

# Transport Accident Commission

2004 Annual Report

**TAC**



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October, 2004

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 Eighteenth Annual Report  
of the Transport Accident Commission for presentation to  
Parliament, pursuant to Part 7 of the *Financial Management  
Act 1994*.



James MacKenzie  
Chair



# Mission & Vision

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The Transport Accident Commission's mission is to reduce road trauma and its impact on the lives of accident victims in a caring, efficient and financially responsible manner.

The Transport Accident Commission's vision is to provide Victorians with the most equitable personal injury compensation scheme in the world and set international standards in its delivery. To be a leader in changing attitudes and behaviours so that Victoria sets international standards for road safety.

**Wipe off 5.**

TAC



70

60





# About the TAC

**The Transport Accident Commission (TAC) is a Victorian Government-owned organisation whose role is to fund the medical and support services needed by people injured in transport accidents to maximise their recovery and move on with their lives.**

The funds the TAC needs to perform these functions come from payments made by Victorian motorists when they register their vehicles each year with VicRoads.

The TAC covers transport accidents directly caused by the driving of a car, motorcycle, bus, train or tram. People can submit a claim for TAC-funded support services if they are injured in an 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 TAC support, irrespective of who caused the accident.

In addition to no-fault benefits, a person who is seriously injured in a transport accident is entitled to pursue a claim for further compensation through the court system, where another party is proved to be at fault. Common law damages are payable for economic loss up to a maximum of \$880,880 and for pain and suffering up to a maximum of \$391,490. Economic recovery can be made by the dependants of a person killed in a transport accident, up to a maximum of \$641,240.

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

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

- ambulance services;
- hospital services;
- medical services, including surgery and visits to doctors or specialists;
- pharmacy items;

- therapy services, such as physiotherapy, speech pathology, 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.

Additional support services the TAC may fund include:

- income support for people whose injuries prevent them from performing their normal job duties;
- rehabilitation and disability services, for example, return-to-work programs or attendant care;
- travel costs for transport to and from medical appointments;
- allowances for families to visit injured family members in hospital;
- support with household tasks the injured person was responsible for and can no longer perform due to their injuries;
- childcare if the injured person's main role before the accident was looking after their children;
- equipment or aids, such as wheelchairs or crutches, recommended by health care professionals; and
- lump sum and weekly payments for permanent impairment.

If a person dies as a result of a transport accident, the TAC provides support to the dependants of the deceased in the form of a lump sum payment and, depending on the family situation, can also pay income support, childcare, home help or education support. The TAC also funds counselling for the immediate family members of the deceased and funds reasonable funeral expenses.

The TAC sets maximum fees for most treatment and services. These are indexed annually in accordance with the Consumer Price Index (CPI) or Average Weekly Earnings (AWE).

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 to ensure quality and consistent 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 major injuries, funding and support is available for the rest of their lives.

The TAC uses its funds fairly and responsibly to ensure it remains a long-term compensation scheme. The TAC also maintains a prudent investment and financial risk management strategy to ensure it is able to meet the needs of seriously injured people who need support for life.

Another key responsibility of the TAC is to promote road safety in Victoria through high-profile public education campaigns and accident prevention programs. Clearly, the best way to reduce the human and financial costs of accidents – to individuals, the community and the TAC – is to prevent accidents or to minimise their severity. The TAC, in consultation with Victoria Police, VicRoads and its other road safety partners, has developed a strategy to target the main causes of crashes that result in trauma and encourage positive road-user attitudes and behaviour.

# Highlights 2003/04

## Service Delivery

- \$617.4 million in support services funded for 42,183 clients.
- Highest ever client satisfaction score of 7.1 out of 10.
- Introduction of a telephone interpreter service to improve access to information and services for people who speak a language other than English.
- Pilot of an innovative model to enable clients with disabilities to self-purchase the support services they need, giving them more control over, and flexibility in, their lives.
- A 50% reduction in impairment decisions disputed at the Victorian Civil and Administrative Appeals Tribunal – a result of better quality decision making.

## Road Safety

- Victoria's lowest financial year road toll for the second consecutive year – 334 down from 366 last year, and 451 in 2001/02.
- Hospitalised claims down 1%.
- Launch of a competition for young film-makers to address youth risk-taking issues through film.
- Development of an internet-based logbook to support learner drivers to record and track their progress toward achieving the recommended 120 hours practice in all driving conditions.



## Financial Management

- Actuarial release of \$118 million.
- Funding ratio of 116%.
- Investment return of 13%.
- After-tax profit of \$590 million, driven largely by buoyant equity markets.

## Our People

- Staff morale at a record high of 70%.
- Staff retention rate remained stable at 88%.
- 22 staff graduated with a Diploma of Business (Frontline Management) from the Mt Eliza Business School.
- 14 staff supported to undertake or complete higher education degrees related to their professional fields.



# Chair's Report

**As we celebrate 30 years of no-fault personal injury cover in Victoria, it is only fitting that the TAC is in a position to reflect upon a year of achievements equal to any other in the scheme's history.**

In the crucial areas of client service, financial management and accident prevention, in 2003/04 the TAC achieved a number of best-ever results.

Importantly, these results have been achieved while maintaining one of Australia's lowest premiums and providing a standard of care and support to people injured in transport accidents, recognised as being amongst the best in the world.

In many ways the past year has been a culmination of Victoria's long and proud history of providing socially progressive compensation and support to those injured in transport accidents. This history began more than half a century ago with the introduction of compulsory third party insurance in 1941, and progressed over the next three decades into Australia's first no-fault scheme – the Motor Accidents Board (MAB) – in 1974.

Thirty years later, Victoria's commitment to world-leading accident compensation remains just as strong and we find ourselves in the enviable position of having:

- a combined no-fault and common law scheme that is equitable, comprehensive and fully-funded;
- a long-term financially viable scheme to look after the needs of seriously injured Victorians including, where appropriate, uncapped medical benefits for life; and
- a successful and internationally renowned accident prevention program.

Notably, for a government-owned scheme, the TAC and its predecessor, the MAB, have enjoyed continuous bipartisan support for both the concept of no-fault insurance and the schemes' objectives.

Thirty years of bipartisan support – and 30 years of service to the Victorian community – is an achievement for which we should all be proud.

The TAC can, of course, only continue to provide this level of service by ensuring that the funds it holds in trust for Victorians are managed prudently.

It is therefore my pleasure to report that the TAC has recorded another very strong financial performance in 2003/04, highlighted by an actuarial release – or write-down in projected liabilities – of \$118 million.

The TAC's investment strategy is expected to achieve a 5% real return over the long term. For 2003/04 an investment credit of 7.5% was budgeted for – based on a real return of 5% plus 2.5% inflation. Strong investment markets throughout the year delivered a return of 13%, well above target.

While strong investment markets have boosted the TAC's after-tax profit this year, we consider a more relevant indicator of our performance to be the impacts from factors over which we have direct control. Since 2002, the TAC Board has been including this additional financial information in its annual report to better reflect the long-tail nature of the scheme and to provide users with a more meaningful picture of the TAC's financial performance.

The table below 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 2003/04, the impact on profit from internal factors was \$298 million (*Figure 1*), primarily due to strong claims management and a continuing reduction in the number and severity of transport accidents. The total impact of external factors was \$471 million.

The TAC's funding ratio remains strong at 116%.

During the year, we welcomed Michael Wright to the TAC Board of Management and we also thank retiring Directors Anne Ward (appointed in 2000), Judy Ward (appointed in 2001) and Melanie McMillan (appointed in 2002) for their contributions.

