and economic assumptions on the financial result.

	2002 \$M	2001 \$M
Short-term investment fluctuations ¹	(550)	(288)
Changes in inflation assumptions and discount rates ²	29	9
Impact from legislative changes ³	16	(23)

¹ Weak global financial markets led to a lower than anticipated actual return in 2001/02 of negative 2.9% compared to the long-term expected return of 7.5%.

² In 2001/02 there were modest changes in economic assumptions (e.g. increase in real discount rates) used to determine claims liability, which impacted the results. Similarly, in 2000/01 interest rates remained relatively stable, with minimal impact on results.

³ Relates to legislative changes impacting the TAC.

4) ADMINISTRATION COSTS

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Staff and related	(45,129)	(43,722)	(38,746)	(37,636)
Information technology	(21,454)	(18,549)	(21,454)	(18,625)
Operating costs	(16,866)	(15,988)	(16,623)	(15,686)
	(83,449)	(78,259)	(76,823)	(71,947)

5) INVESTMENT REVENUE

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Dividends	93,933	91,747	93,933	91,803
Interest	141,319	146,291	141,319	146,291
Changes in net market values of investments				
• Unrealised losses	(425,337)	(2,097)	(425,337)	(2,097)
• Realised gains/(losses)	42,338	(131,478)	42,338	(131,478)
	(147,747)	104,463	(147,747)	104,519
Investment fees and expenses	(4,435)	(4,805)	(4,435)	(4,861)
	(152,182)	99,658	(152,182)	99,658

Investment revenue for 2001/02 was significantly lower than 2000/01 mainly due to lower investment returns from the international and domestic equity markets.

6) CLAIMS INCURRED

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks (e.g. changes in economic assumptions, prudential margin and claims experience) borne in all previous financial years and include the effects of discounting caused by the natural reduction in discount, as the claims move one year closer to settlement.

	2002 CONSOLIDATED			2001 CONSOLIDATED		
	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000
Gross claims incurred						
• Undiscounted	1,481,377	(279,996)	1,201,381	1,719,855	382,464	2,102,319
• Discount	(748,275)	235,001	(513,274)	(966,498)	(184,830)	(1,151,328)
	733,102	(44,995)	688,107	753,357	197,634	950,991
Claims recoveries						
• Undiscounted	(14,808)	8,862	(5,946)	(17,890)	14,699	(3,191)
• Discount	5,554	672	6,226	6,941	(8,078)	(1,137)
	(9,254)	9,534	280	(10,949)	6,621	(4,328)
NET CLAIMS INCURRED	723,848	(35,461)	688,387	742,408	204,255	946,663

	2002 TAC			2001 TAC		
	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000
Gross claims incurred						
• Undiscounted	1,488,003	(279,996)	1,208,007	1,726,167	382,464	2,108,631
• Discount	(748,275)	235,001	(513,274)	(966,498)	(184,830)	(1,151,328)
	739,728	(44,995)	694,733	759,669	197,634	957,303
Claims recoveries						
• Undiscounted	(14,808)	8,862	(5,946)	(17,890)	14,699	(3,191)
• Discount	5,554	672	6,226	6,941	(8,078)	(1,137)
	(9,254)	9,534	280	(10,949)	6,621	(4,328)
NET CLAIMS INCURRED	730,474	(35,461)	695,013	748,720	204,255	952,975

Net claims incurred for 2001/02 was lower than for 2000/01 principally due to substantially improved major injury claims experience (refer also to note 13).

The claims payments and movements in outstanding claims liability during the year by benefit type, are as follows:

	2002 CONSOLIDATED			2001 CONSOLIDATED		
	CLAIMS PAYMENTS ¹ \$000	LIABILITY MOVEMENTS ² \$000	TOTAL \$000	CLAIMS PAYMENTS ¹ \$000	LIABILITY MOVEMENTS ² \$000	TOTAL \$000
TAC Scheme – No-fault	345,499	203,141	548,640	324,671	417,646	742,317
TAC Scheme – Common Law	163,900	(39,632)	124,268	160,732	33,697	194,429
Run-off Scheme	8,969	6,230	15,199	7,658	6,587	14,245
	518,368	169,739	688,107	493,061	457,930	950,991
Recoveries	(7,371)	7,651	280	(6,876)	2,548	(4,328)
	510,997	177,390	688,387	486,185	460,478	946,663

6) CLAIMS INCURRED (continued)

	2002 TAC			2001 TAC		
	CLAIMS PAYMENTS ¹	LIABILITY MOVEMENTS ²	TOTAL	CLAIMS PAYMENTS ¹	LIABILITY MOVEMENTS ²	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
TAC Scheme – No-fault	348,679	203,141	551,820	327,701	417,646	745,347
TAC Scheme – Common Law	167,346	(39,632)	127,714	164,014	33,697	197,711
Run-off Scheme	8,969	6,230	15,199	7,658	6,587	14,245
	524,994	169,739	694,733	499,373	457,930	957,303
Recoveries	(7,371)	7,651	280	(6,876)	2,548	(4,328)
	517,623	177,390	695,013	492,497	460,478	952,975

¹ Claims payments are offset by GST credits whilst the claims payments in the statement of cash flow are stated on a gross basis inclusive of GST.

² The increase in claims liability is offset by GST credits on future claims payments.

7) INCOME TAX

The amount of income tax attributable to the financial year differs from the amount calculated on the loss from ordinary activities.

The differences are reconciled as follows:

(A) INCOME TAX EXPENSE/(REVENUE)	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
PRIMA FACIE INCOME TAX ON THE LOSS FROM ORDINARY ACTIVITIES AT 30% (2001 – 34%)	(44,970)	(65,477)	(44,970)	(65,477)
Tax effect of permanent differences which reduce tax payable:				
• Tax exempt foreign income	79,504	73,574	79,504	73,574
• Rebateable dividends	(21,399)	0	(21,399)	0
• Farrow Group revenue	(2,627)	(3,373)	(2,627)	(3,373)
• Sundry items	26	(51)	26	(51)
	10,534	4,673	10,534	4,673
Tax effect of decrease in tax rates on deferred tax balances	0	(4,848)	0	(4,848)
INCOME TAX EXPENSE / (REVENUE)	10,534	(175)	10,534	(175)
Comprising:				
• Current taxation provision	34,499	40	34,431	0
• Deferred income tax provision	(18,506)	12,418	(18,506)	12,418
• Future income tax benefit	(5,459)	(11,140)	(5,391)	(11,100)
• Overprovision in prior year	0	(1,493)	0	(1,493)
	10,534	(175)	10,534	(175)

(B) PROVISION FOR CURRENT INCOME TAX

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Balance at beginning of year	(34,785)	27,936	(34,780)	27,871
Movements during the year:				
• Income tax received/ (paid)	34,735	(61,268)	34,780	(61,158)
• Current year's income tax expense	34,499	40	34,431	0
• Overprovision in prior year	0	(1,493)	0	(1,493)
	34,449	(34,785)	34,431	(34,780)

7) INCOME TAX (continued)

(C) PROVISION FOR DEFERRED INCOME TAX	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:				
• Unrealised gain on investments	90,142	125,935	90,142	125,935
• Reduction attributable to tax losses	0	(17,467)	0	(17,467)
• Difference in depreciation of plant and equipment for accounting and income tax purposes	(315)	(133)	(315)	(133)
	89,827	108,335	89,827	108,335

(D) PROVISION FOR FUTURE INCOME TAX BENEFIT	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:				
• Claims handling expense included in outstanding claims	130,311	123,315	130,311	123,315
• Provisions and accrued employee entitlements not currently deductible	8,282	8,122	8,048	7,955
• Accruals not currently deductible	769	2,467	769	2,467
	139,362	133,904	139,128	133,737

A controlled entity, Southgate Trust, was determined on 18 December 2001 and had unrecouped income tax losses of \$117 million, which were unable to be utilised by the TAC for offset against future years' taxable income.

