



I don't feel like the accident is such a negative part of my life now. Just like digging a hole, you throw away the dirt. I've learnt to go on with my life.

Transport Accident  
Commission  
Annual Report  
**2003**



### Cover Image – The van Beest Family

At the age of eight, Simon van Beest (now 24) sustained a serious brain injury and partial paralysis through a car accident which has significantly altered his – and his family's – life.

Simon, with the support of his devoted parents, Ros and Hans, had to undergo a long rehabilitation process to re-learn basic life skills including how to swallow, crawl, stand, walk, talk and dress himself.

While Simon's life is still greatly impacted by his accident, he lives independently and is an active member of the community. He has worked as a volunteer and now has an apprenticeship in the hospitality industry.

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## 2003



October, 2003

The Hon. Rob Hulls, MP  
Minister for WorkCover  
Level 1  
55 St Andrews Place  
Melbourne Vic 3000

Dear Minister

I am pleased to submit the Seventeenth 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 dark ink, reading "James MacKenzie".

**James MacKenzie**  
*Chair*



(L-R Chief Executive Officer, Stephen Grant; Minister, Rob Hulls; Chair, James MacKenzie)

**Mission:** to reduce road trauma and its impact on the lives of accident victims in a caring, efficient and financially responsible manner.

**Vision:** 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.

Mission  
Vision  
2003



The Transport Accident Commission is a Victorian Statutory Authority whose role is to fund the medical treatment and support services needed by people injured in transport accidents to maximise their recovery and enable them to move on with their lives.



About the TAC  
**2003**

The TAC's funds for medical and support services come from premiums paid by Victorian motorists when they register their vehicles each year with VicRoads.

The TAC covers transport accidents directly caused by the driving of a motor vehicle, train or tram. People can submit a claim for treatment and support services if they are hurt in a transport accident as a driver, passenger, pedestrian, motorcyclist or cyclist.

The TAC is a 'no fault' scheme which means that anyone injured in a transport accident within Victoria (or interstate if in a Victorian-registered vehicle) is eligible to receive support services, irrespective of who caused the accident.

The TAC will fund the costs of reasonable treatment related to a person's accident that will contribute to their recovery and rehabilitation. This may include the following:

- ambulance services from the accident scene to hospital and, where required, from one hospital to another;
- hospital services;
- medical services including surgery and visits to doctors or specialists;
- pharmacy items for medicines prescribed by a doctor to treat accident-related injuries;
- therapy services such as physiotherapy, chiropractic, podiatry, optometry, osteopathy and psychology;
- dental services if the accident caused teeth damage; and
- nursing services such as home visits after discharge from hospital.

Other support services the TAC may fund include:

- income benefits for people whose injuries prevent them from performing their normal job duties;
- rehabilitation and disability services for example, return to work programs;
- travel costs for transport to and from medical appointments and treatment sessions;
- allowances for parents to visit dependent children in hospital;
- allowances for the partner or children of the injured person to visit their partner/parent in hospital;
- housekeeping and domestic support if clients cannot perform the household tasks they did before the accident because of their injuries;
- childcare if the client's main role before the accident was looking after their children;
- equipment or aids, such as wheelchairs or crutches, that are recommended by health care professionals; and
- attendant care for people who require one-to-one support.

The TAC sets maximum fees for most treatment and services.

The needs of each person are different, and the TAC looks at each case individually – assessing whether the treatment is reasonable and will contribute to the injured person's recovery.

When making decisions, the TAC is governed by the *Transport Accident Act 1986* which sets out what the TAC can fund and any conditions that apply. To support this, the TAC has its own policies and guidelines that regulate decision-making. The TAC works within this legal and policy framework and relies on information and recommendations obtained from the injured person's health care professionals as well as independent experts.

The TAC funds medical treatment for as long as is necessary. For people with severe injuries, funding and support may continue for the rest of their lives.

To ensure the scheme remains viable over the long term, the TAC uses its funds fairly and responsibly. It also maintains a prudent investment and financial risk management strategy to ensure the TAC is able to meet the needs of seriously injured people who need lifetime care.

Service Delivery

Road Safety

Human Resources

Financial Management

Highlights  
**2003**

- \$536.2 million in support services funded for 42,782 clients.
- Client satisfaction maintained at an historical high of 6.95 out of a possible 10.
- Lifetime Support initiative positively impacting on clients' lives.
- Ongoing improvements in service delivery.

- Lowest financial-year road toll on record – 368 – an 18% reduction on the previous year.
- Hospitalised claims down 6%.
- Launch of the TAC's world-first *Drive Right* program.
- TAC's *Wipe off 5* campaign voted most effective campaign in Victoria by the Advertising Federation of Australia.

- Staff health and well-being program extended.
- Establishment of an accredited Frontline Management program.
- Development of new part-time and flexible working arrangements for staff.
- Above industry benchmark retention rate of 88%.

- After-tax profit of \$51 million.
- Investment return of 3.7%, despite weak international equity markets.
- Funding ratio of 111%.
- Actuarial release of \$311 million.
- No increase in premiums beyond CPI.



## Chair's Report 2003

In 2003, the TAC finds itself in an enviable position.

Despite a third successive year of weak global investment markets, the TAC has recorded an after-tax profit for 2002/03 of \$51 million – a turnaround in excess of \$200 million from the loss recorded in 2001/02.

At the same time we have seen a write-down in projected liabilities of \$311 million, demonstrating that improving client outcomes and strong financial management are the key drivers of sustainable success in a volatile world economy.

The past year has also seen a significant reduction in the number and severity of transport accidents, leading to a double benefit to Victorians in human and economic terms.

And by continuing to utilise a claims management approach built around the segmentation of claims based on injury type and severity, we believe that we can improve even further.

Most importantly, the TAC's strong performance in service delivery, road safety and financial management during 2002/03 has placed the organisation on a solid footing for the future.

It also demonstrates that, irrespective of the fluctuations in the global market, sound management will ensure that the long-term stability of the scheme is maintained.

This is not to say that we can afford to ignore the volatility of the international investment market or the TAC's own investment performance. In 2002/03, the TAC achieved an investment return of 3.7%, a very strong result compared with the median return for balanced Australian superannuation funds of -1.6%.

This is a clear reminder that our focus must always remain on those things which we can control. In keeping with this approach, the TAC has a firm commitment to the open and transparent reporting of those things that we not only control, but for which we are ultimately accountable.

As first noted in our 2002 Annual Report, the TAC Board now provides additional financial information to better reflect the long-tail nature of the scheme and to provide users with a more meaningful picture of its financial performance.

Impacts on profit					
(\$ Million)	2002/03	2001/02	2000/01	1999/00	1998/99
Impact on Profit from Internal Factors	507	347	69	194	299
Impact on Profit from External Factors					
<i>Difference between actual investment returns and long-term expected returns</i>	(201)	(550)	(288)	192	84
<i>Change in inflation assumptions and discount rates</i>	(255)	29	9	100	73
<i>Impact of claims past inflation</i>	N/A*	N/A*	31	99	98
<i>Impact of legislative changes</i>	–	16	(23)	(22)	(47)
Tax and Other	–	(2)	10	(116)	(64)
Net Profit / Loss after Tax	51	(160)	(192)	447	443
*The impact of claims past inflation is no longer relevant due to a change in the actuarial calculation methodology.					
Figure 01					

The table above provides details of the impact of internal factors on the TAC's result before short-term fluctuations and economic assumptions. It also highlights those external factors outside the TAC's control which have the potential to significantly impact on the scheme's reported results.

In 2002/03 the impact on profit from internal factors was \$257 million above budget, due largely to the actuarial release of \$311 million. The total impact of external factors was \$456 million.

The TAC's funding ratio remains strong at 111%.

The past 12 months have also seen a concerted effort on the part of the TAC to better engage and utilise the skills of our stakeholders and partners – whether they be in the areas of road safety, client advocacy and representation, or medical and allied health. And we will continue our efforts in this regard in the firm belief that real and sustained gains are only achieved when all parties are active and equal partners.

During the year we welcomed Elana Rubin to the TAC Board of Management. Elana brings to the TAC significant experience in financial strategy development and investment management. I would also like to thank Michael Pryles (Director 1994–2003) and Danny Samson (Director 1994–2003) for their contributions to the TAC.

The TAC is fortunate to have a strong management team under the leadership of our CEO and Managing Director, Stephen Grant. On behalf of the Board, I would like to thank Stephen, his senior management team, and all TAC staff for their continued dedication and commitment to providing an outstanding level of service and care to the Victorian public.



**James MacKenzie**

Chair



## Chief Executive Officer's Report 2003

Victoria's lowest financial-year road toll on record and a strong financial result with improved service delivery have made 2002/03 a hallmark year for the TAC.

### Road Safety

There is no question that accident prevention is the best form of claims management.

It is therefore extremely pleasing to report that this year's strong financial result has been driven largely as a result of a significant reduction in trauma on our roads.

What better outcome can there be than reducing the level of death and injury on our roads, which in turn enhances the viability of the TAC scheme? Ultimately, it is the whole Victorian community that benefits.

Victoria has in the past financial year, recorded its lowest-ever road toll at 368 (compared with 451 in 2001/02). This represents an 18% reduction in the road toll – or 83 lives saved – and a significant step in the Victorian Government's stated objective of a 20% reduction in the road toll by 2007. Equally important is the fact that serious injuries have also reduced by 6%.

Victoria's lowest-ever financial-year road toll has only been achieved through the continued strong co-operation and unity of purpose between the State's peak road safety organisations including the Victoria Police, VicRoads, and the TAC. I look forward to this partnership continuing to deliver exceptional results into the future.

During 2002/03, the TAC maintained a strong focus on the main causes of road trauma – speeding, drink-driving, fatigue and inexperience – while embarking on a world-first program to reward safe and courteous driving.

The TAC *Drive Right* program received an overwhelmingly positive response from the Victorian public, with more than 150,000 motorists making a public commitment to responsible driving. Police and ambulance officers recognised more than 10,000 Victorians for safe and courteous driving during the three-month program.

Feedback from participants has shown that 80% of those involved in the program consider themselves 'more careful drivers' and three quarters 'pay attention to their speed now', as a result of *Drive Right*.

Independent research has also shown that Victorians are heeding the *Wipe off 5* anti-speeding message, with TAC and VicRoads speed monitoring surveys showing a noticeable decrease in average travel speeds in the lower speed zones.

Particularly pleasing, is that the proportion of motorists who say they speed 'most or all of the time' has fallen from 25% in early 2001 to 14% – the lowest ever recorded.

## Lifetime Support

Two years ago, the TAC commenced a major review of its approach to supporting and improving the lives of clients needing long-term care. During the past year, the TAC has continued development of its new Lifetime Support model to improve seriously injured clients' transition from hospital to home and make their return to community life as seamless as possible.

In essence, Lifetime Support is about shifting the focus from a medical model to a social model – placing the client at the centre of everything we do and helping them to re-connect with their community.

Already, we have seen more than 110 clients engaged in various work, leisure and home options under the new model – and clients are telling us that it is making a real difference to their lives.

Throughout this report you will be taken on a journey with Simon van Beest and his family and their personal experiences of Lifetime Support.

## Improved Service

The Lifetime Support model is a tangible example of how the TAC is continually striving to develop better, more efficient ways of providing services for our clients and supporting them in their goal of recovering and moving on with their lives.

We realise that developing better relationships with our clients, based on mutual respect, co-operation and understanding, is the key to achieving the best outcomes for both the injured person and our organisation. Encouraging this sense of partnership has been a huge focus of our communication and service delivery initiatives during the past year, and it is showing positive results.

In 2002/03, the TAC maintained its record high client satisfaction rating of last year – recording an overall score of 6.95 out of 10.

The TAC funded \$536.2 million in support services during 2002/03. In delivering these services, the TAC has remained mindful of being fair, compassionate and reasonable and ensuring the financial sustainability of the scheme for the future.

## Scheme Viability

One of the most pleasing achievements of the past year has been the ability of management and staff to remain focused on controlling scheme liabilities while also striving for service improvements. The organisation's actuarial release – or write-down in projected liabilities – of \$311 million in 2002/03 was a result to which every division contributed. Significant gains in accident prevention, innovative approaches to improving client outcomes and the strong strategic focus of our staff have all combined to deliver this outstanding result.

## Our People

I would like to thank the TAC's dedicated staff for their contribution during the past 12 months. Their continued focus and commitment are central to all that has been achieved to date.

The TAC, quite rightly, has a reputation for excellence in scheme management, service delivery and road safety. With the continued dedication of our staff, I am confident we will continue to provide Victorians with the most equitable transport accident scheme in the world.