On behalf of the Board, I would also like to thank CEO and Managing Director, Stephen Grant, his senior management team and all TAC staff for their outstanding efforts throughout the year.

If the past 30 years have taught us anything, it is that sound financial management, excellent client service and a genuine commitment to reducing the level and frequency of trauma on our roads can have a lasting and profound impact on our community.

May the next 30 years be equally successful.



**James MacKenzie**  
Chair

**Impacts on Profit**

(\$ Million)	1999/00	2000/01	2001/02	2002/03	2003/04
Impact on Profit from Internal Factors	194	69	347	507	298
Impact on Profit from External Factors					
Difference between actual investment returns and long-term expected returns	192	(288)	(550)	(201)	300
Change in inflation assumptions and discount rates	100	9	29	(255)	171
Impact of claims past inflation	99	31	N/A*	N/A*	N/A*
Impact of legislative changes	(22)	(23)	16	–	–
Tax and Other	(116)	10	(2)	–	(179)
Net Profit / (Loss) after Tax	447	(192)	(160)	51	590

\* The impact of claims past inflation is no longer relevant due to a change in the actuarial calculation methodology.

Figure 01



# CEO's Report

**For any client-focussed organisation, the true measure of success is undoubtedly the way your clients regard the services you provide.**

**It is therefore extremely pleasing to report that in 2003/04, the TAC recorded its highest-ever client satisfaction score of 7.1 (up from our previous best of 6.9).**

Our client satisfaction score is derived from a comprehensive survey of TAC clients, and measures how satisfied our clients are with the services we provide and their interaction with us as an organisation.

When you consider that nobody becomes a TAC client by choice – you first have to be injured in a transport accident – it is doubly important to us all at the TAC that our clients value the support we provide in what, for some, is a lifelong journey.

The fact that this year's score is the highest-ever reflects the TAC's determination to continually improve in everything we do.

We constantly strive to develop better, more efficient ways of providing quality service to our clients and supporting them in their goal of recovering and moving on with their lives. To put this into context, the TAC in 2003/04 funded \$617.4 million in support services to 42,183 clients.

## Road Safety

The continuing co-operation and shared purpose of the state's peak road safety organisations – Victoria Police, VicRoads and the TAC – and the strategic framework provided under the Victorian Government's *arrive alive!* strategy have seen the level of death and serious injury on our roads decrease significantly over the past 12 months.

For the second year running, Victoria recorded its lowest-ever financial year road toll of 334 (compared with 366 in 2002/03), representing a 9% reduction in fatalities – or 32 lives saved. Equally important has been a 1% drop in serious injuries.

It is also worth noting that the TAC's independent actuaries report that claims frequency has fallen by 20% since 1999.

During 2003/04, the TAC continued its public education focus on the key crash causes of drink-driving, speeding, fatigue and inexperience, in addition to embarking on a follow-up to its world-first *Drive Right* program to reward safe and courteous driving.

*Drive Right 2* saw more than 156,000 Victorian motorists (6,000 more than the inaugural program) make a public commitment to responsible driving, with, more than 10,000 of those drivers receiving rewards during the six-month program.

Thankfully, the vast majority in our community now recognise that being drunk behind the wheel is completely unacceptable. However, a new and worrying trend has emerged with increased numbers of drivers and riders involved in road trauma recording a blood alcohol level of between .05 and .10.

The TAC has responded to this disturbing trend through a new public education campaign aimed at those who think it is safe to drive slightly above the legal limit: *Only a little bit over? You bloody idiot.*

In many ways the focus on 'low-level' drink-driving is a natural extension of the *Wipe off 5* campaign targeting low-level speeding. This campaign continues to show encouraging results with more and more motorists changing their attitudes to speeding and adherence to the posted limits.

While all road trauma is tragic and ultimately preventable, the loss of young lives on our roads – the unfulfilled potential – is especially keenly felt. And sadly, young people remain significantly over-represented in road trauma statistics.

The TAC is deliberately targeting young people as a priority through a series of innovative programs and initiatives – many of which are highlighted in the case studies throughout this report. Each of these programs involves young people communicating with their peers via mediums they frequently use and, hopefully, respond to.

## Scheme Viability

One of the most pleasing aspects of the past year is that the significant improvements in service delivery and client satisfaction have been achieved while maintaining a steady hand on scheme viability. The simple fact

remains that we cannot continue to provide support and care for the most severely injured in our community without ensuring that the TAC remains financially responsible and sustainable.

As the Chair outlined in his report, the 30th anniversary of no-fault transport accident insurance in Victoria is a significant milestone. It is made all the more so by the fact that the TAC scheme is in the best shape ever.

The organisation's actuarial release for 2003/04 of \$118 million is not only \$28 million above budget, but a result to which every area of the business contributed.

## Our People

On any measure, the past 12 months have provided much to be proud of, for the TAC as an organisation and the Victorian community as whole.

None of this, of course, would have been possible without the dedication and commitment of the TAC's staff. It is not surprising therefore that in addition to achieving our highest-ever client satisfaction score, we have also recorded our highest-ever staff morale index of 70% (up from the previous best of 68%).

I would like to thank and commend the TAC's staff and management for their contribution to the organisation's achievements during the past 12 months and I am confident that we will continue to provide Victorians with the most equitable transport accident scheme in the world.



**Stephen Grant**  
Chief Executive Officer

# Board of Management

Top row:

**James MacKenzie** *BBus, FCA, FAICD*

**Chair**

Appointed 2001

Chair, Victorian WorkCover Authority  
Chairman, James Fielding Group  
Director, Circadian Technologies Ltd  
Director, MedAire Inc  
Director, Monivae College Foundation Ltd  
Director, Victorian Major Events Company Ltd  
Member, St Catherine's School Council

*Chair, Remuneration Committee*  
*Member, Audit & Risk Management Committee*  
*Member, Financial & Investment Strategies Committee*

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

**Chief Executive Officer & Managing Director**

Appointed 2000

Chair, Victorian Trauma Foundation  
Director, Monash University Accident Research Centre

*Member, Financial & Investment Strategies Committee*  
*Member, Marketing & Road Safety Committee*

Bottom row:

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

Appointed 2002

Chair, VicForests  
Director, Victorian WorkCover Authority  
*Chair, Audit & Risk Management Committee*  
*Chair, Marketing & Road Safety Committee*  
*Member, Remuneration Committee*

**Michael Wright** *BEcon (Hons), MSC Econ (IR)*

Appointed 2004

Director, Miller Consulting Group  
Board Member,  
Australian Community Support Organisation  
Member and President, Travancore Special  
School Council

*Member, Marketing & Road Safety Committee*  
*Member, Audit & Risk Management Committee*

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

Appointed 2003

Executive Director Investments, Australian  
Retirement Fund  
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

*Chair, Financial & Investment Strategies Committee*  
*Member, Remuneration Committee*





# Senior Management

*Top row:*

**Stephen Grant**

Chief Executive Officer & Managing Director

**Jane Boag**

General Manager, Recovery Support

**David Healy**

General Manager, Road Safety

**Colin Radford**

General Manager, Corporate Affairs

**Sue Kapourelakos**

General Manager, Major Injury

*Bottom row:*

**Paul O'Connor**

Executive General Manager, Common Law & Appeals

**Andrew Saunders**

Chief Information Officer

**Ann Donnan**

General Manager, Human Resources

**Kerry Power**

General Manager, Health Care

**Doug Kearsley**

Executive General Manager, Finance & Planning



A woman with dark, shoulder-length hair and a white tank top is looking directly at the camera. She has a serious expression. The background is a blurred, colorful abstract pattern. The text on her shirt is in a bold, blue, sans-serif font.