8) INVESTMENTS	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
CURRENT				
Bank, money market, foreign currency and other deposits	187,117	99,483	187,117	99,483
Investment receivables	47,910	46,594	47,910	46,594
Investments in controlled entities	0	0	0	309,500
Government, semi-government and corporate bonds	115,146	238,648	115,146	238,648
	350,173	384,725	350,173	694,225
NON-CURRENT ¹				
Government, semi-government and corporate bonds	1,924,807	1,761,285	1,924,807	1,761,285
Domestic equities	1,283,166	1,505,607	1,283,166	1,505,607
International equities ²	1,226,104	1,276,891	1,226,104	1,276,891
Property trust units	440,239	299,054	440,239	299,054
	4,874,316	4,842,837	4,874,316	4,842,837
TOTAL INVESTMENTS	5,224,489	5,227,562	5,224,489	5,537,062

¹ Non current investments are readily convertible to cash assets.

² The TAC utilises forward contracts to hedge the currency exposure of international equities.

8) INVESTMENTS (continued)

(A) MONETARY ITEMS DENOMINATED IN FOREIGN CURRENCIES

The following Australian dollar equivalents collectively account for the majority of foreign currency investments held at balance date:

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
United States dollar	701,102	717,743	701,102	717,743
Euro dollar	181,217	220,338	181,217	220,338
Japanese yen	118,118	146,131	118,118	146,131
United Kingdom pound sterling	143,901	130,862	143,901	130,862

g) RECEIVABLES

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
CURRENT				
Premiums receivable	8,426	8,091	8,426	8,091
Input tax credits ¹	14,926	7,930	14,926	7,930
Claims recoveries and other debtors	15,298	16,658	14,579	16,106
Less: Provision for doubtful debts	(6,496)	(4,886)	(6,496)	(4,886)
	8,802	11,772	8,083	11,220
	32,154	27,793	31,435	27,241
NON-CURRENT				
Input tax credits ¹	74,930	43,851	74,930	43,851
Claims recoveries receivable	55,996	63,952	55,996	63,952
Less: Provision for doubtful debts	(476)	(1,724)	(476)	(1,724)
	55,520	62,228	55,520	62,228
	130,450	106,079	130,450	106,079

¹ These amounts represent the GST credits which the TAC is entitled to claim on future claims payments. The amounts are actuarially estimated and discounted to present value at balance date.

10) OTHER ASSETS

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
CURRENT				
Deferred acquisition costs	8,489	8,024	8,489	8,024
Prepayments and others	776	397	776	397
	9,265	8,421	9,265	8,421
NON-CURRENT				
Farrow distribution	17,915	9,140	17,915	9,140
	17,915	9,140	17,915	9,140

11) EQUIPMENT, FURNITURE AND IT SYSTEMS	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
EQUIPMENT, FURNITURE AND IT SYSTEMS				
At cost	17,281	15,637	17,281	15,637
Less: Accumulated depreciation	(8,554)	(6,820)	(8,554)	(6,820)
WRITTEN DOWN VALUE	8,727	8,817	8,727	8,817
RECONCILIATION				
Opening written down value as at 1 July	8,817	5,707	8,817	5,707
Additions	2,166	4,795	2,166	4,795
Disposals	(11)	(136)	(11)	(136)
Current year depreciation	(2,245)	(1,549)	(2,245)	(1,549)
CLOSING WRITTEN DOWN VALUE AS AT 30 JUNE	8,727	8,817	8,727	8,817

12) PAYABLES	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
CURRENT				
Advance premiums ¹	14,422	17,200	14,422	17,200
Accruals	24,853	18,099	24,853	18,093
GST payable	3,321	3,431	3,151	3,124
Interest bearing liabilities	0	6,092	0	6,092
Amount due to controlled entities	0	0	8	309,638
	42,596	44,822	42,434	354,147

¹ Advance premiums represent premiums received for policies with attachment dates commencing after balance date.

13) OUTSTANDING CLAIMS

Outstanding claims liability as at 30 June 2002 has been determined by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Actuarial Pty Ltd.

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Current liability	628,791	573,540	628,791	573,540
Non-current liability	3,660,712	3,508,148	3,660,712	3,508,148
TOTAL OUTSTANDING CLAIMS LIABILITY	4,289,503	4,081,688	4,289,503	4,081,688
Undiscounted future claims payments	12,747,965	11,988,228	12,747,965	11,988,228
Discount to present value	(8,458,462)	(7,906,540)	(8,458,462)	(7,906,540)
TOTAL OUTSTANDING CLAIMS LIABILITY	4,289,503	4,081,688	4,289,503	4,081,688

TAC AND CONSOLIDATED	2002		2001	
	CLAIMS LIABILITY \$000	LIABILITY MOVEMENT ¹ \$000	CLAIMS LIABILITY \$000	LIABILITY MOVEMENT ¹ \$000
TAC Scheme – No-fault	2,803,298	221,750	2,581,547	447,350
TAC Scheme – Common Law	1,276,076	(19,960)	1,296,037	52,011
Run-off Scheme	210,129	6,025	204,104	6,310
	4,289,503	207,815	4,081,688	505,671

¹ The increase in claims liability does not include recoveries and input tax credits for the goods and services tax payable on future claims payments.

13) OUTSTANDING CLAIMS *(continued)*

The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 9.7 years (2001 – 9.5 years).

The prudential margin included in the outstanding claims liability as at 30 June 2002 is 15% (2001 – 15%) of central estimate including claims handling expenses and after deducting recoveries.

The following inflation rates and discount rates were used in estimating the liability for outstanding claims (refer Note 1(d)). The discount rate is equivalent to risk free rates plus 1% per annum. Claims inflation includes wage inflation plus superimposed inflation. Superimposed inflation is included on some but not all TAC claims benefits. The equivalent average superimposed inflation rate across all claims payments is 1% per annum (2001 – 1%).