**Stephen Grant**

Chief Executive Officer



**James MacKenzie** *BBus, FCA*

Chair

Appointed 2001

Chair Victorian WorkCover Authority

Chairman Child Care Centres Australia Ltd

Chairman James Fielding Group

Director Circadian Technologies Ltd

Director Victorian Major Events Company Ltd

Director Monivae College Foundation Ltd

Member St Catherine's School Council

*Chair Remuneration Committee*

*Member Financial & Investment Strategies Committee*

*Member Audit & Risk Management Committee*



**Stephen Grant** *BA (Marketing), FCA*

Chief Executive Officer & Managing Director

Appointed 2000

Chair Victorian Trauma Foundation

*Member Financial & Investment Strategies Committee*

*Member Marketing & Road Safety Committee*



**Elana Rubin** *BA (Hons), MA, ASIA*

Appointed 2003

Executive Director Investments Australian Retirement Fund

Director Development Australia Fund Management Ltd

Director Industry Superannuation Property Trust Pty Ltd

Director Hotel, Leisure & Tourism Trust of Australia Pty Ltd

Director Unisuper Ltd

Director Victorian Rail Track Corporation

Director Victorian WorkCover Authority

Member Victorian Finance Industry Consultative Committee

*Member Financial & Investment Strategies Committee*



**Melanie McMillan** *MA (Communications)*

*AFAMI, AFAIM*

Appointed 2002

Director The Brand Business Pty Ltd

*Chair Marketing & Road Safety Committee*



**Paul Barker** *BBus, FCA, ACIS*

Appointed 2002

Director Employment National Ltd

Director Victorian WorkCover Authority

*Chair Audit & Risk Management Committee*

*Member Remuneration Committee*

*Member Marketing & Road Safety Committee*



**Anne Ward** *BA LLB (Melb)*

Appointed 2000

Partner Minter Ellison Lawyers

Director Brain Imaging Research Institute

Director TAC Law Pty Ltd

*Member Audit & Risk Management Committee*

*Member Marketing & Road Safety Committee*



**Judy Ward** *B Com (Melb) FCA, FTIA, AICD*

Appointed 2001

Chairperson Falls Creek Resort Management Board

Member Alpine Resort Co-ordinating Council

President The Merton Hall Foundation Limited

Council Member Melbourne Girls Grammar

Board Member Victorian Bushfire Recovery Appeal Fund

Council Member Australian Community Support Organisation

*Chair Financial & Investment Strategies Committee*

*Member Remuneration Committee*

*Member Audit & Risk Management Committee*

Board of  
Management  
**2003**



**Stephen Grant**

Chief Executive Officer & Managing Director

This row left to right:

**Doug Kearsley**

Executive General Manager, Finance and Planning

**Jane Boag**

General Manager, Recovery Support

**Colin Radford**

General Manager, Corporate Affairs



This row left to right:

**Sue Kapourelakos**

General Manager, Major Injury

**David Healy**

General Manager, Road Safety

This row left to right:

**Paul O'Connor**

Executive General Manager, Common Law & Appeals  
Executive Director, TAC Law

**Kerry Power**


General Manager, Health Care

**Ann Donnan**

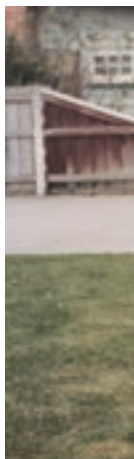
General Manager, Human Resources



Senior  
Management  
**2003**

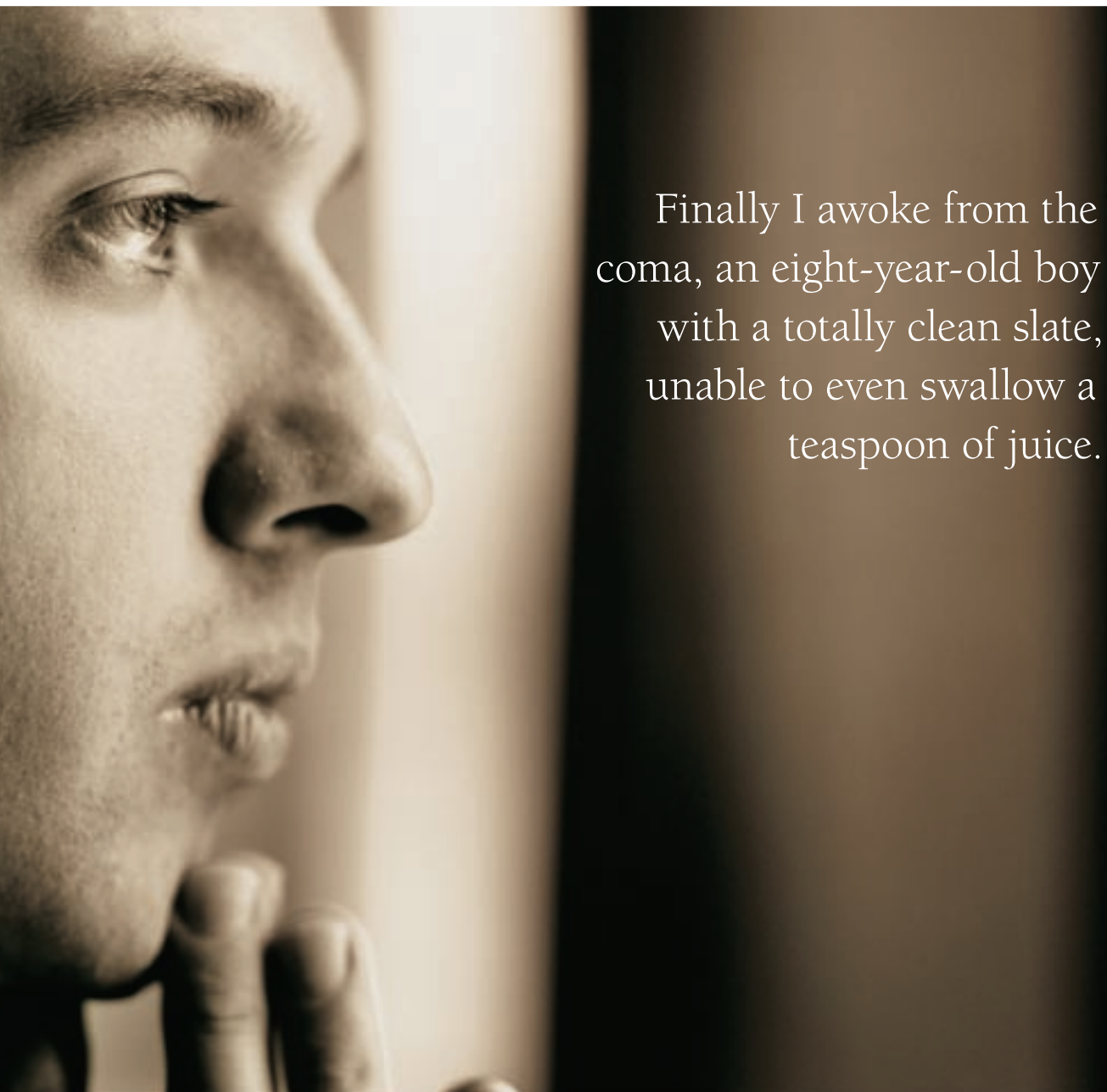


16 years ago I was involved in a  
serious car accident which left me  
in a coma for many weeks.



Despite the devastating shock, sadness and grief, my parents **chose** not to accept or acknowledge the **medical predictions** of what my deficits would be should I **recover** from the coma. They just knew and **believed** that we would overcome whatever obstacles we had to as a **family**.





Finally I awoke from the  
coma, an eight-year-old boy  
with a totally clean slate,  
unable to even swallow a  
teaspoon of juice.



# Service Delivery **2003**



The TAC funds support services for people who are injured and whose lives are affected as the result of transport accidents. The governing principle of the TAC scheme is to provide appropriate and reasonable care for those injured on Victoria's roads for as long as necessary. In the case of the very seriously injured, this can mean lifetime support.

### Support Services Funded by the TAC

Support services available under the TAC scheme include:

- ambulance transport;
- hospital treatment;
- medical, health and rehabilitation treatment provided by doctors and other health care professionals;
- attendant care, home help and child-minding;
- disability services, including home and vehicle 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 reasonable funeral expenses.

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

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

Common law damages are payable for economic loss up to \$861,660 and for pain and suffering up to \$382,950 and can also be recovered by the dependents of a person killed in a transport accident, up to a maximum of \$627,250. 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.

This is only a small part of our family's life story, starting when our eight-year-old Simon was involved in an horrific car accident. It's every parent's worst nightmare – finding out your child has been in a serious accident and not knowing if they will survive. Before Simon was taken to surgery, we were allowed to see him for a few minutes. Seeing him on the respirator was very frightening and we felt totally overcome because we couldn't help him. An Indian saying: "Belief is the bird which feels the light and sings while dawn is still dark" kept me going during this terrible time.



Benefits paid (\$ Million)						
Benefit Type	Payments	1998/99	1999/00	2000/01	2001/02	2002/03
Treatment		123.8	139.3	158.4	160.0	159.8
Loss of Income		49.6	51.7	55.8	58.1	57.1
Impairment		26.7	20.5	19.2	27.0	20.2
Death Benefits		37.1	35.4	42.5	46.2	46.2
Long-term Care		19.9	24.7	30.8	37.4	39.5
Other No Fault		13.8	10.5	16.7	19.4	18.4
Common Law – Serious Injury		143.2	142.2	119.7	116.7	127.9
Common Law – Interstate and Other		44.2	29.5	44.6	50.1	47.2
Run-Off / VWA Section 137		10.4	15.2	10.1	19.3	19.8
<b>Total</b>		<b>468.7</b>	<b>469.0</b>	<b>497.9</b>	<b>534.2</b>	<b>536.2</b>
42,782 people received benefits from the TAC in 2002/03.						
Figure 02						

## Support Services Funded

During 2002/03, 20,648 new claims were lodged with the TAC, a 3.3% decrease on the previous year's figure of 21,361. In the same period, 42,782 people received benefits and/or compensation from the TAC, compared with 42,584 people in the previous year.

Payments for the year totalled \$536.2 million, compared to \$534.2 million in 2001/02.

## Claims Management

The TAC's current approach to claims management is built around segmentation of claims based on injury type and severity, coupled with tailored communication and interventions to assist clients to play an active role in their recovery.

This approach has proven highly effective in responding to client needs and managing liabilities, resulting in the TAC being widely recognised as a leader in claims management. To remain at the forefront in this field, the TAC constantly seeks improvements in its claims management processes.

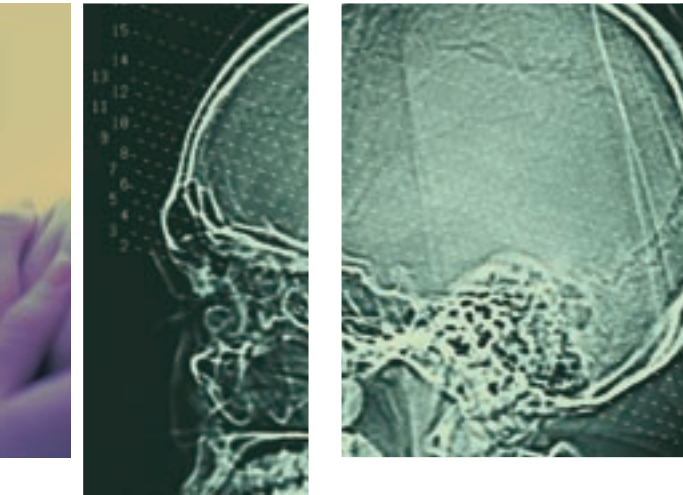
## Client Satisfaction

The TAC is continually striving to improve the way it delivers support services to clients, looking to work with clients to provide friendly and professional delivery of services.

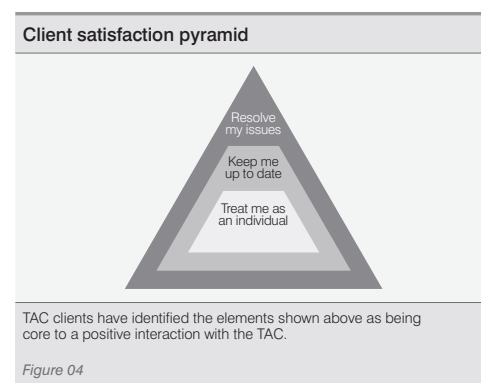
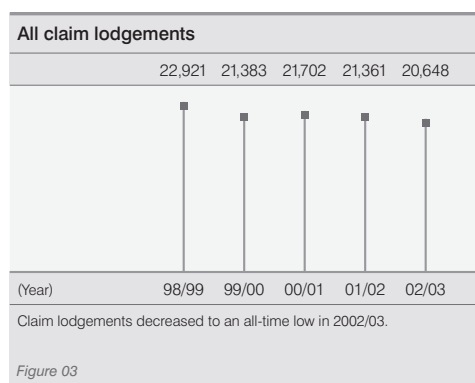
Client satisfaction, excellence in service delivery and long-term scheme viability remain the TAC's top priorities. Client satisfaction is linked to staff performance measures, reflecting the organisation's commitment to setting international standards in service delivery.

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 tiers of our client satisfaction pyramid (*Figure 04*).

In 2002/03, the overall client satisfaction score achieved was 6.95 out of 10 – maintaining the record high attained in the previous year.



Simon was on the brink of death almost half a dozen times during the early stages of medical care, yet he has gone on to overcome so many obstacles in his recovery.



Survey results during the past year have seen a pleasing improvement in clients' satisfaction with the TAC's performance in each of the key areas: 'resolve my issues', 'keep me up to date', and 'treat me as an individual'.

The TAC's focus areas for improving client satisfaction in 2003/04 include improving relationship strategies and expanding its range of information products.

### New Client Service Charter

Following an extensive staff consultation and communication process, the TAC launched its first Client Service Charter in February this year. The Charter recognises that to achieve the best outcome for clients and the TAC, it is important that all parties work together.

The Charter, which is distributed to all new clients and is available on the TAC's website, outlines the role of the TAC and the standard of service that can be expected from the organisation's staff, such as response times to queries. It also sets clear expectations for TAC clients as to what they can expect from their partnership with the TAC and their obligations in that relationship.

### Operational Efficiency

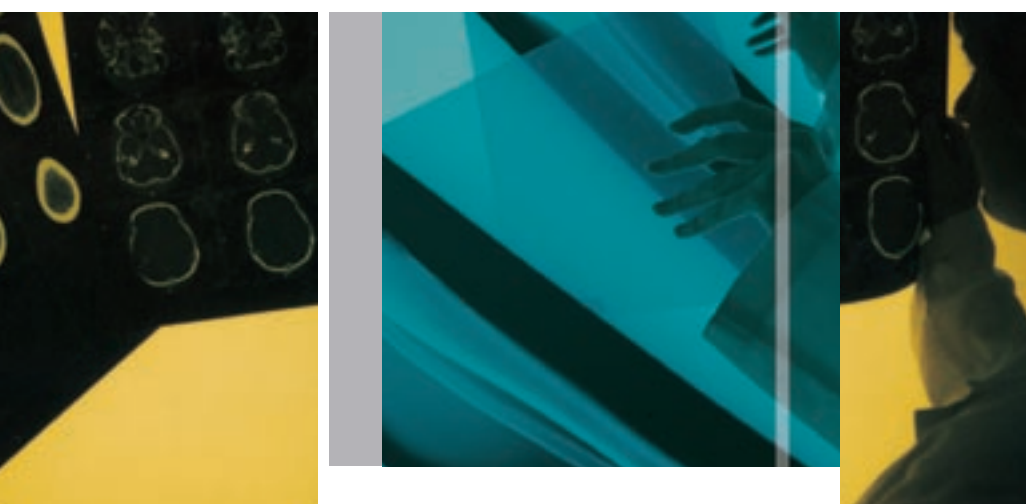
A key priority of the TAC is to create better systems and processes to improve service quality and efficiency.

The creation of electronic claim files, introduced in March 2002, has made a significant and valuable improvement to the way the TAC operates.

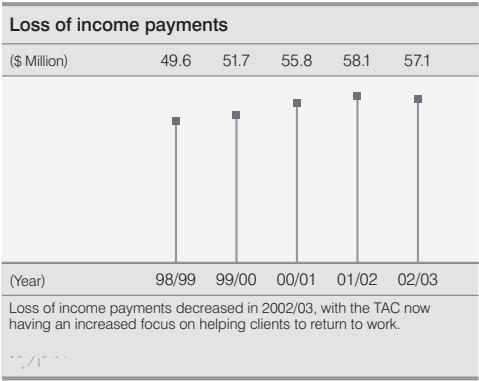
Another milestone for the TAC in the past year was the introduction of a telephone claim lodgement process. Instead of having to complete a 16-page claim form, new clients can now phone and speak to a staff member who collects the information the TAC needs.

The information is entered in to the new 'Gateway' system to produce a semi-completed claim form which is printed out and sent to the client to check, sign and return to the TAC.