**YOU DON'T WANT  
TO BE THE  
ODD ONE OUT  
YOU JUST SHUT UP  
AND GET IN  
THE CAR  
EVEN IF YOU  
DON'T FEEL SAFE**

# Problem:

Young drivers aged 18 to 21 are the highest crash risk group on our roads. Last year alone, drivers in this age bracket represented 13% of all drivers killed, despite only accounting for 7% of licence holders.

Although Victoria's road toll has dropped dramatically over the past 13 years, sadly, this decrease has not extended to young driver fatalities.

The common factors in crashes involving young people are inexperience, over-confidence, deliberate risk-taking and peer pressure.

A huge challenge for the TAC is communicating with and engaging young people who come from a diverse range of backgrounds and have vastly different values, interests, motivations and influences. The challenge is compounded by the fact that young people, in general, are establishing their identities, seeking acceptance, experimenting and pushing boundaries.

# Approach:

To improve the safety of Victoria's young people, now and in the future, the TAC has invested heavily in researching youth attitudes and behaviour, and developing a variety of educational and advertising programs.

We understand that a consistent approach is needed to communicate safety messages to pre-learner, learner and probationary drivers, as well as teenage passengers, to promote self-worth, self-esteem and assertiveness to discourage risk-taking behaviour.

The TAC's youth-related programs aim to empower teenagers with practical methods to avoid risky situations, defuse over-confidence and encourage more on-road experience as learners.

In line with its youth research findings and objectives, the TAC has concentrated this year on creating road safety messages that resonate with young people's values, symbolism and language, and are genuine and engaging.

This has resulted in the launch of a number of initiatives in the past 12 months, including an internet-based logbook to track learner drivers' practice, competitions, short films for cinema, secondary teacher training, and sponsorship of popular and alternative youth festivals and events.

# Service Delivery

**The TAC fosters a culture that is client-focussed and service-oriented, with the aim of delivering services to clients efficiently and professionally.**

## Client Satisfaction

In delivering support services to people injured in transport accidents, the TAC is conscious of its responsibility to meet the requirements set out in the *Transport Accident Act*, the needs of its clients and the expectations of the community.

To measure the effectiveness of the TAC's delivery of services, the organisation commissions independent surveys of its clients who comment on and rate the TAC's performance.

In 2003/04, the TAC received its highest-ever client satisfaction rating of 7.1 out of 10 compared to 6.9 in 2002/03 (*Figure 2*). 74% of clients surveyed reported that they were satisfied or very satisfied with the TAC's service delivery.

A number of initiatives were undertaken during the year to improve the quality of information provided to clients. These included a brochure outlining impairment benefits and processes, and improvements to the clarity and quality of letters sent to clients about their claims.

The success of these initiatives was reflected in the survey results, which showed that the TAC performed particularly well in the areas of 'treat me as an individual' and 'resolve my issues', which clients attributed to better staff manner and clearer, more timely communication.

## Claims Management

The TAC's approach to claims management is based on segmenting claims according to injury severity, promoting effective health care to achieve positive client outcomes, and delivering services to clients efficiently and professionally. 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.

## Support Services Funded by the TAC

The TAC paid a total of \$617.4 million in support and benefits in 2003/04, compared to \$536.2 million in 2002/03 (*Figure 3*).

During the past year, 19,733 new claims were lodged with the TAC – a 4% decrease on the previous year's figure of 20,648 (*Figure 4*). In the same period, 42,183 people received funded support from the TAC, compared with 42,782 people in the previous year.

## New Interpreter Service

Almost 20% of TAC clients speak a language other than English at home. To assist these clients, the TAC launched *TACLINK*, a multilingual telephone information service. *TACLINK* enables clients from non-English speaking backgrounds to call a special telephone number to access pre-recorded

information about TAC services in their own language. Clients then have the option of having an interpreter assist conversations with their TAC officer.

The introduction of this free service has helped ensure equal access to information by all Victorians. More than 1,426 clients have accessed the telephone information service with 537 clients requesting an interpreter in 2003/04.

## Operational Efficiency

A key priority of the TAC is to provide a stable and efficient operating environment to support the timely delivery of appropriate services to clients.

Building on the electronic file and telephone claim lodgement system introduced in 2002/03, an automated income assessment tool was implemented in October 2003 to pay clients their first income support payment.

In late 2003, a new role of chief information officer was created with a mandate to improve operational efficiency by stabilising current systems, enhancing core systems, and increasing focus on usability.

A three-year IT strategy commenced in March 2004 with the aim of consolidating, stabilising and simplifying the organisation's IT systems.

User satisfaction with IT systems and services increased to 69% at June 2003, a 50% increase over April 2002.



## Lifetime Support for Clients with Disabilities

The TAC funds treatment and support services for people injured in transport accidents for as long as they need them. For people who acquire a significant disability as a result of their accident, this support may be needed for life.

Referred to as Lifetime Support, the TAC model for supporting clients with lifelong needs is based on a philosophy of promoting client empowerment, independence and community participation.

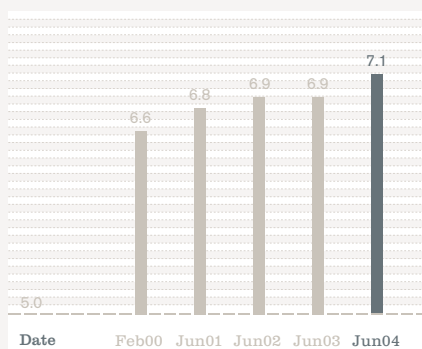
Now into its third year, Lifetime Support is contributing to substantial improvements in the lives of clients who are living with significant disabilities. Since the new approach was adopted, 117 clients have been able to access community based supported employment, and leisure and social activities. In addition, 374 clients have had support from a case manager to assist them to reconnect into community life after a prolonged stay in a rehabilitation hospital.

As well as improving quality of life for clients, the introduction of these alternatives to one-on-one attendant care has resulted in better management of the previously

unsustainable growth in attendant care costs – which represent the TAC's largest individual liability. The annual growth in attendant care payments has decreased from 31% in 1999/00 to a more sustainable 8% in 2003/04 (*Figure 5*). A total of \$46.1 million was paid for Lifetime Support during 2003/04 (*Figure 6*).

In March 2004, the TAC's self-purchasing pilot commenced with eight clients managing an allocated monthly budget to purchase their own services and supports, such as attendant care, physiotherapy, home help and supported leisure options.

**Client Satisfaction** (out of 10)



A record high client satisfaction result was achieved.

Figure 02

**Benefits Paid** (\$ Million)

Benefit Type	Payments	1999/00	2000/01	2001/02	2002/03	2003/04
Treatment		137.5	154.6	157.6	155.4	167.2
Loss of Income		51.7	55.8	58.1	57.1	60.8
Impairment		20.5	19.2	27.0	20.2	18.3
Death Benefits		35.4	43.0	46.1	46.2	46.5
Long-Term Care		26.5	33.8	38.3	41.1	46.1
Other No-Fault		10.6	17.1	20.9	21.3	23.9
Common Law – Serious Injury		142.2	119.7	116.7	127.9	171.0
Common Law – Interstate and Other		29.5	44.6	50.3	47.2	52.1
Run-Off / VWA Section 137		15.2	10.1	19.1	19.8	31.5
<b>Total</b>		<b>469.0</b>	<b>497.9</b>	<b>534.2</b>	<b>536.2</b>	<b>617.4</b>

42,183 people received benefits from the TAC in 2003/04.

Figure 03

This innovative approach is aimed at increasing the control clients have over their lives and services.