CLAIMS EXPECTED TO BE PAID	DISCOUNT RATE		WAGE INFLATION RATE	
	2002	2001	2002	2001
	%	%	%	%
Year 1	6.3	6.0	3.6	3.5
Year 2 to 5	7.1	7.2	3.7	3.9
Year 6+	7.4	7.4	3.4	3.5

14) PROVISIONS

	CONSOLIDATED		TAC	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
CURRENT				
Employee entitlements ¹	3,788	3,627	3,342	3,267
Farrow liabilities	145	203	145	203
	3,933	3,830	3,487	3,470
NON-CURRENT				
Employee entitlements ¹	4,585	4,062	4,258	3,873
Farrow liabilities	254	210	254	210
	4,839	4,272	4,512	4,083
¹ Aggregate employee entitlements	8,373	7,689	7,600	7,140

15) RESERVE FOR ACCIDENT PREVENTION BLACKSPOT DIVIDEND

	CONSOLIDATED		TAC	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Balance as at 1 July	200,000	240,000	200,000	240,000
Dividend paid	(90,000)	(40,000)	(90,000)	(40,000)
BALANCE AS AT 30 JUNE	110,000	200,000	110,000	200,000

The TAC had committed to funding a \$240 million special dividend to the Government to improve accident blackspot sites throughout the State.

16) RETAINED SURPLUS

	CONSOLIDATED		TAC	
	2002	2001	2002	2001
	\$000	\$000	\$000	\$000
Balance as at 1 July	740,755	933,160	740,755	933,160
Operating loss from the current year	(160,434)	(192,405)	(160,434)	(192,405)
BALANCE AS AT 30 JUNE	580,321	740,755	580,321	740,755

17) COMMITMENTS

At balance date, the total expenditure contracted but not provided for in the financial report is as follows:

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
OPERATING LEASE COMMITMENTS, PAYABLE:				
• No later than one year	5,098	4,525	5,098	4,525
• Later than one year but not later than five years	17,167	15,828	17,167	15,828
• Later than five years	12,311	15,029	12,311	15,029
	34,576	35,382	34,576	35,382
ADMINISTRATIVE EXPENDITURE COMMITMENT, PAYABLE:				
• No later than one year	20,393	19,028	20,393	19,028
• Later than one year but not later than five years	17,470	24,749	17,470	24,749
	37,863	43,777	37,863	43,777

18) CONTROLLED ENTITIES

	BOOK VALUE OF IMMEDIATE PARENT ENTITY INVESTMENT	
	2002 \$000	2001 \$000
Name of entity controlled by the TAC		
• TAC Law Pty Ltd	0	0
• Southgate Trust (determined on 18 December 2001)	–	309,500
• Opalwood Pty Ltd (deregistered on 11 June 2002)	–	0
	0	309,500

COUNTRY OF INCORPORATION

All controlled body corporates are incorporated in Victoria, Australia.

SHAREHOLDINGS

The TAC does not own shares in TAC Law Pty Ltd (TAC Law), which provides legal services to the TAC under a retainer agreement. The TAC is the principal client of TAC Law and is deemed to have control over TAC Law for financial reporting purposes. The financial report of TAC Law is accordingly consolidated with that of the TAC.

DISPOSALS OF ENTITIES

Southgate Trust was determined on 18 December 2001, upon the redemption of 309.50 million units held by the TAC. Details of the redemption is as follows:

	TAC	TAC
	2002 \$000	2001 \$000
Net proceeds on disposal-cash consideration	309,500	0
Net assets of entities disposed	309,500	0
NET PROFIT ON DISPOSALS	0	0

On 11 June 2002, the voluntary deregistration of Opalwood Pty Ltd under subsection 601AA(2) of the *Corporations Act 2001* was approved by the Australian Securities and Investments Commission.

19) AMOUNT PAID OR DUE AND PAYABLE TO THE AUDITOR-GENERAL

The amount paid or due and payable to the Auditor-General for auditing the financial reports.

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Amount paid or due and payable	143	139	137	129

20) EXECUTIVE OFFICERS' REMUNERATION	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Income received, or due and receivable by Australian-based executive officers (excluding the Managing Director) whose income is more than \$100,000 from the TAC.	1,561	1,505	1,561	1,505
The number of Australian-based executive officers (excluding the Managing Director) whose income is more than \$100,000 is shown below in their relevant income bands:	No.	No.	No.	No.
\$110,000 – \$119,999	0	1	0	1
\$130,000 – \$139,999	0	2	0	2
\$140,000 – \$149,999	1	0	1	0
\$150,000 – \$159,999	1	0	1	0
\$160,000 – \$169,999	2	0	2	0
\$170,000 – \$179,999	0	1	0	1
\$210,000 – \$219,999	0	1	0	1
\$220,000 – \$229,999	3	1	3	1
\$230,000 – \$239,999	1	1	1	1
\$260,000 – \$269,999	0	1	0	1

Executive officers' remuneration represents all payments, including superannuation contributions, made in accordance with individual employment contracts.

Executive numbers vary from year to year due to the timing of appointments, resignations, and the composition of the executive officers.

21) EMPLOYEE SUPERANNUATION

Superannuation contributions are provided for employees via the following superannuation funds:

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
State Superannuation Fund	872	865	872	865
Victorian Superannuation Fund	1,623	1,468	1,433	1,274
Private Sector Complying Funds	533	464	345	270
	3,028	2,797	2,650	2,409

The basis of superannuation contributions for the above funds is in accordance with the scales set out in the relevant legislation or the scales determined by the State Superannuation Fund and the Victorian Superannuation Fund. There are no contributions outstanding at balance date (2001 – nil).

The TAC has received confirmations from the Government Superannuation Office that there are no unfunded liabilities for employee entitlements for the defined benefit schemes under the State Superannuation Fund.

Employees have the option of contributing exclusively to private sector complying funds or contributing to the Victorian Superannuation Fund, or both.

22) RESPONSIBLE PERSON-RELATED PARTY DISCLOSURES

The names of responsible persons who held office during the financial year are:

The Minister,

The Honourable Bob Cameron MP, Minister for WorkCover

The Directors,

Mr James MacKenzie (Chair)

Mr Stephen Grant (Chief Executive Officer & Managing Director)

Mr Paul Barker (appointed 27 March 2002)

Ms Melanie McMillan (appointed 27 March 2002)

Dr Michael Pryles AM

Professor Danny Samson

Ms Anne Ward

Ms Judith Ward (appointed 22 August 2001)

Mr Alan Goodfellow (retired 29 May 2002)

22) RESPONSIBLE PERSON-RELATED PARTY DISCLOSURES *(continued)*

REMUNERATION OF RESPONSIBLE PERSONS

The relevant amounts relating to the Minister are reported separately in the Financial Reports of the Department of Premier and Cabinet.

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Income paid or payable or otherwise made available to directors of the TAC and a controlled entity	675	695	616	639
The number of directors of the TAC whose remuneration falls within the following bands:			No.	No.
\$1 – \$9,999			2	0
\$30,000 – \$39,999			4	5
\$40,000 – \$49,999			1	0
\$50,000 – \$59,999			0	1
\$60,000 – \$69,999			0	1
\$80,000 – \$89,999			1	0
\$150,000 – \$159,999			0	1
\$190,000 – \$199,999			0	1
\$330,000 – \$339,999			1	0

RETIREMENT BENEFITS OF RESPONSIBLE PERSONS

No retirement benefits were paid by the TAC in connection with the retirement of responsible persons during the financial year.