The objective of the telephone-based interviews for new claims is to make the process easier, faster and more user-friendly for clients. It also allows clients the opportunity to ask questions about their entitlements or about the TAC's processes upfront.



When Simon arrived at the Royal Children's Hospital he was resuscitated and taken to surgery. Pressure-monitoring devices were inserted in his brain. There were two unsuccessful attempts to get him off the respirator. He finally succeeded on the third attempt.



Returning to Work

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 currently developing a more targeted approach to assist clients in returning to work, which will deliver significant social and economic gains. An initiative for the year ahead is a pilot program to pre-determine expected return-to-work dates for clients. To determine appropriate dates, the TAC liaises with the client and their service providers and uses its knowledge of the injury and personal circumstances to set a realistic goal for all to work towards.

The aims of this process are to:

- set clear goals for the client, employer and health/paramedical service provider;
- make it easier to keep jobs open; and
- set clearer rehabilitation goals for clients and help with planning their current and future program to achieve these goals.

The TAC paid \$57.1 million in loss of income benefits in 2002/03, compared with \$58.1 million in the previous year.

October 2002 also saw the release of a new brochure explaining TAC income replacement benefits for self-employed clients. The brochure provides practical information to assist clients with what can be a complex issue.

Lifetime Support

The Major Injury Division seeks to develop effective partnerships with seriously injured clients and their families to respond to their unique care, support and treatment needs.

Following a comprehensive review in 2001/02, the TAC has greatly improved the way it provides support to those seriously injured on our roads.

The philosophy behind the Lifetime Support model is to provide assistance for clients living with disabilities and facilitate their full participation in community life. This reflects a changing approach to the way the TAC provides support for people with a disability.



While he was in the intensive care unit, and later in the neurosurgery ward, we spent 12 to 18-hour days being with him, touching, talking, reassuring and doing coma-arousal therapy. When Simon came out of the coma, all his life skills had to be slowly re-learnt. We told him he had a mountain to climb and the only way was one step at a time.



Now in its second year of operation, Lifetime Support is making substantial improvements to the lives of our long-term clients. Major achievements in the past 12 months include:

- *Individualised planning* – a case manager is now appointed to help clients develop individual plans to connect them with various support, home, work, leisure and social options in their local communities. Since the new approach was introduced, more than 70 clients have been supported by case managers through their transition home.
- *Accommodation options* – building on its previous work in community living options, the TAC has been actively involved in creating new accommodation options for clients. A further two community houses have been established, enabling 10 more clients who require a high level of care to live in a home of their own.
- *Work and leisure activities* – working closely with service providers in the community, the TAC has forged new work and leisure options for clients living with disabilities. For example, participation in interest-based group activity programs such as gardening, cooking, art and rock climbing, in community settings, help foster social interaction and confidence. Since the inception of this program, more than 110 clients have participated in an activity of their choice or returned to work in a supported environment.
- *Disability Advisory Committee* – the TAC established this committee in late 2002 to bring together clients and experts from the disability field to provide feedback and advice on strategic directions in disability services, service developments for people requiring lifetime support, and strategic alignment across the disability sector in Victoria.
- *Client communication* – an information kit comprising four booklets has been developed for clients and their families to better understand how the TAC can assist them and what they need to do. Three editions of a new client newsletter, *Empower*, have been distributed to clients, featuring inspirational stories written by TAC clients for TAC clients.

The Major Injury Division manages 55% of the TAC's liabilities of \$4,678 million. In 2002/03, payments were made to 4,241 clients (10% of clients paid by the TAC), including those with serious injuries (both the TAC scheme and the former Motor Accident Board scheme) and the dependents of people killed in transport accidents.


The Lifetime Support model is delivering assistance for the TAC's clients and at the same time helping to slow the rate of growth in attendant care costs.

### **Better Health Care and Stakeholder Relationships**

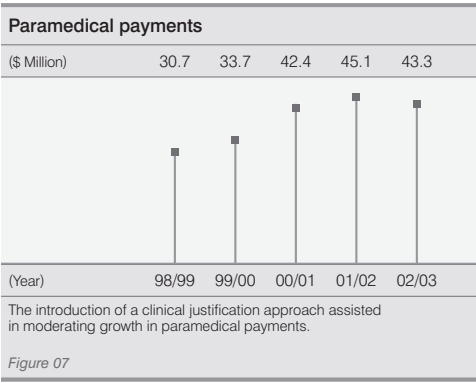
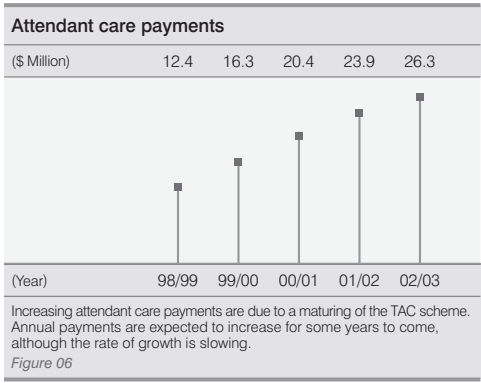
Last year, the TAC created a Health Care Division. The role of Health Care is to encourage best practice principles in treatment, rehabilitation and support, focusing on measurable outcomes for clients and the TAC.

The TAC employs leading clinicians from a number of relevant fields to work with health care providers to improve the quality – and ensure the effectiveness of – treatment being provided for clients. This has proven effective in ensuring appropriate treatment levels and in promoting clinical best practice.

During 2002/03, in partnership with La Trobe University, the TAC implemented a Clinical Justification approach based on an outcome-focused, best practice model for clients receiving therapy, with an emphasis on physiotherapy and a view to spread to other therapy services. This approach is supported by the Australian Physiotherapy Association.



All of our time  
and energy was  
focused on Simon  
and helping him  
get better.



Currently, paramedical benefits represent the TAC's third-largest payment type and managing cost growth in this area remains a focus for the organisation.

During the past year, the TAC has conducted a number of forums, seminars and workshops to develop more open relationships and communication with health practitioners, service providers and relevant peak bodies.

The TAC also hosted information sessions with a range of medical and rehabilitation service providers to improve stakeholders' understanding of how the TAC works.

Victorian Trauma Foundation

The TAC has continued to support the development of the Victorian Trauma Foundation (VTF). The Foundation aims to facilitate improvements in the State's trauma system through its leading-edge research and development program, with the goal of reducing trauma-related death and disability.

During the year, eight further research projects and initiatives commenced, having been awarded funding by the VTF. Of particular note has been the allocation of \$2.7 million for internationally recognised research to advance pre-clinical knowledge and best practice treatments for traumatic brain and spinal cord injuries. A further \$1.2 million was committed to support the development of new multidisciplinary trauma education programs. In total, 40 projects have been supported by the VTF.

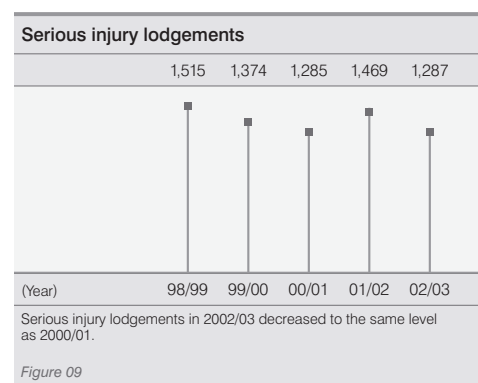
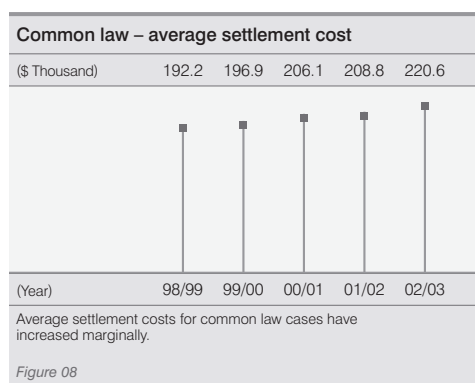
The Foundation has also focused on building research capacity to ensure that a high quality and sustainable trauma research base exists in Victoria. Funding has been approved for development of the VTF Centre for Trauma Research and Practice to provide a critical mass of multidisciplinary researchers focused on the priority needs of the trauma system. The Centre will open in early 2004, in collaboration with the National Trauma Research Institute at Bayside Health.

A further new initiative was the establishment of Trauma Education Awards, Practice Scholarships and Research Fellowships for trauma and emergency personnel within Victoria – the first four awards were conferred in June 2003.



Simon's post-traumatic amnesia stage lasted for many weeks, making the rehabilitation process slow and difficult. Simon's speech therapist, Sue, was a truly dedicated professional, who worked so hard for Simon's rehabilitation.





The Foundation has continued to build its profile during the year through its information sessions, called the Trauma Snapshot Series. More than 250 people attended the three Trauma Snapshots this year, which provided information and outcomes about VTF-funded projects and networking opportunities for trauma personnel and stakeholders.

### Reviews of TAC Decisions

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 248 from 955 in 2001/02 to 1,203 in 2002/03. Resolutions for the same period increased by 341 from 816 to 1,157, with 143 clients seeking a further review at VCAT.

In the past year, 1,496 requests for review were lodged with VCAT, compared with 1,179 in 2001/02.

### Common Law

Now in its fifth year of operation, TAC Law handles all the TAC's legal work for common law claims and no-fault reviews, previously handled by a panel of legal firms.

The TAC has continued to maintain control over the liability aspects of managing lump sum impairment benefits and common law claims, proving that common law and no-fault benefits can co-exist in one scheme.

The TAC has built on the gains made in 2001/02 in relation to the delivery of impairment benefits, with the number of claims awaiting an impairment determination now at a five-year low. The time to deliver the first impairment lump sum payment reduced by 7% from the previous year.

Strong gains have also been made in improving the time taken to respond to serious injury certificate requests. The number of claims awaiting a serious injury decision is now at a five-year low figure of 575 (compared with 771 in June 2002).

The TAC is committed to further improving the timing and effectiveness of lump sum benefit delivery through improved communication and issues resolution for clients and their legal representatives.



She spent many hours teaching him to swallow, speak and re-orientate himself back into the world.



# Road Safety **2003**



In addition to the responsible management of Victoria's personal injury insurance scheme for transport accidents, the TAC actively seeks to help change road users' attitudes and behaviours to reduce the level of trauma on Victoria's roads.

In 2002/03, Victoria recorded its lowest-ever financial-year road toll of 368. This represents a reduction of 18% (or 83 lives saved) on the previous year. Importantly, the past year has also seen a 6% reduction in serious injury claims.

The TAC – together with its road safety partners – remains committed to striving for the Victorian Government's stated objective of a 20% reduction in death and serious injury on our roads by 2007.

The past year has shown us that the vast majority of Victorian motorists share this commitment.

In 2002/03, Victoria recorded a 33% drop in the metropolitan road toll, down from 240 to 162. Especially pleasing is the fact that the country toll has also fallen from 211 to 206.

TAC surveys show that the proportion of motorists who say they speed 'most or all of the time' has fallen from 25% – in early 2001 – to 14%, the lowest ever recorded.

Data from VicRoads surveys continue to show that average travel speeds in the lower speed zones – 60km/h, 70km/h and 80km/h – are decreasing.

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.

During 2002/03, the TAC maintained a strong focus on discouraging speeding, while developing and implementing innovative programs to reward safe drivers and promote youth safety.

Major achievements in the past financial year include:

- *TAC Drive Right program* – implementation of a world-first program, recognising more than 10,000 motorists for safe and courteous on-road behaviour. More than 150,000 Victorians registered for the program.
- *Operation Clampdown* – a joint initiative with Victoria Police that involved targeting high-risk locations throughout Victoria with increased enforcement and localised public education support.
- *Wipe off 5 campaign* – maintaining the pressure on speeding drivers through three new phases of the campaign. Traffic surveys conducted by VicRoads show an encouraging drop in average travel speeds, while TAC driver surveys indicate a considerable hardening of attitudes against speeding.

Through this long process of continuing recovery and rehabilitation, the TAC has provided intensive support for Simon's medical, educational and social rehabilitation. This is so very important for someone who has experienced such a terrible accident and needs to remake their life to have meaning and relevance in their changed world.





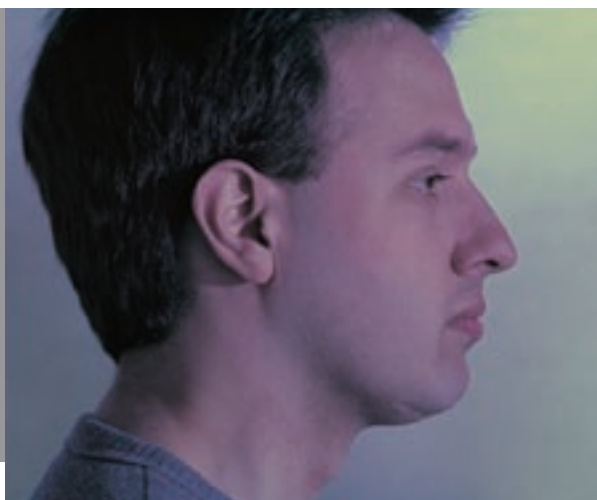
Above images: TAC Client Rachel Roberts helps launch a new anti-speeding campaign.

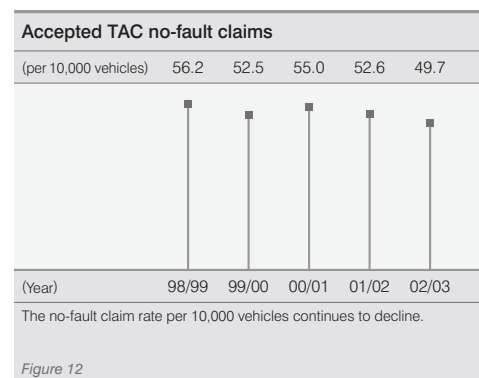
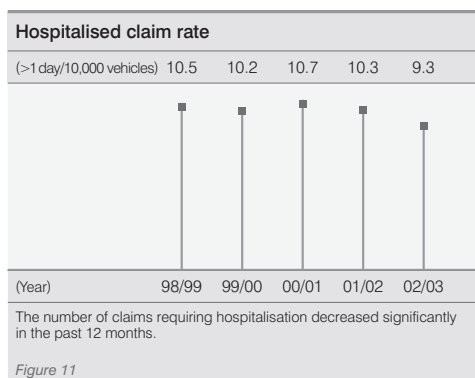
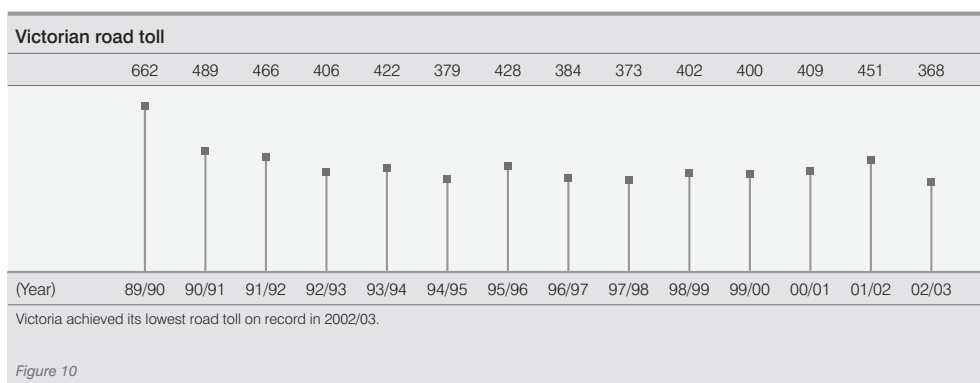
- *Promotion of safe vehicles* – continued promotion of 'safe car' purchases through the [www.howsafeisyourcar.com.au](http://www.howsafeisyourcar.com.au) website with safety rising from fifth to second in terms of purchasing priorities among a sample of owners surveyed.
- *New website* – development of a new road safety website, [www.tacsafety.com.au](http://www.tacsafety.com.au), providing information about road safety issues, safe driving tips and statistics.
- *Youth safety* – development of new approaches to youth safety – including films made by young people for young people – that serve to engage and encourage them to gain skills through supervised practice and to avoid high-risk on-road situations.