A new information booklet, *Home, Leisure and Work*, was produced to assist clients to better understand their options for returning to, and participating in, community life after their stay in a rehabilitation hospital – a transition that many clients find difficult.

In 2003, the Victorian Auditor-General conducted a review of how – and to what extent – the TAC had responded to his recommendations in the 2001 report *Management of Major Injury Claims by the TAC*. In his original report, the Auditor-General made 17 recommendations to maximise client outcomes and address financial and strategic management issues.

At an individual level, the TAC now manages clients with significant disabilities using an outcome model, with planning and support based on clients' individual needs and goals.

In July 2003, the TAC Small Grants Program was established to provide financial grants of up to \$5,000 for innovative community projects that promote opportunities for, and empowerment of, people with disabilities. The program is administered in partnership with the Reichstein Foundation and community representatives from the TAC Disability Advisory Committee.

To date, the TAC has provided funding towards: Brain Injury Awareness Week 2003; the YMCA Heads Together Camp for children with an acquired brain

## Better Health Care and Stakeholder Relationships

Each year, around 20,000 TAC clients receive services from physiotherapists, osteopaths, chiropractors, occupational therapists, speech pathologists and psychologists. Currently, paramedical benefits represent the TAC's third-largest payment type, with \$40.6 million paid for paramedical services in 2003/04 (*Figure 7*). Managing cost growth in this area remains a focus for the organisation.

Over the past year, the TAC has been working with the paramedical professions to encourage the use of leading practice principles in the treatment of clients. A particular focus this year has been to encourage paramedical treaters to use independent tools that enable treaters, clients and the TAC to measure and understand clients' treatment progress and outcomes.

Launched in September 2003, the 'principles of therapy' clearly outline the TAC's expectations of paramedical professionals and defines effective and outcome-focussed treatment for clients. During the past year, the TAC helped treaters to understand and apply these principles through a number of forums and workshops, as well as contact between paramedical practitioners and TAC specialist consultants. Through these interactions, the TAC has developed better relationships and communication with health practitioners, service providers and relevant peak bodies.

Following a tender process undertaken in 2003/04, the TAC appointed a panel of 15 agencies to provide attendant care services for clients requiring this care. The new panel boasts members with exceptional credentials and a greater coverage of rural Victoria and interstate areas. It also gives clients greater choice of quality providers and allows the TAC to better manage attendant care cost growth, quality assurance and reporting procedures.



**The 2003 TAC Annual Report** traced the inspirational story of Simon van Beest. Simon sustained a serious brain injury and partial paralysis through a car accident when he was eight years old which significantly altered his – and his family's – life.

With the support of his devoted parents, dedicated medical and rehabilitation treaters and TAC support coordinators, Simon (now aged 25) has undergone a long rehabilitation process to re-learn basic life skills, including how to swallow, crawl, stand, walk, talk and dress himself.

This support, coupled with Simon's strong determination, has allowed him to live independently and be an active member of the community.

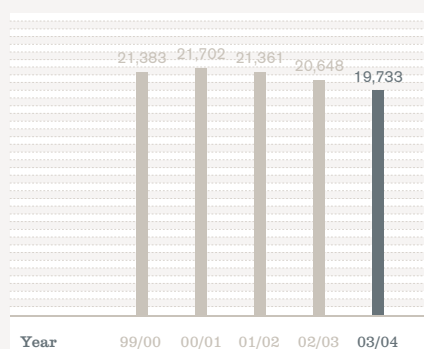
It is great to be able to report that, one year on, Simon is mid-way through an apprenticeship in the hospitality industry, where he works two days a week as a kitchen-hand and studies theory one day a week.

In his follow-up report in November 2003, the Auditor-General reported that the TAC had successfully implemented each one of his recommendations.

Services funded by the TAC are effective only if they deliver meaningful results to clients. The TAC has been working with organisations such as the Monash-Epworth Rehabilitation Centre and researchers from LaTrobe University to better understand what interventions lead to positive outcomes for clients.

injury and their families; a handcycling team comprised of people with paraplegia to take part in the Murray to Moynes team cycle event; a sports camp organised by Wheelchair Sports Victoria; and two successful theatre events run by people who have a brain injury.

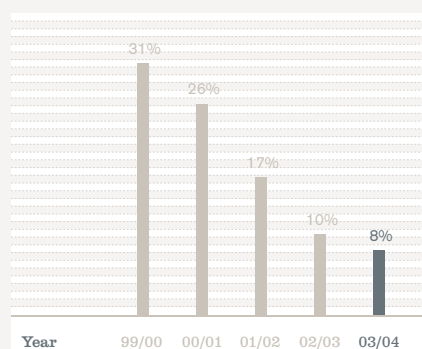
**All Claim Lodgements**



Claim lodgements decreased to an all-time low in 2003/04.

Figure 04

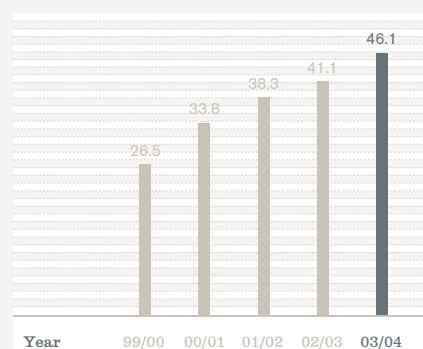
**Annual Growth in Attendant Care Payments**



Increasing attendant care payments are due to the maturing of the TAC scheme. The rate of growth is slowing.

Figure 05

**Lifetime Support Payments (\$ Million)**



Payments made for clients who need Lifetime Support continues to increase.

Figure 06



In March 2004, a panel of 13 vocational organisations was established to support injured clients return to work by developing job search skills, and providing vocational counselling and worksite assessments. To increase the focus on client outcomes, a new purchasing model was introduced for panel members, using set fees for service types, rather than individually negotiated hours of service.

## Victorian Trauma Foundation

The TAC has continued to support the development of the Victorian Trauma Foundation (VTF). By facilitating improvements in the state's trauma system through its leading-edge research and development program, the foundation aims to reduce trauma-related death and disability.

During the year, eight further research projects were funded by the VTF and six Trauma Research Fellowships and Scholarships were awarded to a combined value of \$3 million. Of particular note was the commencement of a study to trial advanced techniques in the treatment of patients with traumatic brain injuries. This includes a world-first trial involving a surgical procedure known as Decompressive Craniectomy (DECRA). The DECRA project is being led by Associate Professor Jamie Cooper at The Alfred. The procedure allows for swelling of the brain after injury, without reducing the circulation of vital fluids and oxygen to the brain. The study aims to show whether patients having decompressive craniectomy have better injury outcomes compared to patients managed by standard practices. 16 sites across Australia and New Zealand are involved in the trial and so far 30 patients have been recruited of the 210 required.

In March 2004, the VTF held the second annual AFL season-opener fundraising luncheon, attracting more than 500 guests and supporters from the corporate sector. The 'Help Stop the Hurt' lunch provided the Foundation with an ideal opportunity to raise funds while highlighting its achievements to the public.

This year marked the completion of the foundation's first five years of operations, with evidence of some significant improvements in the trauma system. The TAC will be continuing to support the foundation with a further three-year funding commitment until 2007.

## Reviews of TAC Decisions

The level of disputation over TAC decisions remains low and has continued to decrease.

The TAC offers an alternative review process to the Victorian Civil and Administrative Tribunal (VCAT). In the past year, 772 requests for an informal review were lodged with the TAC, a 36% decrease over the previous 12 months. This reduction is largely the result of providing better explanations to clients about TAC decisions. A total of 59 reviews remained unresolved at the end of June 2004, compared to 306 at June 2003. Following the informal review process, 189 clients sought a further review at VCAT during 2003/04.