OTHER TRANSACTIONS OF RESPONSIBLE PERSONS AND RESPONSIBLE PERSON-RELATED PARTIES

Dr Michael Pryles AM, and Ms Anne Ward, are partners of the firm of Minter Ellison Lawyers, which has provided legal services to the TAC for a number of years on normal commercial terms and conditions.

Ms Judith Ward was a partner of PricewaterhouseCoopers, which has provided actuarial and internal audit services to the TAC for a number of years on normal commercial terms and conditions.

The aggregate amounts in respect of the following types of transactions with responsible persons and responsible person-related parties were:

	TAC AND CONSOLIDATED	
	2002 \$000	2001 \$000
Legal services	362	695
Actuarial and internal audit services	727	–
Research and consulting services	–	252

Mr James MacKenzie, Dr Michael Pryles AM, and Mr Paul Barker are directors of the Victorian WorkCover Authority (VWA), which is entitled to recover from the TAC under the *Accident Compensation Act 1985*, all compensation payable under the WorkCover scheme for injury in a transport accident during the course of work. In addition, the TAC pays annual WorkCover premium to the VWA through one of its authorised agents.

Dr Michael Pryles AM, and Ms Anne Ward are directors of TAC Law Pty Ltd, which is deemed a controlled entity of the TAC for financial reporting purposes (note 18). This company provides legal services to the VWA under a retainer agreement.

For the purposes of the disclosure requirements under the *Financial Management Act 1994*, the VWA is not considered to be a responsible person-related party.

OTHER RECEIVABLES FROM OR PAYABLES TO RESPONSIBLE PERSONS AND RESPONSIBLE PERSON-RELATED PARTIES

As at 30 June 2002, there are no receivables from, or payables to, responsible persons and responsible person-related parties other than the amounts included above.

RESPONSIBLE PERSON LOANS

For the year ended 30 June 2002, no loans were made to responsible persons and responsible person-related parties.

23) NOTES TO THE STATEMENT OF CASH FLOWS**(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, cash includes cash on hand and at banks and cash equivalent assets. Cash equivalent assets are highly liquid investments with short periods to maturity, which are readily convertible to cash at the option of the TAC. Cash at the end of the financial year, as shown in the statement of cash flows, is reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Cash at bank	3,320	13,593	3,320	13,593
Money market deposits	124,948	94,782	124,948	94,782
	128,268	108,375	128,268	108,375

(B) RECONCILIATION OF NET CASH PROVIDED BY OPERATING**ACTIVITIES TO NET LOSS**

	CONSOLIDATED		TAC	
	2002 \$000	2001 \$000	2002 \$000	2001 \$000
Net loss	(160,434)	(192,405)	(160,434)	(192,405)
Depreciation and amortisation	2,245	1,549	2,245	1,549
Unrealised loss on investment	425,337	2,097	425,337	2,097
Realised loss/(gain) on sale of investment	(42,338)	131,478	(42,338)	131,478
Farrow Group revenue	(8,708)	(9,866)	(8,708)	(9,866)
CHANGES IN ASSETS AND LIABILITIES				
Increase in outstanding claims	207,815	505,671	207,815	505,671
Increase in unearned premium reserve	23,822	19,898	23,822	19,898
Increase in receivables and other assets	(30,964)	(35,142)	(30,798)	(35,010)
Increase/(decrease) in creditors, accruals and provisions	4,782	(32,497)	4,701	(32,474)
Increase/(decrease) in net deferred tax balances	(23,965)	1,302	(23,898)	1,319
Increase/(decrease) in income tax payable	69,234	(62,721)	69,212	(62,651)
NET CASH FLOWS FROM OPERATING ACTIVITIES	466,826	329,364	466,956	329,606

24) FINANCIAL INSTRUMENTS**PURPOSE OF HOLDING DERIVATIVE PRODUCTS**

Derivative financial instruments, principally forward foreign exchange contracts and futures contracts may be utilised to gain access to, and allow flexibility within, the financial markets in order to manage and structure the investment portfolio in line with the TAC's investment strategy. Derivatives are not used to gear or leverage the fund. Derivative financial instruments are not held for speculative purposes.

In the case of cash and fixed interest investments, the TAC's investment managers may utilise Bank Bill and Bond Futures Contracts to provide a liquid and cost-effective method of achieving the desired interest rate exposure.

Hedging of equity positions may be undertaken by the TAC's investment managers via futures and options contracts, by selling such contracts against an underlying investment asset physical position, or by buying such contracts when backed by an underlying cash position.

INTEREST RATE RISK

(I) A SUMMARY OF THE TAC'S EXPOSURE TO INTEREST RATE RISK ON FINANCIAL INSTRUMENTS IS AS FOLLOWS:

2002	FIXED INTEREST MATURING IN					TOTAL CARRYING VALUE \$000
	FLOATING INTEREST RATE \$000	1 YEAR OR LESS \$000	1 TO 5 YEARS \$000	OVER 5 YEARS \$000	NON INTEREST BEARING \$000	
FINANCIAL ASSETS						
Cash and deposits	3,320	0	0	0	0	3,320
Other assets	0	0	0	0	17,915	17,915
Investments	0	296,509	945,291	1,016,449	2,966,240	5,224,489
TOTAL FINANCIAL ASSETS	3,320	296,509	945,291	1,016,449	2,984,155	5,245,724
Weighted average effective interest rate	4.50%	3.64%	5.76%	5.54%	-	
FINANCIAL LIABILITIES						
Accruals and creditors	0	0	0	0	24,853	24,853
Other liabilities	0	0	0	0	0	0
TOTAL FINANCIAL LIABILITIES	0	0	0	0	24,853	24,853
Weighted average effective interest rate	-	-	-	-	-	
NET FINANCIAL ASSETS	3,320	296,509	945,291	1,016,449	2,959,302	5,220,871

2001	FIXED INTEREST MATURING IN					TOTAL CARRYING VALUE \$000
	FLOATING INTEREST RATE \$000	1 YEAR OR LESS \$000	1 TO 5 YEARS \$000	OVER 5 YEARS \$000	NON INTEREST BEARING \$000	
FINANCIAL ASSETS						
Cash and deposits	13,593	0	0	0	0	13,593
Other assets	0	0	0	0	9,140	9,140
Investments	0	400,195	987,653	802,680	3,037,034	5,227,562
TOTAL FINANCIAL ASSETS	13,593	400,195	987,653	802,680	3,046,174	5,250,295
Weighted average effective interest rate	4.70%	4.85%	5.72%	5.46%	-	
FINANCIAL LIABILITIES						
Accruals and creditors	0	6,092	0	0	18,099	24,191
Other liabilities	0	0	0	0	413	413
TOTAL FINANCIAL LIABILITIES	0	6,092	0	0	18,512	24,604
Weighted average effective interest rate	-	7.50%	-	-	-	
NET FINANCIAL ASSETS	13,593	394,103	987,653	802,680	3,027,662	5,225,691

Accruals and creditors represent liabilities for goods and services provided to the economic entity, prior to the end of the financial year, which are unpaid. Amounts are normally settled within 30 days and are carried at nominal value.