Now in its second year of implementation, the Victorian Government's road safety strategy *arrive alive!* has provided a framework for communication, cooperation and integrated approaches to road safety.

In 2003/04, the TAC will maintain its strong focus on speed through its *Wipe off 5* campaign while embarking on new measures including:

- Re-setting the agenda with regard to drink-driving and providing strong support for Victoria Police in their enforcement activities.





- Further encouraging learner drivers to build up 120 hours of supervised driving practice with the launch of a new Internet-based logbook, providing tailored advice to each learner driver as they record practice hours.
- Expanding the TAC *Drive Right* program to encourage even greater numbers of participants while carefully assessing safety outcomes.
- Directly providing public education support for new enforcement and legislative provisions such as recently introduced red light/speed cameras and revised demerit point limits for probationary drivers.

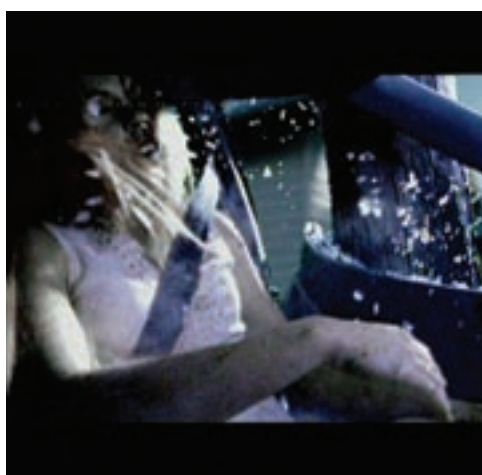
## Sponsorship

Sponsorship remains an important element of the TAC's broader road safety marketing program to reach the general Victorian public and niche groups who require specific behavioural messages.

The TAC's sponsorship portfolio includes Richmond Football Club, Collingwood Football Club, Under-18's TAC Cup competition, Falls Festival, Royal Victorian Bowls Association and The Wangaratta Festival of Jazz.

I've worked with a heap of different specialists and therapists over the years since my accident – doctors, physiotherapists, speech therapists... you name it. One of my favourites though was Rob, my psychologist, who helped me deal with my grief and come to terms with accepting the 'new me'.





1998 Started work Supermarket Kew  
1998 Started Youth Group with TAC  
1997 1st Date with Sarah  
1997 Full time At TAFE No Support  
1996 Started TAFE with Support 2 days  
1998 Still Full time Horse School  
1998 Doing full time Horse School with Mrs  
1998 Started Home School with Mrs

Life is like a bike. You need to ride it. You may come across hills, but when you ride over the hill, you can look down from the top at where you have come from and think 'Was that me?' And you are lost in the magic at being at the top of the hill. We all have our mountains to climb. I do everyday.

### Rachel's story

For the first time in its history, the TAC this year launched a road safety campaign featuring a real-life car crash survivor to reinforce its anti-speeding message, *Wipe off 5*.

This ground-breaking advertisement features TAC client Rachel Roberts (now 33) who was seriously injured in a single vehicle crash in the outer Melbourne suburb of Park Orchards in December 1998.

Rachel, the front seat passenger, was heading out for lunch with her boyfriend who lost control of his car on a sweeping bend and smashed into a tree. The driver had been travelling about five kilometres above the limit and too fast for the road conditions.

The main point of impact was on Rachel's side of the car and it took police and ambulance officers more than an hour to remove her from the wreck. Rachel was airlifted to the Alfred Hospital for emergency treatment and surgery, but she was not expected to survive the trip.

As a result of the crash, Rachel sustained a brain injury, broken ribs, a fractured hip and internal injuries. She remained unconscious for six weeks and in this time underwent numerous operations to treat her injuries, remove her spleen and insert a tracheotomy to maintain her airway.

In February 1999, Rachel was admitted to the Victorian Rehabilitation Centre (VRC) in Springvale. During the next two months, Rachel started the slow process of re-learning basically everything, including how to swallow, crawl, stand, walk and talk and use the toilet.

Two months later, Rachel returned home to her mother's house, but continued to receive out-patient therapy at VRC until November that year.

At times in her recovery, Rachel felt extremely frustrated and depressed, but believed moving into her own flat in December 1999 was a major turning point in regaining her independence, positivity and motivation.

The ongoing impact of Rachel's accident is a permanent brain injury and she has difficulties with memory, concentration and speech. Rachel tires easily and experiences anxiety and bouts of depression. She also has significant scarring from her surgery.

The accident has dramatically changed Rachel's lifestyle and future career prospects. Before the crash, Rachel – whose artistic talents include sculpting, drawing, painting, photography, mosaic and pottery – had just completed a university arts degree. While Rachel is now unable to cope with the physical and mental demands of full-time employment, she does a great deal of voluntary work and is a regular guest speaker at secondary schools for the Teenage Road Accident Group.

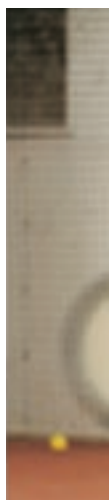
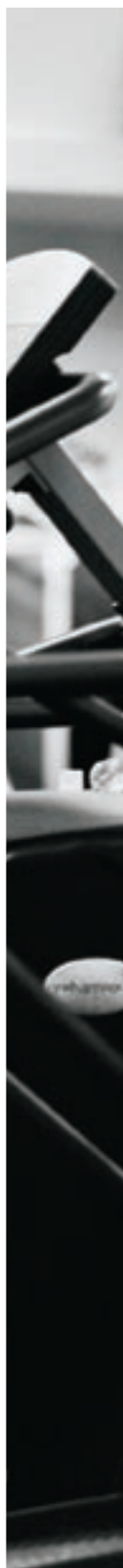
Rachel still receives TAC-funded treatment from an occupational therapist and speech therapist and has an attendant carer for several hours a week to help her plan her activities.

Rachel and her family agreed to share their experience with the Victorian public, through the *Wipe off 5* campaign, because they hoped that by emphasising the dangers of speeding and risk-taking on the roads, they could help stop others from experiencing the long-term effects of road trauma.

Mum made me a chart  
representing a mountain to  
record my achievements on.  
I read it sometimes to see  
how far I've come, and  
how far I still have to go.



# Human Resources **2003**



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, performance-oriented organisation.

The TAC also acknowledges that staff satisfaction is a key driver of client satisfaction. The organisation's current retention rate is 88% compared with the finance and insurance industry benchmark of 81–85%.

### Client Service Culture

Several initiatives are in place to improve our client service culture among staff including enhanced customer service training, targeted learning and development programs, team-based activities, and management and leadership development.

### Learning and Development

To assist staff in selecting and accessing formal development opportunities, a learning and development database has been implemented.

The first Diploma of Business (Frontline Management) program, delivered in-house in partnership with the Mt Eliza Business School, has been completed and the 22 participants are currently implementing their business projects. A second program is underway with 25 participants.

This year, a second TAC General Manager was successful in completing the Williamson Community Leadership Program – a unique year of leadership-broadening experiences.

### Enterprise Agreement

A new Enterprise Agreement was successfully negotiated which seeks to support a culture of performance, innovation and continuous improvement while providing opportunities for personal development, training and flexible working arrangements.

### StaffCare Programs

The TAC's health and well-being program, known as *StaffCare*, is conducted on a fortnightly basis and is available to all employees. During the previous 12 months, our staff were supported in the workplace through various *StaffCare* initiatives such as free flu vaccinations, eye testing, lunchtime activity sessions and QUIT programs.



I think that having your independence is really important. I now live in a flat above Mum and Dad's place, so I have to do most things for myself. I go out with my friends and have been doing classes through the Abound program. I've also been doing voluntary work and I now have an apprenticeship in the hospitality industry.



# Financial Management **2003**



The TAC scheme is a long-tail scheme funded by premiums paid by the owners of Victorian-registered vehicles and from investment income earned on funds held to meet future claim payments.

### 2002/03 Results

The TAC recorded an after-tax operating profit for 2002/03 of \$51 million (\$160 million loss in 2001/02).

Weak international markets continued to have a strong impact on Australian accumulation funds, including the TAC. However, an investment return of 3.7% was achieved in this very difficult financial environment, well above the median return for balanced funds of -1.6%.

The TAC's rolling ten-year real investment return of 5.5% per annum was above the targeted real return of 5% per annum.

The TAC achieved an actuarial release of \$311 million, attributable largely to a significant reduction in claims in 2002/03.

### Investment and Financial Risk Management Strategies

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

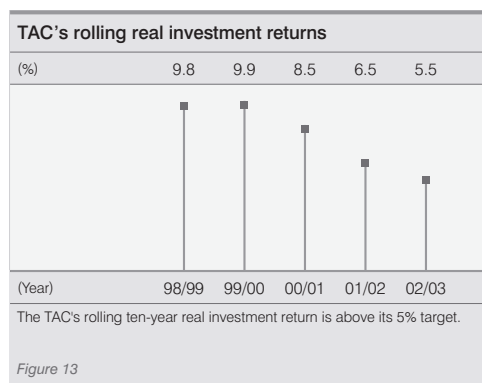
The TAC's premiums are determined assuming that a 5% real investment return can be achieved over the average duration of claims liabilities (about 10 years). Similarly, the TAC's asset allocation is set so as to achieve an average 5% real return through this period based on expected long-term returns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

In response to expected lower returns from equity markets in this decade, the TAC adopted active management (stock selection) during the year.

In terms of managing the TAC's exposure to currency obtained via an allocation to international equities, the TAC maintained a fully hedged strategy. This means movements in the Australian dollar had no impact on the TAC's investment return or annual profit. This fully hedged position during the year was a key reason for the outperformance compared to the median balanced fund return.

As a family and as individuals, this experience has changed our lives. The anger, sorrow and grief have gone and we continue our journey. Simon is a positive, enthusiastic, loving and good-humoured young man, and we are so proud of him. Simon has shown us what can be achieved by determination, perseverance and sheer hard work. He is our inspiration – the wind beneath our wings. We remember and thank God and all the many professionals, family and friends who have helped and supported us along the journey.






The TAC's annual result is dominated by the need under Australian Accounting Standards to mark the organisation'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 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 accident. 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.

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 (about 10 years).

Notwithstanding the above integrated financial risk management strategies, the TAC's annual profit remains volatile, with losses expected on average once every four years, caused predominantly by investment market volatility. While a lower allocation to growth assets would slightly 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.

Under this reporting framework, factors external to the control of the organisation (e.g. movements in claims discount rates and variations in annual investment returns compared to long-term expected returns) are specifically highlighted to show the impact of these factors on the reported after-tax result. For 2002/03, a profit of \$51 million was recorded despite the negative impact from external factors of \$456 million, primarily due to strong claims management and a reduced road toll.



I would not be where I am today, doing the things I do, without the amazing care and support of my parents – my accident has had a huge effect on their lives, too. I just love them from the bottom of my heart.

### Premiums

Premium levels increased in line with CPI (3.1%) on 1 July 2002, 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 tramways 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.

The TAC's premiums remain amongst the lowest in Australia.