In the past year, 1,015 merit reviews were lodged with VCAT, compared to 1,496 in 2002/03 (Figure 8). Of particular note is the reduction in impairment merit reviews, which have decreased by 50% to 473 in 2003/04.

## Common Law and Impairment

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.

Access to co-located legal resources has been central to the TAC managing liability growth in common law claims and no-fault merit reviews.

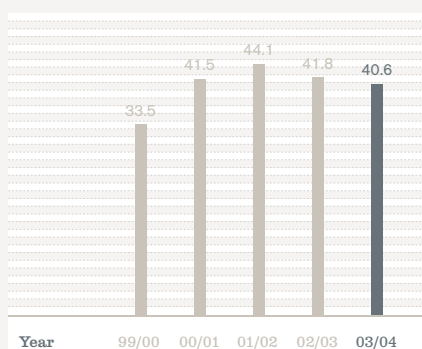
Continued improvement has been made in 2003/04 in relation to the time taken to respond to serious injury requests. The number of claims awaiting a serious injury decision is now at a 10-year low figure of 531, compared with 575 in June 2003 and 771 in June 2002 (Figure 9).

The TAC has welcomed and adopted the model litigant guidelines outlined by the Victorian Government in 2003. These guidelines have been actively communicated and promoted within the TAC in all its dispute management and litigation in Australian courts and tribunals.

The TAC has also been working closely with the Victorian Bar to proactively encourage equal opportunity and representation of women in its legal practice. Women currently represent a significant percentage of solicitors retained by the TAC – 53% of TAC Law staff, and 22.5% of staff on the interstate panel law firms, are women.

As part of its corporate citizenship activity, TAC Law this year became a corporate member of the Public Interest Law Clearing House (PILCH) as the pro-bono body for the Victorian legal profession. TAC Law now has a lawyer seconded to PILCH on permanent rotation to share the TAC's legal expertise and provide volunteer legal services to benefit the community.

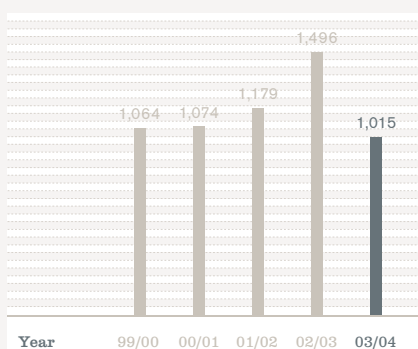
Paramedical Payments (\$ Million)



The introduction of a clinical justification approach assisted in moderating growth in paramedical payments.

Figure 07

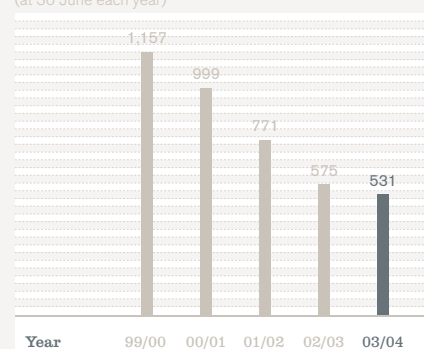
Merit Reviews Lodged at VCAT



Merit reviews lodged at VCAT decreased.

Figure 08

Claims Awaiting a Serious Injury Decision (at 30 June each year)



Claims awaiting a serious injury decision continue to decrease.

Figure 09



## HOURS

The Learner's Logbook helps me track my hours on the road. The more experience I have, the more responsible I feel behind the wheel.

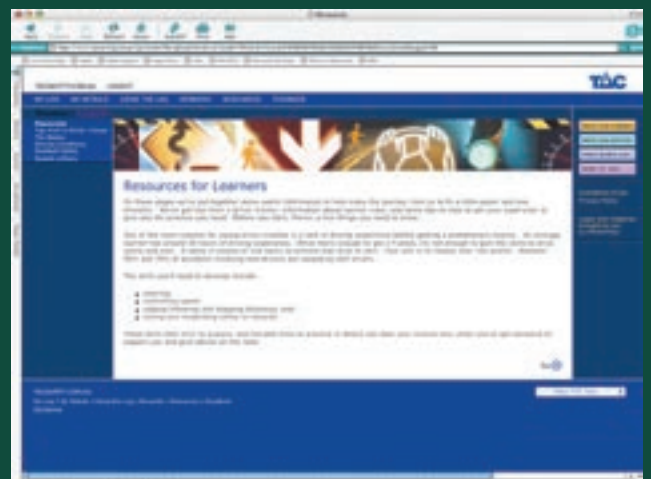




# Helping Young Drivers Stay Alive

According to international research, young drivers can cut their crash risk by up to a third if they gain at least 120 hours of supervised practice in a range of traffic, road and weather conditions.

The logbook program, which can be accessed via [www.learnerslog.com.au](http://www.learnerslog.com.au), provides learner drivers with regular feedback, tips and rewards for achieving milestones in their on-road experience.



# Road Safety

**Reducing Victoria's road toll provides enormous social benefits, while also contributing to the long-term viability of the state's transport accident scheme. The TAC remains committed to further reducing the frequency and severity of road crashes, together with its road safety partners VicRoads, Victoria Police and the general public.**

In 2003/04, Victoria recorded its lowest financial year road toll of 334 (*Figure 10*). This represents a reduction of 9% (or 32 lives saved) based on the previous financial year road toll of 366. The past year has also seen a 1% reduction in hospitalised claims (*Figure 11*).

A reduction in fatalities was achieved in both the city and regional areas. In the past financial year, Victoria recorded a 6% drop in the metropolitan road toll, down from 161 to 151. The country toll fell from 205 to 183 (a reduction of 11%).

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

During 2003/04, the TAC maintained a strong focus on improving the safety of Victoria's young people as new drivers and as passengers.

To encourage and support young people to gain driving skills through supervised practice, the TAC introduced an internet-based Learner's Logbook. The logbook enables learner drivers to track their practice hours and the variety of road, traffic and weather conditions they experience in reaching their target of 120 hours practice before taking their licence test. The program

provides learners with regular feedback, tips and rewards for achieving milestones in their on-road experience.

The principle behind the Learner's Logbook is supported by international research showing young drivers can reduce their crash risk by up to a third by gaining a minimum of 120 hours of supervised practice before taking to the roads on their own.

In 2003, the TAC launched its inaugural *Make a Film. Make a Difference* competition inviting young aspiring film-makers (aged 25 and under) to submit short film concepts to challenge the driving attitudes of young people. Entries from two young Melbourne film students were selected from almost 100 submissions to win a \$10,000 budget and assistance from two leading production houses to produce their films. The two thought-provoking films were screened in cinemas around the State during November and December 2003, as well as on youth TV station Channel V.

Other major road safety initiatives undertaken in the past financial year include:

- *Drive Right 2* – following the success of the world-first *Drive Right* program, the TAC launched a follow-up program in August 2003 to continue rewarding safe and courteous driving. The program attracted more than 156,000 participants (6,000 more than the inaugural program) and more than 10,000 Victorian drivers and motorcyclists were acknowledged for using the roads safely.