In accordance with AAS 33, Presentation and Disclosure of Financial Instruments, obligations arising under insurance contracts have not been included in the above financial instruments disclosure.

(II) RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS

	CONSOLIDATED	
	2002 \$000	2001 \$000
Net financial assets as above	5,220,871	5,225,691
Non-financial assets and liabilities:		
• Provisions	(133,048)	(116,024)
• Net insurance liabilities	(4,699,717)	(4,468,080)
• Net non-financial assets	302,215	299,168
NET ASSETS PER STATEMENT OF FINANCIAL POSITION	690,321	940,755

CREDIT RISK

(I) CREDIT RISK EXPOSURES

The TAC's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

In relation to off balance sheet financial assets, credit risk arises through the failure of a counter party to meet its contractual obligations as and when they fall due. The TAC's maximum credit risk exposure in relation to these is as follows:

(a) The full amount of the foreign currency the TAC pays when settling a forward exchange contract, should the counter party not pay the dollars it is committed to deliver to the TAC. (Refer Note 8(a).)

(b) Futures – the counterparties to all futures transactions are recognised Futures Exchanges and, as a result, it is unlikely that significant risk exists as to exposures to the exchange.

(II) CONCENTRATION OF CREDIT RISK

The TAC manages credit risk by diversifying the exposure among counter parties and operating in liquid markets. The TAC does not have any significant concentration of credit risk on an industry, regional or country basis (the investment strategy of the TAC is to ensure a diversified portfolio).

LIQUIDITY RISK

Liquidity risk arises from being unable to meet financial obligations as they fall due. The TAC manages liquidity through holding high quality liquid assets in its total investment portfolio.

FOREIGN EXCHANGE RISK

The TAC limits foreign exchange risk through the use of forward contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to fully hedge the currency exposure of investments denominated in foreign currencies.

The forward exchange contracts are usually for less than 12 months and contracts outstanding at balance date in Australian dollar equivalents are:

	2002		2001	
	AVERAGE WEIGHTED EXCHANGE RATE	MARKET VALUE \$000	AVERAGE WEIGHTED EXCHANGE RATE	MARKET VALUE \$000
OUTSTANDING CONTRACTS (3 MONTHS OR LESS)				
United States dollar	0.5404	712,881	0.5143	700,711
Euro dollar	0.6007	187,349	0.5873	245,355
Japanese yen	69.3043	120,643	61.6226	141,002
United Kingdom pound sterling	0.3759	146,473	0.3615	132,724
Swiss franc	0.8724	44,883	0.8919	41,008
Canadian dollar	0.8516	28,186	0.7987	29,962
Swedish krona	5.4983	10,131	5.2414	14,463
Hong Kong dollar	4.2297	8,029	4.0315	13,175
Danish kroner	4.4568	3,984	4.3555	5,781
Singapore dollar	0.9778	4,442	0.9348	5,487

NET FAIR VALUES

(I) METHODS OF VALUING FINANCIAL INSTRUMENTS

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

(a) Financial instruments traded in an organised financial market (traded securities) – current quoted market bid price for an asset or offer price for a liability adjusted for any transaction costs necessary to realise the asset or settle the liability. Quoted market prices are available for listed shares, options debentures and other equity and debt securities.

(b) Financial instruments not readily traded in an organised financial market – the present value of contractual future cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, accounts receivable, accounts payable and dividends payable approximate net fair value.

(II) CARRYING VALUE OF FINANCIAL INSTRUMENTS

The TAC's financial assets and liabilities are carried at amounts that approximate net fair value in accordance with the requirements of AAS 26 Financial Reporting of General Insurance Activities.

25) SEGMENT INFORMATION

The TAC operates solely in Victoria and, predominantly, in the personal injury insurance industry.

STATEMENT BY CHAIR AND CHIEF EXECUTIVE OFFICER

We certify that the financial reports of the Transport Accident Commission have been prepared in accordance with applicable Australian Accounting Standards, other mandatory professional reporting requirements, the *Financial Management Act 1994* and Part 9 of the Directions under the *Financial Management Act 1994*.

In our opinion, the consolidated financial reports of the economic entity present fairly the results of the financial transactions of the economic entity during the year ended 30 June 2002 and the financial position of the economic entity as at that date.

At the date of signing these financial reports, we are not aware of any circumstances that would render any particulars included in the reports misleading or inaccurate.

Dated at Melbourne this 23rd day of August 2002.



JAMES MACKENZIE
CHAIR



STEPHEN GRANT
CHIEF EXECUTIVE OFFICER

AUDITOR GENERAL'S REPORT

To the Members of the Parliament of Victoria, the responsible Ministers and the Members of the Board of the Transport Accident Commission.

MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT

This audit report relates to the financial report of the Transport Accident Commission for the financial year ended 30 June 2002 included on the Commission's web site. The Members of the Board are responsible for the integrity of the Commission's web site. I have not been engaged to report on the integrity of the Commission's web site. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

AUDIT SCOPE

The accompanying financial report of the Transport Accident Commission for the financial year ended 30 June 2002, comprising the statement of financial performance, statement of financial position, statement of cash flows and notes to the financial statements, has been audited. The financial report includes the consolidated financial statements of the economic entity, comprising the Transport Accident Commission and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 18 to the financial statements. The Members of the Board are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the financial report has been carried out in order to express an opinion on it to the Members of the Parliament of Victoria, the responsible Ministers and the Members of the Board as required by the *Audit Act 1994*.

The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Commission's and the economic entity's financial position, financial performance and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of the Transport Accident Commission and the economic entity as at 30 June 2002, their financial performance and cash flows for the year then ended.

Dated at Melbourne this 23rd day of August 2002.



J.W. CAMERON
AUDITOR-GENERAL

CORPORATE GOVERNANCE

This statement covers the main corporate governance practices that ensure the TAC is managed so as to achieve its mission, meet commitments to stakeholders and operate commercially.

BOARD OF MANAGEMENT

The Chair and the Board are nominated by the Minister and appointed by the Governor in Council. There are presently seven non-executive directors, including the Chair, and one executive Director.

The Board has established clearly defined accountabilities and delegations for the Chief Executive Officer and TAC management. Policies and procedures cover all aspects of the TAC's activities and are reviewed regularly to ensure the TAC achieves its objectives regarding:

- compliance with applicable laws and regulations;
- reliability of financial reporting;
- safeguarding of assets; and
- effectiveness and efficiency of operations.

DIRECTORS' ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

Directors are entitled to seek independent professional advice in connection with their duties at the TAC's expense, unless determined otherwise by the Board.

CONFLICT OF INTEREST

If a Director has a direct or indirect pecuniary interest in a matter being considered by the Board, the Director must disclose the nature of the interest. Unless otherwise determined by the Minister or the Board, the Director must not be present during any deliberation of the Board in relation to the matter and must not take part in any decision of the Board.

BOARD COMMITTEES

REMUNERATION COMMITTEE

Members: Michael Pryles (Chair), Paul Barker, James MacKenzie and Judy Ward.