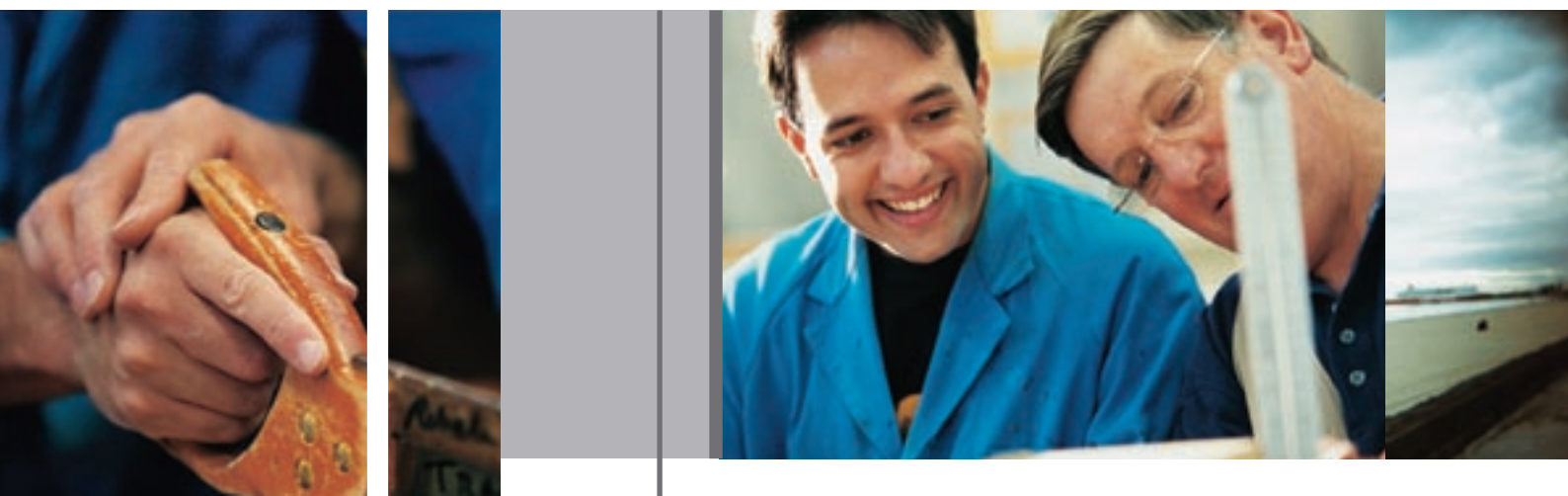
### Assets and Liabilities

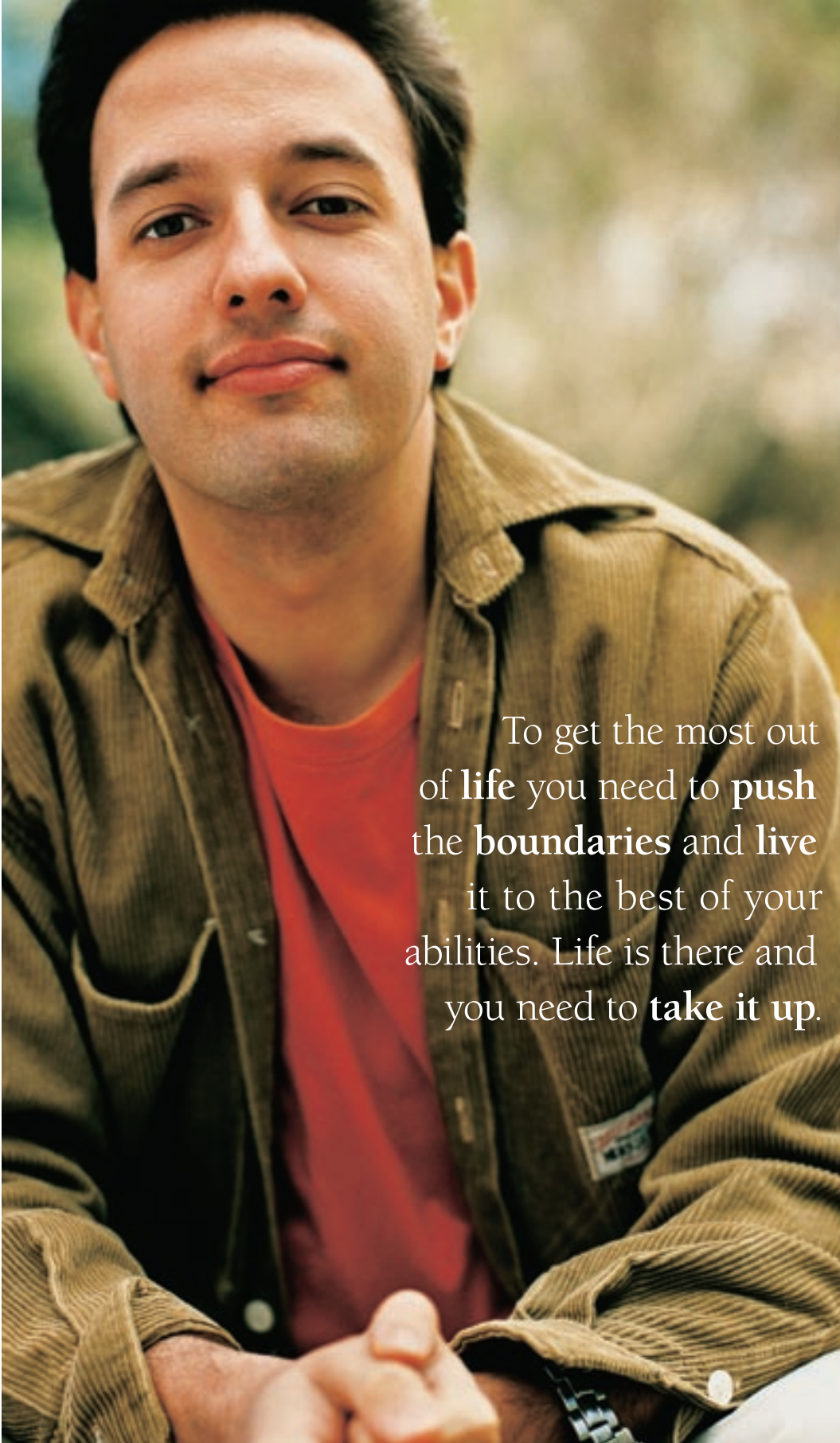
The TAC's total assets at 30 June 2003 were \$5.91 billion (\$5.57 billion at 30 June 2002), while total liabilities were \$5.28 billion (\$4.88 billion at 30 June 2002).

The TAC's funding ratio at 30 June 2003 was 111% (111% at June 2002).

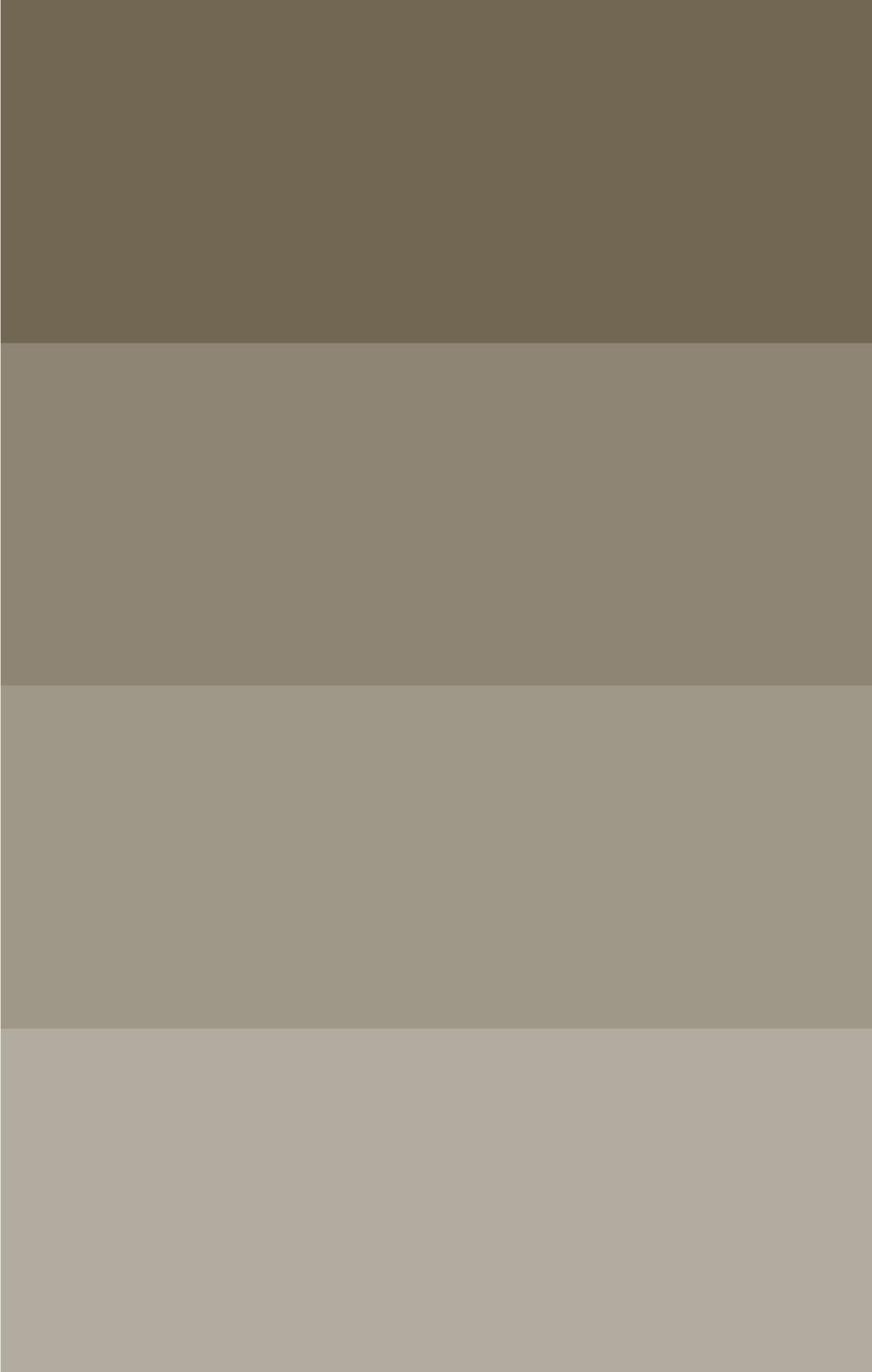
### Tax and Dividends Paid

During the year, the TAC paid the final instalment of the Accident Prevention Blackspot Dividend to the Government of \$110 million.





To get the most out  
of **life** you need to **push**  
the **boundaries** and **live**  
it to the best of your  
abilities. Life is there and  
you need to **take it up**.



Financial  
Reports  
**2003**

<b>STATEMENTS OF FINANCIAL PERFORMANCE</b>		<b>CONSOLIDATED</b>		<b>TAC</b>
FOR THE YEAR ENDED 30 JUNE 2003		2003	2002	2003
	NOTE	\$000	\$000	\$000
Net premium revenue		860,149	813,927	860,149
Gross investment revenue/(loss)	5	204,619	(147,747)	204,619
Claims recoveries revenue	6	3,814	(280)	3,814
<b>TOTAL OPERATING INCOME</b>		<b>1,068,582</b>	<b>665,900</b>	<b>1,068,582</b>
Gross claims incurred	6	(865,288)	(688,107)	(873,465)
Administration costs	4	(89,536)	(83,449)	(81,359)
Accident prevention expenditure		(24,972)	(23,080)	(24,972)
Trauma projects expenditure		(9,245)	(8,686)	(9,245)
Premium collection fees		(17,748)	(16,751)	(17,748)
Investment expenses	5	(10,417)	(4,435)	(10,417)
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	3	<b>51,376</b>	<b>(158,608)</b>	<b>51,376</b>
Farrow Group revenue		1,181	8,708	1,181
<b>PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>52,557</b>	<b>(149,900)</b>	<b>52,557</b>
Income tax expense	7(a)	(1,328)	(10,534)	(1,328)
<b>NET PROFIT/(LOSS)</b>	16	<b>51,229</b>	<b>(160,434)</b>	<b>51,229</b>

The attached notes form part of the financial reports.

STATEMENTS OF FINANCIAL POSITION		CONSOLIDATED		TAC	
AS AT 30 JUNE 2003		2003	2002	2003	2002
	NOTE	\$000	\$000	\$000	\$000
<b>CURRENT ASSETS</b>					
Cash assets	22	11,516	3,320	11,516	3,320
Receivables	9	40,085	32,154	39,382	31,435
Other assets	10	13,373	9,265	13,373	9,265
Investments	8	570,214	350,173	570,214	350,173
<b>TOTAL CURRENT ASSETS</b>		<b>635,188</b>	<b>394,912</b>	<b>634,485</b>	<b>394,193</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	9	155,761	130,450	155,761	130,450
Other assets	10	19,008	17,915	19,008	17,915
Equipment, furniture and IT systems	11	9,333	8,727	9,333	8,727
Investments	8	4,928,632	4,874,316	4,928,632	4,874,316
Deferred tax assets	7(d)	159,925	139,362	159,619	139,128
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,272,659</b>	<b>5,170,770</b>	<b>5,272,353</b>	<b>5,170,536</b>
<b>TOTAL ASSETS</b>		<b>5,907,847</b>	<b>5,565,682</b>	<b>5,906,838</b>	<b>5,564,729</b>
<b>CURRENT LIABILITIES</b>					
Payables	12	50,500	42,596	50,530	42,434
Unearned premiums		435,395	410,214	435,395	410,214
Tax liabilities	7(b)	36,779	34,449	36,746	34,431
Outstanding claims	13	596,316	628,791	596,316	628,791
Provisions	14	3,890	3,933	3,386	3,487
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,122,880</b>	<b>1,119,983</b>	<b>1,122,373</b>	<b>1,119,357</b>
<b>NON-CURRENT LIABILITIES</b>					
Outstanding claims	13	4,081,746	3,660,712	4,081,746	3,660,712
Provisions	14	5,409	4,839	4,907	4,512
Deferred tax liabilities	7(c)	66,262	89,827	66,262	89,827
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>4,153,417</b>	<b>3,755,378</b>	<b>4,152,915</b>	<b>3,755,051</b>
<b>TOTAL LIABILITIES</b>		<b>5,276,297</b>	<b>4,875,361</b>	<b>5,275,288</b>	<b>4,874,408</b>
<b>NET ASSETS</b>		<b>631,550</b>	<b>690,321</b>	<b>631,550</b>	<b>690,321</b>
<b>EQUITY</b>					
Reserves	15	2,251	110,000	2,251	110,000
Retained surplus	16	629,299	580,321	629,299	580,321
<b>TOTAL EQUITY</b>		<b>631,550</b>	<b>690,321</b>	<b>631,550</b>	<b>690,321</b>

The attached notes form part of the financial reports.

<b>STATEMENTS OF CASH FLOWS</b>		<b>CONSOLIDATED</b>		<b>TAC</b>
FOR THE YEAR ENDED 30 JUNE 2003		2003	2002	2003
	NOTE	\$000	\$000	\$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Transport accident charges received		978,869	918,130	978,869
Dividends received		108,625	92,376	108,625
Interest received		132,598	141,733	132,598
Claims paid		(537,475)	(537,091)	(543,717)
Claims recoveries received		9,500	9,564	9,564
Payments to suppliers and employees		(134,946)	(110,865)	(104,154)
Payments for accident prevention programmes		(24,972)	(25,143)	(25,143)
Goods and services tax paid		(56,590)	(56,613)	(56,613)
Tax refund/(paid)		(43,127)	34,735	34,780
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	22 (b)	<b>432,482</b>	<b>466,826</b>	<b>432,171</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments from/(to) controlled entity		0	0	311
Payments for investments		(10,813,306)	(4,616,571)	(10,813,306)
Proceeds from sale of investments		10,550,814	4,260,760	10,550,814
Payments for equipment, furniture and IT systems		(3,301)	(2,166)	(3,301)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(265,793)</b>	<b>(357,977)</b>	<b>(265,482)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid for accident prevention blackspot		(110,000)	(90,000)	(110,000)
Payment for Farrow Group liquidation expenses		(29)	(81)	(29)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<b>(110,029)</b>	<b>(90,081)</b>	<b>(110,029)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>56,660</b>	<b>18,768</b>	<b>56,660</b>
Cash at the beginning of the financial year		128,268	108,375	128,268
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year		(4,092)	1,125	(4,092)
<b>CASH AT END OF THE FINANCIAL YEAR</b>	22 (a)	<b>180,836</b>	<b>128,268</b>	<b>180,836</b>

The attached notes form part of the financial reports.

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 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 report of the controlled entity, 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, certain assets and liabilities which, as noted, are recognised at net 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 charges in respect of the operation of trains and trams 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. Gains and losses arising on foreign currency translations 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 liability.

### (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 settling 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 market risk-adjusted rates of return applicable to the TAC's investments. The rate is expected to be sustainable over the duration of the liabilities.

Claims liabilities include a prudential margin (refer note 13) 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.