- *Drink drive campaign* – a key initiative of the past year was the revitalisation of the renowned *Drink, drive, bloody idiot* campaign, with great care being taken to ensure the strong brand association and message relevance was retained in the process. Two public education campaigns targeting the emerging issue of low-level drink-driving, using the new slogan of *Only a little bit over. You bloody idiot*, were launched in November 2003 and March 2004.
- *Child/parent safety education* – an education campaign was implemented with VicRoads, featuring an animated character called 'ThingleToodle' to teach young children about traffic safety and encourage parents to be positive road-user role models.
- *Wipe off 5* – the TAC maintained its focus on speed reduction through two new adaptations of the *Wipe off 5* campaign to reinforce the relationship between speed and crash severity and emphasise the 'moral' dimension of speeding. Encouragingly, market research continues to show an increased community understanding of the dangers of low-level speeding. Moreover, VicRoads on-road travel speed surveys continue to reflect a downward trend in average driving speeds.

- *Website for motorcyclists* – the TAC introduced a new website for motorcyclists that provides information on riding including safety tips, crash data and articles by prominent motorcyclists on trends and issues. In its first week, the site received more than 19,000 visitors who viewed more than 34,000 pages of content.

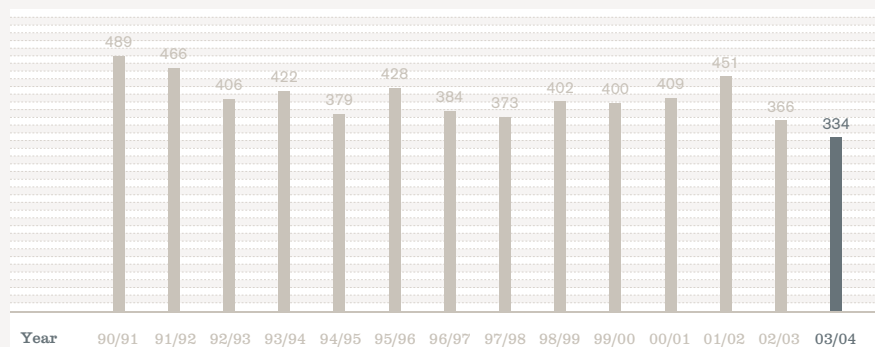
## Sponsorships

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

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

The TAC has sought to maximise promotional opportunities from its sponsorships to encourage responsible road-user behaviour, particularly among young people. For example, 19-year-old Richmond footballer David Rodan took on a new role as the TAC Youth Road Safety Ambassador, taking part in media opportunities and public speaking engagements to endorse safety messages.

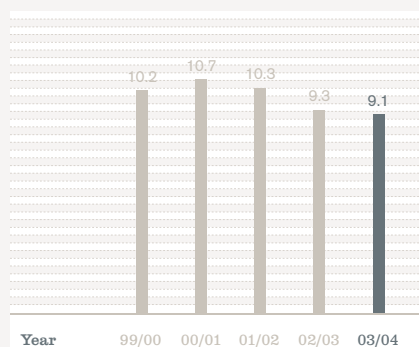
**Victorian Road Toll**



Victoria achieved its lowest financial year road toll on record in 2003/04.

Figure 10

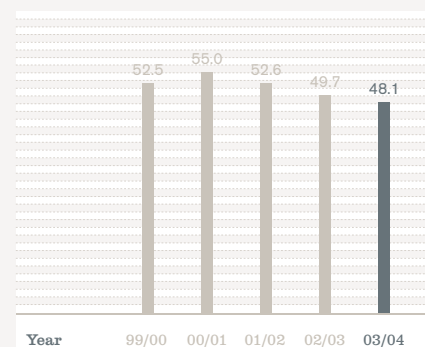
**Hospitalised Claim Rate (> 1 day/10,000 vehicles)**



The number of claims requiring hospitalisation decreased in the past 12 months.

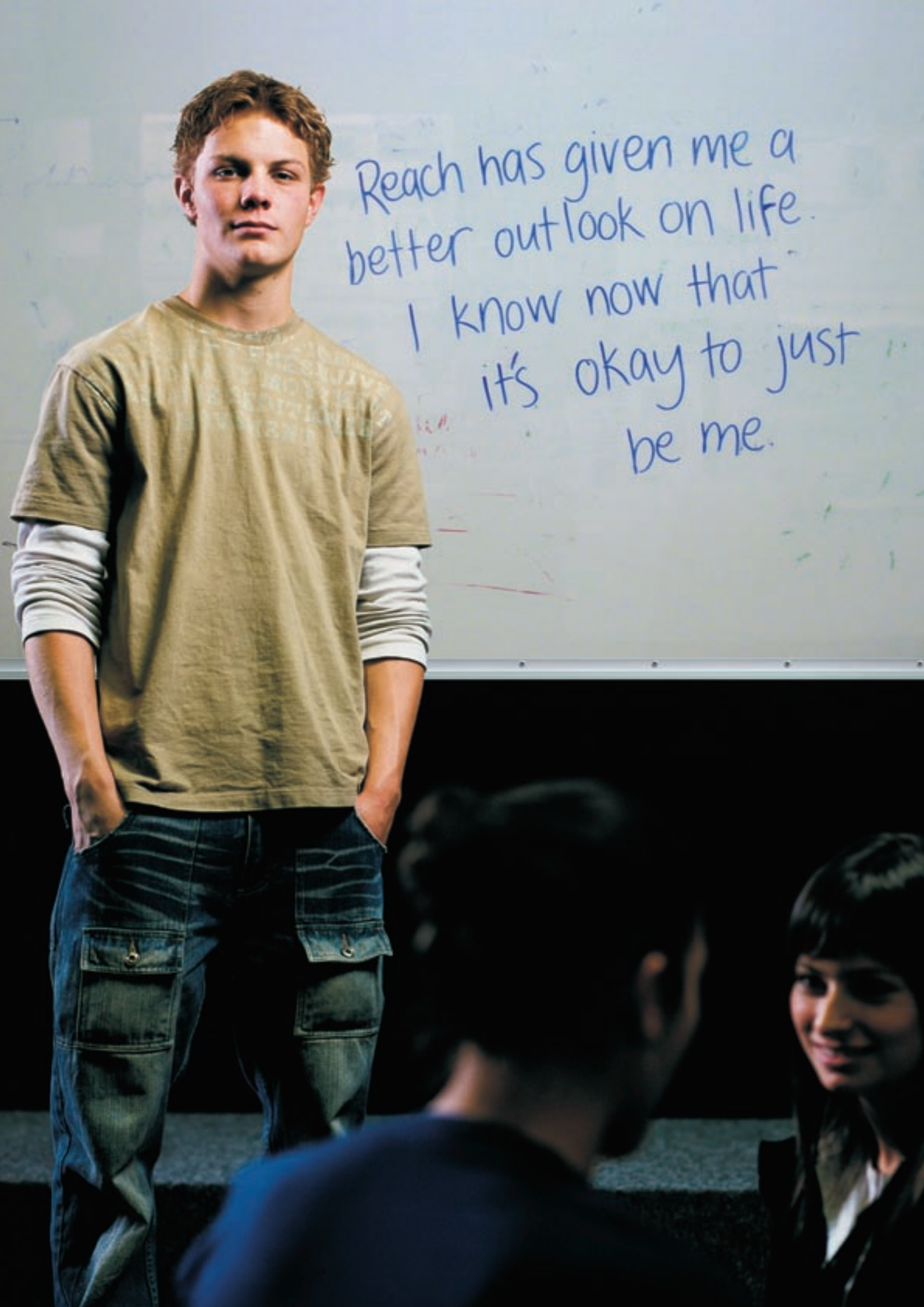
Figure 11

**Accepted TAC No-Fault Claims (per 10,000 vehicles)**



The no-fault claim rate per 10,000 vehicles continues to decline.