Role:

- Remuneration Policy – establish and maintain a remuneration policy which meets the strategic goals of the TAC. The Committee will periodically review all policies covering fixed remuneration, incentive remuneration, benefits and terms and conditions.
- Oversee the the application of the remuneration policy for senior executives, ensuring the policy is consistent with the Government Sector Executive Remuneration Panel (GSERP) guidelines and policies as established from time to time.
- Annual Remuneration Review – to approve the remuneration increase budget and the incentive remuneration budget for the TAC.
- Remuneration Compliance – to ensure that all remuneration policies and practices comply with the law and with TAC and Government policy.
- Disclosure – to ensure that appropriate and required disclosure is made of Director and Executive remuneration, in accordance with regulatory requirements and good governance practices.

AUDIT & RISK MANAGEMENT COMMITTEE

Members: Paul Barker (Chair), Melanie McMillan and Anne Ward.

Role:

- Review and recommend approval of the annual audit plan submitted by internal audit.
- Implement the TAC's annual internal audit plan and deal with issues raised by the TAC's auditors (internal and external).
- Ensure the reliability of financial information and the financial reporting practices of the TAC.
- Ensure compliance with relevant laws, regulations and government directives and that the accounting policies are in line with the *Financial Management Act 1994*, Government guidelines and current Australian Accounting Standards.
- Oversee an appropriate risk management framework and ensure the effectiveness of the TAC's risk management and internal controls.
- Ensure the objectivity of internal and external audit is preserved by monitoring employment relationships, financial relationships and the provision of non-audit services.
- Monitor compliance with the TAC's internal investment policies and procedures, the contractual arrangements with the VFMC and compliance requirements of the Prudential Statement.
- Review management responses to internal and external audit reports, actions to correct any noted deficiencies and monitor progress to correct deficiencies.
- Oversee the independence of internal and external audit functions.
- Assess the potential impact on the TAC's financial reporting process of proposed regulatory, accounting or reporting initiatives.

CORPORATE GOVERNANCE *(continued)*

- Evaluate the overall effectiveness of both internal and external audit and recommend appointment and fees for the internal auditor to the Board.
- Advise the Financial & Investment Strategies Committee of any matter or internal control weakness that impacts that committee's area of responsibility.
- Initiate and supervise, where appropriate, special reviews.

FINANCIAL & INVESTMENT STRATEGIES COMMITTEE

Members: Judy Ward (Chair), Stephen Grant, James MacKenzie and Danny Samson.

Role:

- Make recommendations to the Board on investment philosophy, objectives, strategy, asset allocation and tactical overlays (if any), performance benchmarks and tracking error, as well as premium pricing, dividends, capital management, reinsurance and claims reserving policies utilising expert advice as appropriate.
- Oversee the investment strategy, including any matching of assets and liabilities adopted by the Board.
- Review the performance of the TAC's fund managers, The Victorian Funds Management Corporation (VFMC) and other service providers.
- Monitor the success of the investment strategy by reviewing fund performance compared to long-term targets.
- Ensure that recommendations to the Board are based on analyses of available options and that the Board is aware of and understands the options considered in arriving at the recommendation.

MARKETING & ROAD SAFETY COMMITTEE

Members: Melanie McMillan (Chair), Paul Barker and Anne Ward

Role:

- Review annually the strategies of the marketing, sponsorship and communications programs, ensuring the strategies are supported by sound business principles.
- Make recommendations to the Board on proposals which are beyond the delegated authority of the Chief Executive Officer.
- Ensure the identification and management of critical reputation and performance risks.

PRUDENTIAL STATEMENT

The TAC Board is required to submit an annual certification to the Victorian Treasurer that in managing the investment portfolio, the TAC:

- maintains adequate planning processes and appropriate internal controls;
- adheres with maximum exposure limits to various asset classes;
- has established investment objectives and financial planning objectives;
- has established long-term investment strategies consistent with those investment objectives; and
- complies with quarterly and annual reporting requirements to the Treasurer.

To this end the Board obtains appropriate comfort statements from TAC management, the internal auditors of the TAC and the VFMC and from the VFMC Board.

SHARED VALUES AND GUIDING PRINCIPLES

INTEGRITY

We will be open, honest and reliable in everything that we do, achieving and maintaining the highest levels of professional service to our stakeholders and each other.

UNITY OF PURPOSE

We will work together to achieve our vision and mission. We will share experiences, knowledge and ideas to foster greater communication, interaction and cohesiveness within the organisation.

DIGNITY AND RESPECT

We will treat all people, inside and outside the organisation, with dignity and respect.

INNOVATION

We recognise the role innovation can play in achieving the organisation's vision. We will foster a culture that encourages employees to maximise their potential.

ACCOUNTABILITY AND RESPONSIBILITY

We will support and encourage employees to be responsible and accountable, and to make decisions within the scope of their role.

COMPLIANCE

This section includes the disclosures required by the *Financial Management Act 1994*, the *Transport Accident Act 1986*, and the *Freedom of Information Act 1982*.

INCORPORATION AND MINISTERIAL RESPONSIBILITY

The TAC is a body corporate established under section 10 of the *Transport Accident Act 1986* (the Act) (No. 111 of 1986, reprint No. 8 dated 1 August 2001). The Act sets out the objectives, functions and powers of the TAC.

The TAC is no longer a reorganising body under the *State Owned Enterprises Act 1992* as a result of amendment of the *Transport Accident Act 1986*, which came into operation on 28 November 2000. Under section 10A of the *Transport Accident Act 1986* the TAC is a statutory corporation under the Act and is not subject to the *State Owned Enterprises Act 1992*.

The Minister for WorkCover is the Minister administering the *Transport Accident Act 1986*.

MINISTERIAL DIRECTIONS

No Ministerial directions were given by the Minister for WorkCover during the year 2001/2002.

THE TAC'S OBJECTIVES, FUNCTIONS, POWERS, AND ACCOUNTABILITY

Sections 11, 12, 13 and 14 of the *Transport Accident Act 1986* set out the objectives, functions, powers and accountability of the TAC.

OBJECTIVES OF THE COMMISSION (SECTION 11)

- To manage the transport accident compensation scheme as effectively, efficiently and economically as possible.
- To ensure that appropriate compensation is delivered in the most socially and economically appropriate manner and as expeditiously as possible.
- To ensure that the transport accident scheme emphasises accident prevention and effective rehabilitation.
- To develop internal management structures and procedures that will enable it to perform its functions and exercise its powers effectively, efficiently and economically.
- To manage claims under the *Accident Compensation Act 1985* as an authorised agent of the Victorian WorkCover Authority as effectively, efficiently and economically as possible.
- If appointed as an agent of a self-insurer under S.143A of the *Accident Compensation Act 1985*, to carry out the functions and powers of a self-insurer as effectively, efficiently and economically as possible.