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 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 market yields.

Investments that are due to mature, expire or be realised within twelve months of balance date are classified as current investments for the purposes of classification in the statement of financial position. While this classification policy results in a reported working capital deficit, the TAC is cash-flow positive with premium and investment revenue exceeding claims and administrative cost payments.

### (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 translated into 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 are translated to Australian currency at rates of exchange current at that date.

### (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 BENEFITS

The provisions for employee benefits for salaries and annual leave including related on-costs expected to be settled within twelve months of the balance date are recognised as current liability. The provisions have been calculated in respect of employees' services up to the balance date and are measured at their nominal amounts, using the remuneration rates expected to be paid when the liabilities are settled.

The provision for employee benefits for 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. The liability for long service leave expected to be settled within 12 months of balance date is shown as 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 recognised 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 \$383.2 million (2002: \$384.4 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 the 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. An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the TAC, the Minister for WorkCover and the Treasurer. No dividend has been accrued in respect of 2002/03 financial year (2001/02: nil).

However, a special dividend of \$110 million (2002: \$90 million) was paid to the Government under the accident prevention blackspot program (note 15).

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 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). The controlled entity is, however, 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	
	NOTE	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Premium revenue		861,676	814,927	861,676	814,927
Claims recoveries revenue	6	3,814	(280)	3,814	(280)
Dividends		111,333	93,933	111,333	93,933
Interest income		128,737	141,319	128,737	141,319
Proceeds from sale of investments		10,550,814	4,260,760	10,550,814	4,570,260
		<b>11,656,374</b>	<b>5,310,659</b>	<b>11,656,374</b>	<b>5,620,159</b>

3) PROFIT/(LOSS) FROM OPERATING ACTIVITIES		CONSOLIDATED		TAC	
	NOTE	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Premium revenue		861,676	814,927	861,676	814,927
Reinsurance expenses		(1,527)	(1,000)	(1,527)	(1,000)
Net premium revenue		860,149	813,927	860,149	813,927
Claims recoveries revenue	6	3,814	(280)	3,814	(280)
Gross claims incurred	6	(865,288)	(688,107)	(873,465)	(694,733)
Administration and program costs		(123,753)	(115,215)	(115,576)	(108,589)
Premium collection fees		(17,748)	(16,751)	(17,748)	(16,751)
Underwriting loss		(142,826)	(6,426)	(142,826)	(6,426)
Investment revenue/(loss)	5	194,202	(152,182)	194,202	(152,182)
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>		<b>51,376</b>	<b>(158,608)</b>	<b>51,376</b>	<b>(158,608)</b>
<b>(A) PROFIT/(LOSS) FROM OPERATING ACTIVITIES INCLUDES THE FOLLOWING EXPENSES:</b>					
• Bad and doubtful debts		(1,198)	362	(1,198)	362
• Depreciation on equipment and furniture		2,692	2,245	2,692	2,245
• Employee entitlement provisions		1,486	1,610	1,181	1,386
• Net operating lease rentals		4,887	4,085	4,887	4,085
• Auditor General's fees <sup>1</sup>		160	143	153	137

<sup>1</sup> Fees are for auditing the financial reports.

Notes to and forming part of the financial reports for the year ended 30 June 2003

### 3) PROFIT/(LOSS) FROM OPERATING ACTIVITIES *(Continued)*

#### (B) EXPLANATION OF VOLATILITY OF FINANCIAL RESULTS

This note provides additional analysis of the net profit after tax of \$51.2 million (2002: loss \$160.4 million).

Given the long-term nature of the TAC scheme both from an investment and outstanding claims perspective, the annual operating result for the TAC is significantly affected by market factors external to the organisation. External factors contribute to the difference between actual investment returns and the long-term expected investment returns advised by the TAC's asset consultant and also include 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 Board considers that this additional disclosure in the financial report is therefore warranted to explain the impact of external factors on the financial performance.

The TAC has recorded a profit after tax for the 2002/03 financial year, notwithstanding unfavourable external factors. The financial result was adversely affected by the investment return for the year being below long-term expected returns by \$201 million (2002: \$550 million). In addition, the movement in real discount rates and wages inflation over the year had an unfavourable impact of \$255 million (2002: \$29 million favourable) on claims liabilities.

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

	2003 (\$M)	2002 (\$M)
Short-term investment fluctuations <sup>1</sup>	(201)	(550)
Changes in inflation assumptions and discount rates <sup>2</sup>	(255)	29
Impact from legislative changes <sup>3</sup>	0	16

<sup>1</sup> Weak global financial markets led to a lower than anticipated actual return in 2002/03 of 3.7% (2002: negative 2.9%) compared to the long-term expected return of 7.5% based on the TAC's investment strategy.

<sup>2</sup> Domestic bond yields fell significantly in 2002/03 resulting in a lower claims discount rate and a corresponding increase in outstanding claims liability. In 2001/02 there were modest changes in economic assumptions (e.g. increase in real discount rates) used to determine claims liability, which only slightly impacted the results.

<sup>3</sup> Relates to legislative changes impacting the TAC.

### 4) ADMINISTRATION COSTS

	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Staff and related	48,952	45,129	41,105	38,746
Information technology	21,636	19,401	21,636	19,401
Operating costs	18,948	18,919	18,618	18,676
<b>TOTAL</b>	<b>89,536</b>	<b>83,449</b>	<b>81,359</b>	<b>76,823</b>

### 5) INVESTMENT REVENUE

	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Dividends	111,333	93,933	111,333	93,933
Interest	128,737	141,319	128,737	141,319
Changes in net market values of investments				
• Unrealised losses	(34,089)	(425,337)	(34,089)	(425,337)
• Realised gains/(losses)	(1,362)	42,338	(1,362)	42,338
	204,619	(147,747)	204,619	(147,747)
Investment expenses	(10,417)	(4,435)	(10,417)	(4,435)
<b>TOTAL</b>	<b>194,202</b>	<b>(152,182)</b>	<b>194,202</b>	<b>(152,182)</b>

The TAC investment portfolio recorded a positive return of 3.7%, compared to a negative return of 2.9% in the previous year. Fixed interest and property sectors produced strong returns, while the international and domestic equity markets again performed poorly with negative returns.

The change from indexed stock selection to active stock selection of investments during the year is the key contributing factor to the increase in fund management fees included in investment expenses.

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 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.

	CONSOLIDATED 2003			CONSOLIDATED 2002		
	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000
Gross claims incurred						
• Undiscounted	1,413,337	(2,032,583)	(619,246)	1,481,377	(279,996)	1,201,381
• Discount	(667,529)	2,152,063	1,484,534	(748,275)	235,001	(513,274)
	<b>745,808</b>	<b>119,480</b>	<b>865,288</b>	<b>733,102</b>	<b>(44,995)</b>	<b>688,107</b>
Claims recoveries						
• Undiscounted	(15,015)	34,938	19,923	(14,808)	8,862	(5,946)
• Discount	3,991	(27,728)	(23,737)	5,554	672	6,226
	<b>(11,024)</b>	<b>7,210</b>	<b>(3,814)</b>	<b>(9,254)</b>	<b>9,534</b>	<b>280</b>
<b>NET CLAIMS INCURRED</b>	<b>734,784</b>	<b>126,690</b>	<b>861,474</b>	<b>723,848</b>	<b>(35,461)</b>	<b>688,387</b>

	TAC 2003			TAC 2002		
	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000
Gross claims incurred						
• Undiscounted	1,421,514	(2,032,583)	(611,069)	1,488,003	(279,996)	1,208,007
• Discount	(667,529)	2,152,063	1,484,534	(748,275)	235,001	(513,274)
	<b>753,985</b>	<b>119,480</b>	<b>873,465</b>	<b>739,728</b>	<b>(44,995)</b>	<b>694,733</b>
Claims recoveries						
• Undiscounted	(15,015)	34,938	19,923	(14,808)	8,862	(5,946)
• Discount	3,991	(27,728)	(23,737)	5,554	672	6,226
	<b>(11,024)</b>	<b>7,210</b>	<b>(3,814)</b>	<b>(9,254)</b>	<b>9,534</b>	<b>280</b>
<b>NET CLAIMS INCURRED</b>	<b>742,961</b>	<b>126,690</b>	<b>869,651</b>	<b>730,474</b>	<b>(35,461)</b>	<b>695,013</b>

The net claims incurred of \$861 million (2002: \$688 million) is impacted by both internal and external factors as noted below:

	2003 \$M	2002 \$M
Claims incurred – Internal <sup>1</sup>	606	733
Claims incurred – External <sup>2</sup>	255	(45)
<b>TOTAL CLAIMS INCURRED</b>	<b>861</b>	<b>688</b>

<sup>1</sup> The 'claims incurred – internal' for the 2003 financial year is \$127 million lower than the claims incurred for the previous year, notwithstanding that in a maturing scheme like the TAC scheme, and combined with inflation effects, claims incurred would normally be expected to increase by 6% to 7% annually.

The key contributing factors to the lower claims incurred are improved payment experience in relation to hospital and medical treatment costs, and paramedical, rehabilitation and equipment needs. In addition, there are a lower number of claims receiving attendant care and equipment payments as well as impairment benefits.

Importantly, the number of new claims received relating to the 2002/03 year is significantly lower across all injury types including fatalities and hospitalised claims.

<sup>2</sup> The 'claims incurred – external' reflects the financial impact on changes in inflation assumptions and discount rates, and also changes in legislation. In 2002, there was a modest increase in discount rates which reduced the overall claims incurred result. However, this trend was significantly reversed in 2003, as domestic bond yields fell dramatically over the year resulting in a much lower claims discount rate and a corresponding increase in the outstanding claims liability estimated at \$255 million. Included in this amount is also the impact of higher wages inflation assumptions.

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 6) CLAIMS INCURRED *(Continued)*

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

	CONSOLIDATED 2003			CONSOLIDATED 2002		
	CLAIMS PAYMENTS <sup>1</sup>	LIABILITY MOVEMENTS <sup>2</sup>	TOTAL	CLAIMS PAYMENTS <sup>1</sup>	LIABILITY MOVEMENTS <sup>2</sup>	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
TAC scheme – no-fault	338,511	291,893	630,404	345,499	203,141	548,640
TAC scheme – common law	169,204	23,204	192,408	163,900	(39,632)	124,268
Run-off Scheme	7,716	34,760	42,476	8,969	6,230	15,199
	515,431	349,857	865,288	518,368	169,739	688,107
Recoveries	(9,784)	5,970	(3,814)	(7,371)	7,651	280
<b>TOTAL</b>	<b>505,647</b>	<b>355,827</b>	<b>861,474</b>	<b>510,997</b>	<b>177,390</b>	<b>688,387</b>

	TAC 2003			TAC 2003		
	CLAIMS PAYMENTS <sup>1</sup>	LIABILITY MOVEMENTS <sup>2</sup>	TOTAL	CLAIMS PAYMENTS <sup>1</sup>	LIABILITY MOVEMENTS <sup>2</sup>	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000
TAC scheme – no-fault	342,436	291,893	634,329	348,679	203,141	551,820
TAC scheme – common law	173,456	23,204	196,660	167,346	(39,632)	127,714
Run-off Scheme	7,716	34,760	42,476	8,969	6,230	15,199
	523,608	349,857	873,465	524,994	169,739	694,733
Recoveries	(9,784)	5,970	(3,814)	(7,371)	7,651	280
<b>TOTAL</b>	<b>513,824</b>	<b>355,827</b>	<b>869,651</b>	<b>517,623</b>	<b>177,390</b>	<b>695,013</b>

<sup>1</sup> 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.

<sup>2</sup> 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 profit from ordinary activities. The differences are reconciled as follows:

(A) INCOME TAX EXPENSE	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>PRIMA FACIE INCOME TAX EXPENSE CALCULATED AT 30% (2002: 30%)</b>	<b>15,767</b>	<b>(44,970)</b>	<b>15,767</b>	<b>(44,970)</b>
Tax effect of permanent differences:				
• Tax exempt foreign income	10,738	79,504	10,738	79,504
• Rebateable dividends	(24,976)	(21,399)	(24,976)	(21,399)
• Farrow Group revenue	(342)	(2,627)	(342)	(2,627)
• Sundry items	141	26	141	26
<b>INCOME TAX EXPENSE</b>	<b>1,328</b>	<b>10,534</b>	<b>1,328</b>	<b>10,534</b>
<b>AGGREGATE INCOME TAX EXPENSE COMPRISES:</b>				
• Current taxation provision	44,620	34,499	44,548	34,431
• Deferred income tax provision	(23,565)	(18,506)	(23,565)	(18,506)
• Future income tax benefit	(20,564)	(5,459)	(20,492)	(5,391)
• Under provision in prior year	837	0	837	0
	<b>1,328</b>	<b>10,534</b>	<b>1,328</b>	<b>10,534</b>

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 7) INCOME TAX (Continued)

(B) PROVISION FOR CURRENT INCOME TAX	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Balance at beginning of year	34,449	(34,785)	34,431	(34,780)
Movements during the year:				
• Income tax received/(paid)	(43,127)	34,735	(43,070)	34,780
• Current year's income tax expense	44,620	34,499	44,548	34,431
• Under provision in prior year	837	0	837	0
	<b>36,779</b>	<b>34,449</b>	<b>36,746</b>	<b>34,431</b>

(C) PROVISION FOR DEFERRED INCOME TAX	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:				
• Unrealised gain on investments	66,303	90,142	66,303	90,142
• Difference in depreciation of plant and equipment for accounting and income tax purposes	(41)	(315)	(41)	(315)
	<b>66,262</b>	<b>89,827</b>	<b>66,262</b>	<b>89,827</b>

(D) PROVISION FOR FUTURE INCOME TAX BENEFIT	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$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	151,131	130,311	151,131	130,311
• Provisions and accrued employee entitlements not currently deductible	8,114	8,280	7,812	8,048
• Accruals not currently deductible	680	771	676	769
	<b>159,925</b>	<b>139,362</b>	<b>159,619</b>	<b>139,128</b>

8) INVESTMENTS	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
NET MARKET VALUE				
<b>CURRENT</b>				
Bank, money market, foreign currency and other deposits	448,905	187,117	448,905	187,117
Government, semi-government and corporate bonds	74,550	115,146	74,550	115,146
Investment receivables	46,759	47,910	46,759	47,910
<b>TOTAL CURRENT</b>	<b>570,214</b>	<b>350,173</b>	<b>570,214</b>	<b>350,173</b>
<b>NON-CURRENT</b>				
Government, semi-government and corporate bonds	1,874,137	1,924,807	1,874,137	1,924,807
Domestic equities	1,197,508	1,283,166	1,197,508	1,283,166
International equities <sup>(1)</sup>	1,353,899	1,226,104	1,353,899	1,226,104
Property trust units	503,088	440,239	503,088	440,239
<b>TOTAL NON-CURRENT</b>	<b>4,928,632</b>	<b>4,874,316</b>	<b>4,928,632</b>	<b>4,874,316</b>
<b>TOTAL INVESTMENTS</b>	<b>5,498,846</b>	<b>5,224,489</b>	<b>5,498,846</b>	<b>5,224,489</b>

<sup>(1)</sup> The TAC utilises forward contracts to hedge the currency exposure of international equities.