Figure 12

A young man with short, wavy brown hair stands in the center of the frame. He is wearing a tan t-shirt over a white long-sleeved shirt and blue cargo jeans. He has his hands in his pockets and is looking directly at the camera with a neutral expression. Behind him is a large whiteboard with handwritten text in blue marker. In the foreground, the back of a person's head and shoulders are visible on the left, and a young woman with dark hair is smiling on the right. The setting appears to be a classroom or a school hallway.

Reach has given me a  
better outlook on life.  
I know now that  
it's okay to just  
be me.



## Case Study Two:

# Reaching Out to Young People

The TAC recognises that the youth road toll cannot be addressed solely by targeting P-plate drivers. A consistent approach is needed to communicate road safety messages and educate pre-driving-age young people while they are forming attitudes that affect their approach to road use in later years.

The TAC has formed a partnership with Melbourne-based not-for-profit organisation REACH, to achieve a common goal of improving the safety and well-being of young people across the state.

Both the TAC and REACH understand the importance of building young people's self-esteem during their teenage years and encouraging positive peer influence to prevent destructive or risky activities, including dangerous driver and passenger behaviour.

REACH's programs, including in-school workshops, camps, courses and major events, have strong credibility with young people and allow the TAC to connect with young Victorians from more than 800 secondary schools each year.

The TAC provides funding for the development of REACH teacher-training initiatives based on best practice in education. Supporting teacher training is seen as the most effective means of providing support to a larger proportion of secondary students. To date, more than 450 teachers (representing 45% of Victorian secondary schools) have undertaken training in the REACH program.

Evaluation and feedback from the training program has been overwhelmingly positive, with teachers feeling empowered and inspired about 'reaching out' to their students.

Right: REACH-facilitated discussion groups enable young people to talk about issues relevant to them and build their self-esteem.



# Our People

The TAC provides employment and development opportunities in a diverse range of professions including claims management, health, research, finance, road safety, human resources, communications and information technology.

## A Safe Working Environment

With a high-profile reputation for promoting safety on our roads, the TAC equally has an obligation to provide a safe working environment for its employees.

The TAC's health and safety activities reflect this philosophy and are underpinned by the application of risk management principles within an integrated workplace health and safety program.

Through education and awareness strategies, staff are empowered to manage their health and safety by taking a proactive, early intervention approach to injury and non-work related illness. A Hazard Identification and Incident Reporting structure is in place to allow rapid reporting by employees of any potential or actual hazards within the workplace.

The TAC's Occupational Health and Safety (OH&S) Committee is made up of 10 staff representatives, the OH&S coordinator and the OH&S adviser and meets formally on a quarterly basis. All committee members have successfully completed a certified five-day OH&S training program at RMIT.

Working closely with all areas of the business, committee members are actively involved in the promotion of workplace safety and the identification and resolution of OH&S issues.

Activities and initiatives conducted during the year included:

- reducing the risk of air quality contamination by replacing the TAC's water-based cooling towers with air-cooled systems;
- active coordination of the Environmental Air Quality Management Program;
- a proactive program of OH&S risk assessments for staff with an emphasis on the increased use of screen-based equipment, development of appropriate work practices and the selection of ergonomic equipment;
- an active OH&S Committee, which, during the past year, focussed on injury prevention, early intervention and work practice modification;
- expanded staff well-being activities including preventative programs such as measles, mumps and rubella vaccinations, and diabetes and cholesterol testing;
- an ongoing, comprehensive program for field staff focusing on the prevention or reduction of aggressive or violent acts; and
- policies addressing bullying in the workplace and fitness for work.

Other established programs included:

- eye test screening program for computer users;
- screen-based exercise software program;
- flu vaccination program;

- risk assessment, early intervention and pre-injury management; and
- continuing assistance to staff with non-work related illnesses or injuries and other special needs.

## Finding the Best People

This year, the TAC broadened its recruitment techniques by introducing a staff referral system. This enables the TAC to tap into the networks of its employees to source recommendations for suitable candidates.

In addition, a new internet-based application enables candidates to submit their resumé through the TAC website for advertised positions or to register general expressions of interest to work at the TAC in a particular area. Job seekers can also subscribe to receive email alerts about employment opportunities as they arise.

As a result of these new options, the TAC has a database of skilled candidates who are interested in working at the TAC, and the organisation has a more targeted, efficient and cost-effective recruitment program.

## Encouraging Personal Development

The TAC is firmly committed to developing its people. Through individual learning and development plans, staff have the opportunity to refine or attain new skills for current or future roles.

A particular focus over the past year has been to further develop frontline and middle managers. In March 2004, 20 staff commenced a Diploma of Business (Frontline Management) through the Mount Eliza Business School. The in-house program, now in its second year, supports managers in a range of development activities which are aligned with the needs of the business. In the past year, 22 staff graduated and received their diplomas.

A number of initiatives to support the business have been developed by staff as part of their diploma studies, including:

- researching the needs of clients with soft-tissue injuries to promote positive outcomes;
- evaluation of the TAC's telephone claim lodgement process with a view to improving service delivery;
- external benchmarking to evaluate the TAC's performance against industry norms;
- evaluation of the TAC informal review process with a view to improving client experiences with this process; and
- development of an interpreter service, TACLINK, for clients whose first language is not English.

In addition, the TAC supported 14 staff to undertake or complete part-time post-graduate studies related to their professional fields. Supporting staff with further education enables individual

staff and the TAC to keep up-to-date with the latest research and findings in a variety of professional fields.

A number of training programs developed specifically for frontline staff have been conducted throughout the year. These training programs support TAC staff to deliver services to injured Victorians in a professional, empathetic and efficient way.

### Listening and Responding to Our People

The TAC is committed to fostering a stimulating and rewarding environment for staff. It regularly seeks staff feedback to ascertain their satisfaction levels and areas for improvement.

The most recent Employee Opinion Survey, conducted in September 2003, showed a record high result of 70% for the staff morale index – up from 68% in the previous year and 63% in 2000 (*Figure 14*).

Survey areas that achieved particularly positive ratings include performance evaluation, supervision, job satisfaction, working relationships, system improvements, learning and development, and internal communications.

A number of working groups have been set up to review the results and make recommendations to management about the ways the organisation can further improve the working environment for staff.

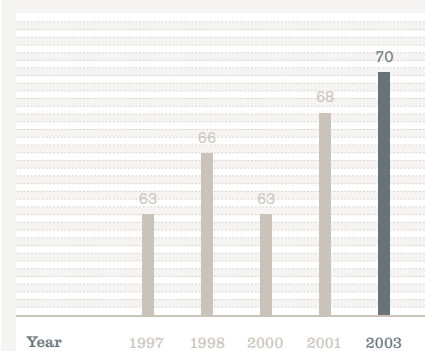
#### Occupational Health and Safety Performance

	2002/03	2003/04
Number of new WorkCover claims	3	2
Total days lost due to injury	689	538
Number of new return-to-work programs	0	0

There has been a reduction in the number of days lost due to injury.

Figure 13


#### Staff Morale Index (% favourable response)



Staff morale is at a record high.

Figure 14



A man with curly brown hair and glasses, wearing a black long-sleeved shirt and blue jeans, is leaning against the front of a white car. He has his arms crossed and is looking towards the camera with a slight smile. Behind him is a large billboard with white text on a dark background. To the right of the man, there is a yellow vertical pole with a blue and red device at the top, mounted on a concrete base. The background shows a dark landscape with some trees and a clear sky.

THE TAC PRESENTS *ANYTHING?* A FILM BY THOMAS KINSMAN

I HOPE THE FILM WILL HAVE AN IMPACT ON  
DRIVERS MY AGE. I'D LOVE TO HEAR IT HAS  
HELPED CHANGE SOME PEOPLE'S BEHAVIOUR  
AND PERHAPS SAVED SOME LIVES."