FUNCTIONS OF THE COMMISSION (SECTION 12)

- To administer the Transport Accident Fund.
- To receive and assess, and accept or reject, claims for compensation.
- To defend proceedings relating to claims for compensation.
- To pay compensation to persons entitled to compensation.
- To determine transport accident charges.
- To collect and recover transport accident charges.
- To provide advice in relation to the transport accident scheme.
- To provide funds for the program designed to secure the early and effective medical and vocational rehabilitation of persons injured as a result of transport accidents and for other rehabilitation programs for persons injured in transport accidents.
- To collect and assess data and statistics in relation to transport accidents.
- To provide advice to the Minister in relation to matters specifically referred to the Commission by the Minister and generally in relation to the administration of this Act and the compensation scheme under this Act.
- To commercially exploit knowledge and expertise in compensation schemes and scheme administration.
- To act as an authorised agent under section 23 of the *Accident Compensation Act 1985*.
- If appointed, to act as an agent of a self-insurer under section 143A of the *Accident Compensation Act 1985*.
- To carry out such other functions conferred on the Commission by this or any other Act.
- To promote the prevention of transport accidents and safety in use of transport.
- To promote, so far as possible, a program designed to secure the early and effective medical and vocational rehabilitation of persons injured as a result of transport accidents to whom or on behalf of whom the Commission is or may become liable to make any payment under the Act.

COMPLIANCE (*continued*)

POWERS OF THE COMMISSION (SECTION 13)

- To do all things that are necessary or convenient to be done for or in connection with the performance of its functions and to enable it to achieve its objectives.
- To enter into agreements or arrangements and settle or compromise differences or disputes with other persons.
- To do all things necessary to be done in connection with the management of its interest in the assigned debt within the meaning of Part 2A of the Act, which deals with the assigned debts of the Pyramid Building Society, Countrywide Building Society and the Geelong Building Society.
- To exercise other powers in relation to the assigned debt of the building societies on behalf of the Treasurer.
- To apply for, obtain and hold intellectual property rights (including patents, copyrights, trade marks and registered designs).
- To do all things necessary or convenient to be done in connection with acting as an authorised agent of the Victorian WorkCover Authority under section 23 of the *Accident Compensation Act 1985* and as an agent of a self-insurer under section 143A of that Act.
- To enter into agreements or arrangements for the commercial exploitation within or outside Victoria of intellectual property rights and ancillary services on any terms or conditions as to royalties, lump sum payments or otherwise as the Commission may see fit.
- To enter into agreements or arrangements within or outside Victoria for the provision by the Commission of administration, management or information systems or services.

ACCOUNTABILITY OF THE COMMISSION

- The Commission must perform its functions and exercise its powers subject to the general direction and control of the Minister and in accordance with any specific written directions given by the Minister in relation to a matter or class of matters specified in the directions.

LEGISLATION

The following legislative changes have occurred in the period from 1 July 2001 to 30 June 2002:

Section 23(1) of the *Transport Accident (Amendment) Act 2000* comes into operation on 1 July 2002. This provision removes the requirement for a claim for compensation under the Act to be accompanied by a statutory declaration.

There were no other significant amendments of the *Transport Accident Act 1986* in the 2001/2002 year.

OTHER LEGISLATIVE CHANGES AFFECTING THE TRANSPORT ACCIDENT ACT:

The *Information Privacy Act 2000 (Vic)* came into operation on 1 September 2001 and will be fully enforceable from 1 September 2002. The TAC has developed and implemented a privacy policy as part of its compliance strategy to ensure that appropriate standards of privacy protection are adopted. The Policy sets out how the Commission will comply with the privacy principles in relation to personal information that are set out in the legislation.

The *Health Records Act 2001* came into operation on 1 July 2002. The TAC has developed and implemented a privacy policy as part of its compliance strategy to ensure that appropriate standards of privacy protection in relation to health information are adopted. The Policy sets out how the Commission will comply with the privacy principles in relation to health information that are set out in the legislation.

REGULATIONS

No regulations were made under the *Transport Accident Act 1986* during the 2001/2002 year.

The Transport Accident Charges Order (No.1) 2002 (Government Gazette G.25 20 June 2002 P 1414) was made by the Governor in Council on 18 June 2002. This order fixed the transport accident charges for the financial year providing for an increase in line with CPI.

CONSULTANTS

Each year, to assist decision-making, the TAC calls on external consultants to provide specialist advice which is not normally available within the organisation. During 2001/2002 total consultancy expenditure (as defined by the *Financial Management Act 1994*) was \$1.06 million.

NATIONAL COMPETITION POLICY

REVIEW OF LEGISLATIVE RESTRICTIONS ON COMPETITION

In accordance with its commitment to review legislative restrictions on competition, the State Government commissioned a further review of Victoria's transport accident compensation legislation in September 2000. The review identified three main restrictions on competition: the compulsory nature of the scheme, the TAC as a legislated monopoly, and centralised premium setting. At the request of the National Competition Council, further information has been provided and the State Government is awaiting the Council's assessment of the Government's response.

COMPETITIVE NEUTRALITY

Under the policy of Competitive Neutrality, the TAC is listed as a significant business enterprise. In accordance with this policy, the TAC is fully corporatised and pays the full suite of Commonwealth and State taxes or tax equivalents. The TAC is not a net borrower in its own right and therefore is not subject to the Financial Accommodation Levy.

COMPLIANCE (*continued*)

COMPLIANCE WITH BUILDING ACT

The TAC's policy with respect to new building works, and alterations to existing buildings, is to comply with the *Building Act 1993* as though the TAC were not exempt from compliance as a public authority (this is provided for in section 217 (3) of the *Building Act 1993*).

Some premises occupied by the TAC may have been constructed or altered under exemptions for public bodies which applied at the time.

The TAC is unaware of any material non-compliance with the current building standards for buildings of their nature and age.

MISCELLANEOUS DISCLOSURE

To the extent applicable, the information required under guideline 9.1.3(iv) issued by the Minister for Finance under part 7 of the *Financial Management Act 1994* has been prepared and is available on request.

SCHEME NOTES

SERVICE OF DOCUMENTS

Section 130 of the *Transport Accident Act 1986* sets out the method of service of documents on the TAC, namely, by personally serving an authorised officer at the TAC's Melbourne office. People wishing to effect service should attend the TAC's Customer Service Centre, Level 7, 222 Exhibition Street, Melbourne, and ask for an authorised officer to accept service.

Alternatively, if service is via mail it should be addressed as follows:

General Manager, Common Law and Appeals

GPO Box 2751Y

MELBOURNE 3001

Ausdoc: DX 34 Melbourne

An authorised officer of the TAC will give a written acknowledgement of service of process.

Please note that this is a voluntary process and that proof of posting is not proof of service. If an acknowledgment letter is not received within 10 days after sending process by mail, personal service should be attempted under section 130.

ACCESS TO INFORMATION

FREEDOM OF INFORMATION

The TAC officers responsible for receipt and initial action on requests made under the *Freedom of Information Act 1982* are Mr Richard Pang and Mr Tony Blok.

The TAC maintains both paper-based and electronic documents with respect to claims administration, and general administrative, financial and investment functions.

During 2001/2002, the TAC received 838 freedom of information requests, compared with 483 during 2000/2001, an increase of 73%. Most FOI requests related to anticipated or current Common Law proceedings.

Routine documentation may be released to clients or their solicitors without making a formal freedom of information request. Clients or their legal representatives should request release of such documentation from the relevant claims officer.