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 8) INVESTMENTS *(Continued)*

### MONETARY ITEMS DENOMINATED IN FOREIGN CURRENCIES

The Australian dollar equivalents for the foreign currency investments held at balance date are:

	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
United States dollar	796,617	701,102	796,617	701,102
Euro dollar	232,805	181,217	232,805	181,217
Japanese yen	102,472	118,118	102,472	118,118
United Kingdom pound sterling	141,035	143,901	141,035	143,901
Other foreign currencies	136,033	111,521	136,033	111,521
	<b>1,408,962</b>	<b>1,255,859</b>	<b>1,408,962</b>	<b>1,255,859</b>

## 9) RECEIVABLES

	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>CURRENT</b>				
Premiums receivable	8,667	8,426	8,667	8,426
Input tax credits <sup>(1)</sup>	19,791	14,926	19,791	14,926
Claims recoveries and other debtors	16,754	15,298	16,051	14,579
Less: Provision for doubtful debts	(5,127)	(6,496)	(5,127)	(6,496)
	11,627	8,802	10,924	8,083
<b>TOTAL CURRENT</b>	<b>40,085</b>	<b>32,154</b>	<b>39,382</b>	<b>31,435</b>
<b>NON-CURRENT</b>				
Input tax credits <sup>(1)</sup>	108,768	74,930	108,768	74,930
Claims recoveries receivable	47,640	55,996	47,640	55,996
Less: Provision for doubtful debts	(647)	(476)	(647)	(476)
	46,993	55,520	46,993	55,520
<b>TOTAL NON-CURRENT</b>	<b>155,761</b>	<b>130,450</b>	<b>155,761</b>	<b>130,450</b>

<sup>(1)</sup> 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	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>CURRENT</b>				
Deferred acquisition costs	9,044	8,489	9,044	8,489
Prepayments and others	4,329	776	4,329	776
<b>TOTAL CURRENT</b>	<b>13,373</b>	<b>9,265</b>	<b>13,373</b>	<b>9,265</b>
<b>NON -CURRENT</b>				
Farrow Group distribution	19,008	17,915	19,008	17,915
<b>TOTAL NON-CURRENT</b>	<b>19,008</b>	<b>17,915</b>	<b>19,008</b>	<b>17,915</b>

Notes to and forming part of the financial reports for the year ended 30 June 2003

11) EQUIPMENT, FURNITURE AND IT SYSTEMS	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>EQUIPMENT, FURNITURE AND IT SYSTEMS</b>				
At cost	20,546	17,281	20,546	17,281
Accumulated depreciation	(11,213)	(8,554)	(11,213)	(8,554)
<b>WRITTEN DOWN VALUE</b>	<b>9,333</b>	<b>8,727</b>	<b>9,333</b>	<b>8,727</b>
<b>RECONCILIATION:</b>				
Opening written-down value as at 1 July	8,727	8,817	8,727	8,817
Additions	3,301	2,166	3,301	2,166
Disposals	(3)	(11)	(3)	(11)
Current year depreciation	(2,692)	(2,245)	(2,692)	(2,245)
<b>CLOSING WRITTEN DOWN VALUE AS AT 30 JUNE</b>	<b>9,333</b>	<b>8,727</b>	<b>9,333</b>	<b>8,727</b>

12) PAYABLES	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>CURRENT</b>				
Advance premiums <sup>(1)</sup>	18,736	14,422	18,736	14,422
Accruals	28,750	24,853	28,750	24,853
GST payable	3,014	3,321	2,725	3,151
Amount due to controlled entity	0	0	319	8
<b>TOTAL CURRENT</b>	<b>50,500</b>	<b>42,596</b>	<b>50,530</b>	<b>42,434</b>

<sup>(1)</sup> Advance premiums represent premiums received for policies with attachment dates commencing after balance date.

### 13) OUTSTANDING CLAIMS

Outstanding claims liability as at 30 June 2003 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	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Undiscounted future claims payments	11,674,738	12,747,965	11,674,738	12,747,965
Discount to present value	(6,996,676)	(8,458,462)	(6,996,676)	(8,458,462)
<b>TOTAL OUTSTANDING CLAIMS LIABILITY</b>	<b>4,678,062</b>	<b>4,289,503</b>	<b>4,678,062</b>	<b>4,289,503</b>
Current liability	596,316	628,791	596,316	628,791
Non-current liability	4,081,746	3,660,712	4,081,746	3,660,712
<b>TOTAL OUTSTANDING CLAIMS LIABILITY</b>	<b>4,678,062</b>	<b>4,289,503</b>	<b>4,678,062</b>	<b>4,289,503</b>

	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
TAC scheme – no-fault	3,113,446	2,803,298	3,113,446	2,803,298
TAC scheme – common law	1,320,061	1,276,076	1,320,061	1,276,076
Run-off Scheme	244,555	210,129	244,555	210,129
	<b>4,678,062</b>	<b>4,289,503</b>	<b>4,678,062</b>	<b>4,289,503</b>

Notes to and forming part of the financial reports for the year ended 30 June 2003

### 13) OUTSTANDING CLAIMS *(Continued)*

The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 9.9 years (2002: 9.7 years).

The TAC has added a prudential margin to the central (best) estimate of the discounted future claims payments to provide for a higher degree of certainty that the liability for outstanding claims, at balance date, will be adequate to cover possible adverse developments. The degree of certainty required by the TAC has been achieved by a prudential margin of 15% that allows for a 80–85% probability of sufficiency in meeting the actual amount of liability to which it relates. The prudential margin has added \$585 million (2002: \$540 million) to the liability for outstanding claims at balance date.

In determining the best estimate of the outstanding claims liability at 30 June 2003 to settle future claims payments, the TAC has taken into consideration the legislation that the Victorian Government proposes to enact in the Spring parliamentary session. This legislation will mitigate the financial impact of the two recent court decisions. The TAC's actuary has estimated the full impact on the outstanding claims liability provision of these decisions without legislation at \$113 million, and at \$8 million if legislation is passed. The confirmation from the Government of its proposal to enact this legislation is considered to be reasonable and supportable assumption that represents the best estimate by the TAC's actuary and accordingly they have adopted the lower impact in the recommended provision.

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 (2002: 1%).

	DISCOUNT RATE		WAGE INFLATION RATE	
	2003 %	2002 %	2003 %	2002 %
CLAIMS EXPECTED TO BE PAID:				
Year 1	5.4	6.3	4.1	3.6
Year 2 to 5	5.9	7.1	4.0	3.7
Year 6 +	6.5	7.4	2.5	3.4

### 14) PROVISIONS

	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>CURRENT</b>				
Employee benefits	3,837	3,788	3,333	3,342
Farrow liabilities	53	145	53	145
<b>TOTAL CURRENT</b>	<b>3,890</b>	<b>3,933</b>	<b>3,386</b>	<b>3,487</b>
<b>NON-CURRENT</b>				
Employee benefits	5,180	4,585	4,678	4,258
Farrow liabilities	229	254	229	254
<b>TOTAL NON-CURRENT</b>	<b>5,409</b>	<b>4,839</b>	<b>4,907</b>	<b>4,512</b>

### 15) RESERVES

	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>(A) RESERVE FOR ACCIDENT PREVENTION BLACKSPOT DIVIDEND<sup>1</sup></b>				
Balance as at 1 July	110,000	200,000	110,000	200,000
Dividend paid	(110,000)	(90,000)	(110,000)	(90,000)
Balance as at 30 June	0	110,000	0	110,000
<b>(B) MOTORCYCLE ROAD SAFETY RESERVE<sup>2</sup></b>				
Balance as at 1 July	0	0	0	0
Transfer from retained surplus	2,746	0	2,746	0
Transfer to retained surplus	(495)	0	(495)	0
Balance as at 30 June	2,251	0	2,251	0
<b>TOTAL RESERVES</b>	<b>2,251</b>	<b>110,000</b>	<b>2,251</b>	<b>110,000</b>

<sup>1</sup> In the 2000 financial year, the TAC committed to funding a \$240 million special dividend to the Government over a three-year period to improve accident blackspot sites throughout the state. The TAC has now met all obligations under this program.

<sup>2</sup> From 1 October 2002, the TAC premium for certain motorcycle classes was increased to include an additional levy that will continue for the next three years. These monies will be set aside in the Motorcycle Road Safety Reserve set up to disperse funds to a range of special projects to improve motorcycle road safety in Victoria.

Notes to and forming part of the financial reports for the year ended 30 June 2003

16) RETAINED SURPLUS	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Balance as at 1 July	580,321	740,755	580,321	740,755
Operating profit/(loss) from the current year	51,229	(160,434)	51,229	(160,434)
Transfer to Motorcycle Road Safety Reserve	(2,746)	0	(2,746)	0
Transfer from Motorcycle Road Safety Reserve	495	0	495	0
<b>BALANCE AS AT 30 JUNE</b>	<b>629,299</b>	<b>580,321</b>	<b>629,299</b>	<b>580,321</b>

## 17) COMMITMENTS

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

	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>OPERATING LEASE COMMITMENTS, PAYABLE:</b>				
• No later than one year	5,375	5,098	5,375	5,098
• Later than one year but not later than five years	18,903	17,167	18,903	17,167
• Later than five years	9,722	12,311	9,722	12,311
	<b>34,000</b>	<b>34,576</b>	<b>34,000</b>	<b>34,576</b>
<b>ADMINISTRATIVE EXPENDITURE COMMITMENT, PAYABLE:</b>				
• No later than one year	22,034	20,393	22,034	20,393
• Later than one year but not later than five years	14,969	17,470	14,969	17,470
	<b>37,003</b>	<b>37,863</b>	<b>37,003</b>	<b>37,863</b>

## 18) CONTROLLED ENTITY

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.

TAC Law is incorporated in Victoria, Australia.

Notes to and forming part of the financial reports for the year ended 30 June 2003

19) EXECUTIVE OFFICERS' REMUNERATION	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Income received, or due and receivable by executive officers of the TAC (excluding the Managing Director) whose income is \$100,000 or more.	1,883	1,561	1,883	1,561
The number of executive officers (excluding the Managing Director) whose income is \$100,000 or more, is shown below in their relevant income bands:	No.	No.	No.	No.
\$120,000 – \$129,999	1	0	1	0
\$140,000 – \$149,999	0	1	0	1
\$150,000 – \$159,999	1	1	1	1
\$160,000 – \$169,999	0	2	0	2
\$170,000 – \$179,999	3	0	3	0
\$180,000 – \$189,999	2	0	2	0
\$190,000 – \$199,999	1	0	1	0
\$220,000 – \$229,999	0	3	0	3
\$230,000 – \$239,999	0	1	0	1
\$250,000 – \$259,999	2	0	2	0

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.

## 20) EMPLOYEE SUPERANNUATION

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

	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
State Superannuation Fund – Revised and New Schemes <sup>(1)</sup>	879	872	879	872
Victorian Superannuation Fund – VicSuper Scheme	1,983	1,623	1,687	1,433
Private Sector Complying Funds	685	533	449	345
<b>TOTAL</b>	<b>3,547</b>	<b>3,028</b>	<b>3,015</b>	<b>2,650</b>

<sup>(1)</sup> These are defined benefit schemes.

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 (2002: 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.

## 21) RESPONSIBLE PERSON-RELATED PARTY DISCLOSURES

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

The Ministers,

The Honourable Bob Cameron MP, Minister for WorkCover (to 4 December 2002)

The Honourable Rob Hulls MP, Minister for WorkCover (from 5 December 2002)

The Directors,

Mr Paul Barker

Mr Stephen Grant (Chief Executive Officer)

Mr James MacKenzie (Chair)

Ms Melanie McMillan

Dr Michael Pryles AM (resigned 31 March 2003)

Ms Elana Rubin (appointed 26 March 2003)

Professor Danny Samson (term expired 8 March 2003)

Ms Anne Ward

Ms Judy Ward

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 21) RESPONSIBLE PERSON-RELATED PARTY DISCLOSURE *(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	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Income paid or payable or otherwise made available to directors of the TAC and a controlled entity	742	675	689	616
The number of directors of the TAC whose remuneration falls within the following bands:			No.	No.
\$1 – \$9,999			1	2
\$20,000 – \$29,999			1	0
\$30,000 – \$39,999			3	4
\$40,000 – \$49,999			2	1
\$80,000 – \$89,999			1	1
\$330,000 – \$339,999			0	1
\$370,000 – \$379,999			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

Ms Anne Ward is, and Dr Michael Pryles AM was, a partner 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.

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

	TAC AND CONSOLIDATED	
	2003 \$000	2002 \$000
Legal services	211	362
Actuarial and internal audit services	–	727

Mr Paul Barker, Mr James MacKenzie and Ms Elana Rubin 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 an annual WorkCover premium to the VWA through one of its authorised agents. 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.

Ms Anne Ward is a director 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.

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

As at 30 June 2003, 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 2003, no loans were made to responsible persons and responsible person-related parties.

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 22) 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	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Cash at bank	11,516	3,320	11,516	3,320
Money market deposits	169,320	124,948	169,320	124,948
<b>TOTAL</b>	<b>180,836</b>	<b>128,268</b>	<b>180,836</b>	<b>128,268</b>

### (B) RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET PROFIT/(LOSS)

	CONSOLIDATED		TAC	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Net profit/(loss)	51,229	(160,434)	51,229	(160,434)
Depreciation and amortisation	2,692	2,245	2,692	2,245
Unrealised loss on investment	34,089	425,337	34,089	425,337
Realised loss/(gain) on sale of investment	1,362	(42,338)	1,362	(42,338)
Farrow Group revenue	(1,181)	(8,708)	(1,181)	(8,708)
<b>CHANGES IN ASSETS AND LIABILITIES</b>				
Increase in outstanding claims	386,252	207,815	386,252	207,815
Increase in unearned premium reserve	25,181	23,822	25,181	23,822
Increase in receivables and other assets	(33,890)	(30,964)	(33,907)	(30,798)
Increase in creditors, accruals and provisions	8,547	4,782	8,196	4,701
Decrease in net deferred tax balances	(44,128)	(23,965)	(44,056)	(23,898)
Increase in income tax payable	2,329	69,234	2,314	69,212
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>432,482</b>	<b>466,826</b>	<b>432,171</b>	<b>466,956</b>

## 23) 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

Interest rate risk is the risk that the market value of the financial instruments will fluctuate due to changes in interest rates. For instance when interest rates rise, the market value of fixed interest securities decline and vice-versa.