The TAC is an agency subject to the *Freedom of Information Act 1982*, and is therefore not subject to the access provisions of the *Information Privacy Act 2000* and the *Health Records Act 2001*.

MEDICAL REPORTS FOR COMMON LAW PURPOSES

To facilitate clients in receiving legal advice, the TAC will provide copies of medical reports commissioned by the TAC, independently of its normal freedom of information access arrangements. Where this applies to reports relied on in determining a person's impairment, the TAC preference is to have one release of all relevant reports, rather than releasing them as they are received. Accordingly, reports will generally only be released under this policy where they relate to a final determination, or to a stabilised component of an interim determination.

Requests for access to medical reports should be directed to the relevant impairment officer. There is no fee for access to documents under this policy.

SUBPOENAS

All subpoenas must be personally served on an authorised officer at the TAC's Customer Service Centre, Level 7, 222 Exhibition Street, Melbourne. The TAC prefers to have a minimum of 14 days notice of a file being required at court.

COMPLIANCE (continued)

PUBLICATIONS

The TAC produces and makes available the following publications:

DESCRIPTION	MODE OF ACCESS
<i>TAC Annual Reports (1987 onwards)</i>	Copy
<i>TAC Business Plan (2001 – 2004)</i>	Copy
<i>TAC Statement of Corporate Intent (2001 – 2004)</i>	Copy/internet
<i>TAC Enterprise Agreement (2000 – 2002)</i>	Copy
<i>Make sure you're right to drive: how to reduce the risks for yourself and others on the road</i>	Copy
<i>TAC Law Careers</i>	Copy
<i>Save your skin: don't hit the road without full protective gear</i>	Copy
<i>RAW in the Classroom: a resource kit</i>	Copy/fee \$99
<i>A Guide to Benefits for Permanent Impairment: what it is and how you may be affected</i>	Copy
<i>Learner Driver information pack</i>	Copy
<i>4th Edition Impairment Examinations Information Manual</i>	Copy
<i>A Guide to Medical Examinations to Assess Permanent Impairment: what to expect</i>	Copy
<i>VCE Legal Studies Resource Kit</i>	Copy
<i>VCE Media Resource Kit</i>	Copy
<i>Information on TAC Medical Examinations</i>	Copy
<i>Funeral & Dependency Benefits brochure</i>	Copy
<i>Victorian Trauma Foundation (information kit)</i>	Copy/internet
<i>TAC Policies & Guidelines</i>	Copy/internet
<i>Road Safety Reports (monthly summary)</i>	Copy
<i>TAC Info (Major injury resource kit for clients & families)</i>	Copy
<i>TAC Research Charter</i>	Copy
<i>Results of the TAC's Client Feedback Survey</i>	Copy
<i>Drive Smart (brochure)</i>	Copy
<i>Drive Smart CD-ROM (available to learner drivers)</i>	Copy
<i>About the TAC: what the TAC can do for you, what you need to do, working together</i>	Copy
<i>Muck up Day video and curriculum advice booklet</i>	Copy
<i>Annual Transport Accident charges including GST and duty</i>	Copy
<i>Your privacy and the TAC</i>	Copy/internet
<i>TAC shared values and guiding principles</i>	Copy

RESEARCH INFORMATION

Requests for information for research purposes should be directed in the first instance to the Manager, Research – Mr David Attwood (david_attwood@tac.vic.gov.au). The request must be in writing, setting out:

- the research purposes for which the information will be used, and
- a definition of the data requested.

ACCESS TO INFORMATION ON THE INTERNET

The TAC's web site (www.tac.vic.gov.au) includes information about the TAC, its claim policies, fees and benefit entitlement information for the public, clients, providers and key stakeholder groups.

APPLICATION OF MERIT AND WORKPLACE EQUITY PRINCIPLES

The TAC strongly believes that all people have the right to work in an environment free of discrimination and harassment. It is the objective of the TAC's Workplace Equity program to ensure that there shall be no discrimination or harassment relating to race, colour, sex, sexual preference, age, physical or mental disability, marital status, family responsibilities, pregnancy or intended pregnancy, religion, political opinion, national extraction, social origin, trade union association or non-association.

The TAC's Equal Employment Opportunity (EEO) Policy entitled "Workplace Equity" was revised and updated during the year to take account of legislative changes.

COMPLIANCE *(continued)*

Measures undertaken to promote and monitor EEO practices within the TAC include:

- regular meetings of the EEO Committee;
- ongoing EEO training for all staff including EEO as a compulsory module of the induction program for new employees;
- training for managers in EEO principles;
- development and distribution of posters promoting EEO and EEO Contact Officers; and
- numerous reminders to staff of EEO and appropriate use of the TAC’s IT systems.

In addition the TAC received two awards during the year, a people management award from the Commissioner of Public Employment for managing diversity in the workplace and an award from Diversity at Work for excellence in leadership in promoting workforce diversity.

OCCUPATIONAL HEALTH AND SAFETY

	2002	2001
Number of WorkCover claims	3	10
Days lost due to injury	1015	688
Number of return to work programs initiated	7	5

IMPROVING HEALTH AND SAFETY

Occupational Health and Safety activities and initiatives conducted during the year include:

- Enhancement of staff skills to deal with workplace violence by introducing a comprehensive 3-day program for field staff called MOVAIT (Management Of Violence & Aggression International Training). Its focus is on the prevention or reduction of aggressive or violent acts by providing practical advice and breakaway techniques.
- Adoption of selected education materials to support the TAC’s Safe Driving Policy; materials to be rolled out to vehicle user groups over the next 12 months in appropriate forums.
- Implementation of an Environmental Air Quality Management Program monitoring Legionella and similar bacteria in accordance with Health Department requirements. The TAC has also upgraded its building cooling towers to non-water based air cooled units.
- Continuation of our proactive program of OHS risk assessments for staff at the TAC’s Melbourne office and regional areas.
- Implementation of a proactive program of OHS risk assessments for the e-change environment to identify impacts and enhance staff work environment.
- An active OHS Committee focussing on enhancing the Emergency Response Teams by training additional First Aid, Fire Warden and Health & Safety staff.
- Promotion of staff wellbeing through programs such as:
 - computer screen-based eye testing program;
 - flu vaccination program;
 - early intervention and pre-injury management program, and
 - ongoing assistance to staff with non-work related illnesses or injuries.

The TAC will continue to promote a safe work environment for its staff and visitors via an active, integrated health and safety program with a focus on risk minimisation and injury prevention.

WORKFORCE DATA

	2002	2001
TAC	563	571
TAC Law	62	51
TAC Law VWA team	27	15
Average age	36	36



COMPLIANCE (continued)

COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS 2001/02

The Annual Report of the TAC is prepared in accordance with the *Financial Management Act 1994* and the Directions of the Minister for Finance. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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9.1.3(ii) (e)	Events subsequent to balance date	N/A
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COMPLIANCE INDEX TO DISCLOSURE REQUIREMENTS 2001/02 (continued)

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9.2.3(iii) (b) (v)	Provisions, including employee entitlements	42
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9.2.3(iii) (c) (i)	Authorised capital	N/A
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TRANSPORT ACCIDENT COMMISSION
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