Interest rate risk related to fixed interest securities is managed through controlling portfolio duration. Duration measures the weighted average term to maturity of a security's cashflow and provides a measure of the price volatility of fixed interest securities relative to movement in interest rate levels.

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 23) FINANCIAL INSTRUMENTS (Continued)

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

2003	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	
<b>FINANCIAL ASSETS</b>						
Cash and deposits	11,516	0	0	0	0	11,516
Other assets	0	0	0	0	19,008	19,008
Investments	0	442,431	972,934	928,398	3,155,083	5,498,846
<b>TOTAL FINANCIAL ASSETS</b>	<b>11,516</b>	<b>442,431</b>	<b>972,934</b>	<b>928,398</b>	<b>3,174,091</b>	<b>5,529,370</b>
Weighted average effective interest rate	4.35%	3.47%	4.85%	4.50%	-	
<b>FINANCIAL LIABILITIES</b>						
Accruals and creditors	0	0	0	0	28,750	28,750
Other liabilities	0	0	0	0	282	282
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,032</b>	<b>29,032</b>
Weighted average effective interest rate	-	-	-	-	-	
<b>NET FINANCIAL ASSETS</b>	<b>11,516</b>	<b>442,431</b>	<b>972,934</b>	<b>928,398</b>	<b>3,145,059</b>	<b>5,500,338</b>

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	
<b>FINANCIAL ASSETS</b>						
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
<b>TOTAL FINANCIAL ASSETS</b>	<b>3,320</b>	<b>296,509</b>	<b>945,291</b>	<b>1,016,449</b>	<b>2,984,155</b>	<b>5,245,724</b>
Weighted average effective interest rate	4.50%	3.64%	5.76%	5.54%	-	
<b>FINANCIAL LIABILITIES</b>						
Accruals and creditors	0	0	0	0	24,853	24,853
Other liabilities	0	0	0	0	399	399
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,252</b>	<b>25,252</b>
Weighted average effective interest rate	-	-	-	-	-	
<b>NET FINANCIAL ASSETS</b>	<b>3,320</b>	<b>296,509</b>	<b>945,291</b>	<b>1,016,449</b>	<b>2,958,903</b>	<b>5,220,472</b>

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	
	2003 \$000	2002 \$000
Net financial assets as above	5,500,338	5,220,472
Non-financial assets and liabilities:		
• Provisions	(112,058)	(133,048)
• Net insurance liabilities	(5,113,457)	(4,699,717)
• Net non-financial assets	356,727	302,614
<b>NET ASSETS PER STATEMENT OF FINANCIAL POSITION</b>	<b>631,550</b>	<b>690,321</b>

Notes to and forming part of the financial reports for the year ended 30 June 2003

## 23) FINANCIAL INSTRUMENTS *(Continued)*

### 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)
- (b) Futures – the counter parties 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, which are readily convertible to cash assets. The TAC is cash flow positive with premium and investment revenue exceeding claims and administrative cost payments.

### 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:

	2003		2002	
	AVERAGE WEIGHTED EXCHANGE RATE	MARKET VALUE \$000	AVERAGE WEIGHTED EXCHANGE RATE	MARKET VALUE \$000
<b>OUTSTANDING CONTRACTS (3 MONTHS OR LESS)</b>				
United States dollar	0.6269	846,848	0.5404	712,881
Euro dollar	0.5578	193,734	0.6007	187,349
Japanese yen	74.1150	107,969	69.3043	120,643
United Kingdom pound sterling	0.3928	155,070	0.3759	146,473
Swiss franc	0.8337	39,583	0.8724	44,883
Canadian dollar	0.8936	36,913	0.8516	28,186
Swedish krona	5.0939	12,064	5.4983	10,131
Hong Kong dollar	4.9417	8,910	4.2297	8,029
Danish kroner	4.1441	3,581	4.4568	3,984
Singapore dollar	1.1127	4,470	0.9778	4,442

### 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.

## 24. 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 2003 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 27th day of August 2003.



**James MacKenzie**

Chair



**Stephen Grant**

Chief Executive Officer



AUDITOR GENERAL  
VICTORIA

**AUDITOR-GENERAL'S REPORT**

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

**Matters relating to the electronic presentation of ther Audited Financial Report**

This audit report relates to the financial report of the Transport Accident Commission for the financial year ended 30 June 2003 included on the Transport Accident Commission's web site. The Chair of the Board is responsible for the integrity of the Transport Accident Commission's web site. I have not been engaged to report on the integrity of the Transport Accident 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 2003, comprising a 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 entity 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, responsible Ministers and 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, and their financial performance and 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 2003 and their financial performance and cash flows for the year then ended.

MELBOURNE  
27 August 2003



J.W. CAMERON  
Auditor-General

## SECTION 1 – 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 Directors are nominated by the Minister and appointed by the Governor in Council. There are presently six non-executive Directors, including the Chair, and one Executive Director (the Chief Executive Officer and Managing 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
- 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: Paul Barker, James MacKenzie (Chair) 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 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 AND RISK MANAGEMENT COMMITTEE

Members: Paul Barker (Chair), James MacKenzie, Anne Ward and Judy 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, 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.
- 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 and 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.

## **SECTION 1 – CORPORATE GOVERNANCE** *(Continued)*

### **FINANCIAL AND INVESTMENT STRATEGIES COMMITTEE**

Members: Stephen Grant, James MacKenzie, Elana Rubin and Judy Ward (Chair)

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, 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 understand the options considered in arriving at the recommendation.

### **MARKETING AND ROAD SAFETY COMMITTEE**

Members: Paul Barker, Stephen Grant, Melanie McMillan (Chair) 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.
- 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.

### **RISK MANAGEMENT**

The TAC has in place a risk management framework to ensure that appropriate procedures are in place for the effective identification, quantification and management of risks.

The risk management framework details the roles of the Board and its Committees, the internal auditor and management. The Board is responsible for setting the risk priorities which are the major focus of the internal plan. The Audit and Risk Management Committee has oversight of the risk management framework and is responsible for ensuring the effectiveness and implementation of control strategies and operational practices.

### **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.

## SECTION 2 – COMPLIANCE

This section includes the disclosures required by the *Financial Management Act 1994* and the *Transport Accident Act 1986*.

### 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

There were no Ministerial Directions given by the Minister for WorkCover in the period from 1 July 2002 to 30 June 2003.

### 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 the Act and the compensation scheme under the 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.

#### 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 the Act.

## SECTION 2 – COMPLIANCE *(Continued)*

### POWERS OF THE COMMISSION (SECTION 13) *(Continued)*

- 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

On 1 July 2002 section 23(1) of the *Transport Accident Amendment Act 2000* came into operation. This section amended section 67 of the Act to remove the requirement for a claim for compensation to be accompanied by a statutory declaration.

There has been no other legislation that has come into operation during 2002/03 that has affected the *Transport Accident Act 1986*.

### SUBORDINATE LEGISLATION

#### REGULATIONS

The Transport Accident (Amendment) Regulations 2003 (SR 31/2003) were made on 23 April 2003 and came into operation on 28 April 2003. These Regulations prescribed new claim for compensation forms for the purposes of section 67 of the Act.

#### ORDERS IN COUNCIL

Two orders in Council were made during the year:

- Transport Accident Charges Order (No.2) 2002 was made on 13 August 2002 and published in the Victorian Government Gazette on 15 August 2002. This order increased transport accident charges for certain classes of motorcycle with effect from 1 October 2002.
- Transport Accident Charges Order (No.1) 2003 was made on 29 April 2003 and published in the Victorian Government Gazette on 8 May 2003. This order in council sets out the transport accident charges applicable to all classes of motor vehicles in Victoria from 1 July 2003.

### 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 2002/03 total consultancy expenditure (as defined by the *Financial Management Act 1994*) was \$0.49 million.

### NATIONAL COMPETITION POLICY

#### REVIEW OF LEGISLATIVE RESTRICTIONS

In accordance with its National Competition Policy commitments, the Government commissioned a review of Victoria's transport accident compensation legislation in September 2000. The review identified three main restrictions on competition: the compulsory nature of scheme, the TAC as a legislated monopoly and centralised premium setting. The Government has responded to the review and is awaiting the National Competition Council's assessment of the response. To address centralised premium setting, in 2003 the Minister for WorkCover asked the Essential Services Commission to provide an independent review of the TAC's proposed premium for 2003/04.

#### COMPETITIVE NEUTRALITY

Under the Government's Competitive Neutrality policy, the TAC is listed as a significant business enterprise. In accordance with this policy, the TAC has adopted the corporatisation model to achieve competitive neutrality. As such, the TAC pays the full suite of Commonwealth and State taxes or tax equivalents where applicable. The TAC is not a net borrower in its own right and therefore is not subject to the Financial Accommodation Levy.

### 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.

### COMPLIANCE WITH THE WHISTLEBLOWERS PROTECTION ACT 2001

The TAC encourages the reporting of known or suspected incidences of improper conduct or detrimental actions. Procedures have been established to facilitate disclosures of improper conduct by the TAC and its employees and to ensure that any matters disclosed are properly investigated and dealt with. The procedures provide for the protection from reprisals of persons making disclosures. Included in the procedures are the disclosure mechanisms, confidentiality provisions and the roles and responsibilities of the designated protected disclosure coordinator, the protected disclosure officers, investigators and welfare managers.

During 2002/03 there were no disclosures or investigations of improper conduct or detrimental actions made to the TAC by staff or any referred to the TAC by the Ombudsman or other persons.

### 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.

## SECTION 2 – COMPLIANCE *(Continued)*

### 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, an authorised officer of the TAC will give a written acknowledgment of service of process directed as follows:

Executive General Manager, Common Law and Appeals

GPO Box 2751Y

MELBOURNE 3001

Ausdoc: DX 34 Melbourne

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, Mr Tony Blok and Ms Samantha de Forest.

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

During 2002/03, the TAC received 898 freedom of information requests, compared with 838 during 2001/02, an increase of 7%. 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. However, should a formal freedom of information request be required, a request must be submitted in writing detailing the documents sought, as well as enclosing the statutory \$20 application fee.

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's 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.

## SECTION 2 – COMPLIANCE *(Continued)*

### PUBLICATIONS

The TAC produces and makes available the following publications:

DESCRIPTION	MODE OF ACCESS
TAC Annual Reports (1987 onwards)	Copy/Internet
TAC Business Plan (2003–2006)	Copy
TAC Statement of Corporate Intent 2001–2004	Copy/Internet
TAC Enterprise Agreement 2002–2005	Copy
Annual Transport Accident charges including GST and duty	Copy
TAC Research Charter	Copy
Your Privacy and the TAC	Copy
About the TAC	Copy/Internet
Information for people with Major Injuries	Copy
About lifetime support	Copy
Empower	Copy/Internet
TAC benefits for self-employed people	Copy
TAC income benefits	Copy
Returning to work (information sheet)	Copy
If you need further treatment	Copy
Information on TAC Medical Examinations	Copy
A Guide to Benefits for Permanent Impairment: what it is and how you may be affected	Copy
4th Edition Impairment Examinations Information Manual	Copy
A Guide to Medical Examinations to Assess Permanent Impairment: what to expect	Copy
Working Together	Copy
TAC Support when a person dies	Copy
Results of the TAC's Customer Feedback Survey	Copy
Drive Smart (brochure)	Copy
Drive Smart CD-ROM (available to learner drivers)	CD
HELP pack	Copy
120 hours. Make it your goal	Copy
Make sure you're right to drive: how to reduce the risk for yourself and others on the road	Copy
Muck Up Day video and curriculum advice booklet	Copy
RAW in the classroom: a resource kit	Copy
Road Safety Reports (monthly summary)	Copy/Internet
Safe Driving Policy	Copy
Save your skin: don't hit the road without full protective gear	Copy
VCE Legal Studies Resources Kit	Copy
VCE Media Resource Kit	Copy
TAC LAW Careers	Copy
Victorian Trauma Foundation (information kit)	Copy/Internet

### RESEARCH INFORMATION

Requests for information for research purposes should be directed in the first instance to the Manager, Research – Mr David Attwood (david\_atwood@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 corporate web site ([www.tac.vic.gov.au](http://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. Information about road safety initiatives, statistics, promotions, and advice for drivers is available on the TAC's road safety website ([www.tacsafety.com.au](http://www.tacsafety.com.au)). The TAC also offers drivers information about vehicle crash test results on the How Safe Is Your Car website ([www.howsafeisyourcar.com.au](http://www.howsafeisyourcar.com.au)).

## SECTION 2 – COMPLIANCE *(Continued)*

### 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.

Each year the TAC undertakes Equal Employment Opportunity training as part of its obligation and commitment to a workplace free of harassment and discrimination.

Our objective is to have a workplace free of these issues and, to do this, managers must continually show leadership in order to develop and maintain a culture where these sorts of behaviours are unacceptable. In late 2002 the Equal Opportunity Commission of Victoria training unit delivered an interactive, tailored program to train and refresh all our managers in the TAC's policies and principles, and how they operate in the workplace. The program focused on skills development and identified strategies to prevent discrimination and harassment occurring in the workplace. The program also explored the role of managers in managing informal complaints and the skills involved in conflict resolution.

### OCCUPATIONAL HEALTH AND SAFETY

#### OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE

	2003	2002
Number of new WorkCover claims	3	3
Total days lost due to injury	689	1015
Number of new return to work programs initiated	0	7

#### IMPROVING HEALTH AND SAFETY

Occupational Health and Safety (OH&S) activities and initiatives conducted during the year include:

- Enhancement of staff skills to deal with workplace violence by introducing a comprehensive program for field staff focusing on the prevention or reduction of aggressive or violent acts.
- Revision of the TAC's Safe Driving Policy recognising the work vehicle as a workplace and the related OH&S requirements.
- Continued co-ordination of the Environmental Air Quality Management Program including monitoring the Health Department requirements .
- Continuation of a proactive program of OH&S risk assessments for TAC and staff.
- Ongoing proactive program of OH&S risk assessments with a particular focus on the development of appropriate work practices and selection of ergonomic equipment.
- An active OH&S Committee with this year's focus on Injury prevention, early intervention and work practice modification, particularly related to the OH&S MMH Regulations.
- Promotion of staff wellbeing through such programs as:
  - screening eye test program for computer users
  - screen-based exercise software program
  - flu vaccination program
  - risk assessment, early intervention and pre-injury management program
  - continuing program of assistance to staff with non-work related illnesses or injuries and other special needs.

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 assessment and minimisation and injury prevention.

### WORKFORCE DATA

	2003	2002
TAC	553	563
TAC Law	62	62
TAC Law VWA team	31	27
Average age	37	36



## SECTION 2 – 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.

REPORT OF OPERATIONS		PAGE
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\*THROUGHOUT





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