THOMAS KINSMAN, FILM-MAKER AND WINNER OF THE  
2003 TAC *MAKE A FILM, MAKE A DIFFERENCE* COMPETITION

### Case Study Three:

# Short Films Making a Difference

To better understand young drivers' attitudes and actions, and develop a fresh approach to improving the safety of this 'at risk' group, the TAC commissioned independent studies by road safety and youth behavioural specialists. These studies found the tendency for risky driving amongst young people is often related to issues of self-identity, gender and emerging adulthood, and is often exacerbated by factors such as peer pressure, adrenalin, fun, boredom, bravado and dismissal of serious consequences.

To influence the youth target market most effectively, it was recommended that a peer-to-peer approach be adopted. Clearly, youth audiences are more likely to be influenced by messages that are presented in a way that resonates with their own values, symbolism and language. Therefore, young people are best placed to create communication that is genuine and engaging to their peers.

In April 2003, the TAC launched a competition inviting aspiring film-makers (aged 25 and under) to submit film concepts to encourage more responsible driving attitudes among young people, focusing on the influence of peers.

The inaugural *Make A Film, Make A Difference* competition received almost 100 entries, with the two winning entrants, 18-year-old Thomas Kinsman and 25-year-old Shannon Sleeth, each being given a budget of \$10,000 to create their films with assistance from two leading production houses.

The two thought-provoking short films *Anything?* and *The Birthday Present* focus on the themes of risk-taking, loyalty, betrayal, guilt and regret. The films were launched in November 2003 and screened as movie previews at cinemas around the state. They also ran on Channel V and at TAC-sponsored youth events such as the Falls Festival over the New Year period.

Facing page: Thomas Kinsman, winner of the 2003 *Make A Film, Make A Difference* competition;

Right: Stills from Thomas' winning film *Anything?*



# Financial Management

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

## 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 organisation's asset allocation is set to achieve an average 5% real return through this period based on expected long-term returns provided by the TAC's assets 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.

To manage the TAC's exposure to currency obtained via an allocation to international equities, the TAC has adopted a 50% hedge strategy. This approach minimises the impact of either a strong appreciation or depreciation in the Australian dollar.

The organisation's annual result is dominated by the need under Australian Accounting Standards to mark the TAC's assets and liabilities to market levels on an annual basis. Both equity prices and bond yields (which impact valuation of the TAC's claims liabilities) can be volatile. Moderate changes in the valuation of the balance sheet caused by markets can have a substantial impact on 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 reinsure 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 mean duration of the TAC's claims liabilities (about 10 years).

Notwithstanding these 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.



## 2003/04 Results

The TAC recorded an after-tax operating profit for 2003/04 of \$590 million (\$51 million profit in 2002/03).

Buoyant investment markets contributed to the TAC's investment return of 13%. The TAC's rolling 10-year real investment return of 6% per annum was above the targeted real return of 5% per annum (*Figure 15*). The TAC's investments are actively managed by the Victorian Funds Management Corporation.

The TAC achieved an actuarial release of \$118 million due to a significant reduction in liabilities across a range of benefit types and a continued reduction in claims frequency.

## Premiums

Consistent with the *Transport Accident Act 1986*, premium levels increased in line with the CPI (3.1%) on 1 July 2003. On the same date, a one-off adjustment for Federal Government GST changes of 2.1% was applied, consistent with compulsory third party providers nationally.

The GST-related increase followed the ending of transitional arrangements under which the TAC could claim a credit which off-set a proportion of claims costs.

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

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

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

## Assets and Liabilities

The TAC's total assets as at 30 June 2004 were \$6.78 billion (\$5.91 billion at 30 June 2003), while total liabilities were \$5.56 billion (\$5.28 billion at 30 June 2003).

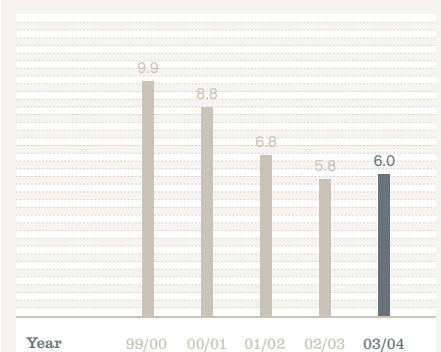
The TAC's funding ratio at 30 June 2004 was 116% (111% at 30 June 2003).

## Dividends

Under the *Transport Accident Act 1986*, the TAC may pay an annual dividend to the Victorian Government. The dividend is determined each year by the Treasurer, in consultation with the TAC Board, having regard to funding levels and other factors.

No annual dividend was paid in 2003/04.

**TAC's Rolling Real Investment Return (%)**



The TAC's rolling 10-year real investment return is above the 5% target.

Figure 15



# **Financial Reports 2004**

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<b>STATEMENTS OF FINANCIAL PERFORMANCE</b>		<b>CONSOLIDATED</b>		<b>TAC</b>	
<b>For the year ended 30 June 2004</b>		<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>Note</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Net premium revenue	3	917,304	860,149	917,304	860,149
Gross investment revenue	5	732,764	204,619	732,764	204,619
Claims recoveries revenue	6	(5)	3,814	(5)	3,814
<b>Total operating income</b>		<b>1,650,063</b>	<b>1,068,582</b>	<b>1,650,063</b>	<b>1,068,582</b>
Gross claims incurred	6	(720,673)	(865,288)	(728,206)	(873,465)
Administration costs	4	(89,793)	(89,536)	(82,260)	(81,359)
Accident prevention expenditure		(25,000)	(24,972)	(25,000)	(24,972)
Trauma projects expenditure		(10,485)	(9,245)	(10,485)	(9,245)
Premium collection fees		(19,100)	(17,748)	(19,100)	(17,748)
Investment expenses	5	(15,760)	(10,417)	(15,760)	(10,417)
<b>Profit from operating activities</b>	<b>3</b>	<b>769,252</b>	<b>51,376</b>	<b>769,252</b>	<b>51,376</b>
Farrow Group revenue		1,661	1,181	1,661	1,181
<b>Profit from ordinary activities before income tax expense</b>		<b>770,913</b>	<b>52,557</b>	<b>770,913</b>	<b>52,557</b>
Income tax expense	7(a)	(180,909)	(1,328)	(180,909)	(1,328)
<b>Net profit</b>	<b>16</b>	<b>590,004</b>	<b>51,229</b>	<b>590,004</b>	<b>51,229</b>

The attached notes form part of the financial reports.



STATEMENTS OF FINANCIAL POSITION		CONSOLIDATED		TAC	
As at 30 June 2004		2004	2003	2004	2003
	Note	\$000	\$000	\$000	\$000
<b>Current assets</b>					
Cash assets	22	24,534	11,516	24,534	11,516
Receivables	9	43,246	40,085	42,097	39,382
Other assets	10	31,802	13,373	32,343	13,373
Investments	8	786,568	570,214	786,568	570,214
<b>Total current assets</b>		<b>886,150</b>	<b>635,188</b>	<b>885,542</b>	<b>634,485</b>
<b>Non-current assets</b>					
Receivables	9	163,421	155,761	163,421	155,761
Other assets	10	0	19,008	0	19,008
Equipment, furniture and IT systems	11	8,957	9,333	8,957	9,333
Investments	8	5,550,126	4,928,632	5,550,126	4,928,632
Deferred tax assets	7(d)	171,781	159,925	171,483	159,619
<b>Total non-current assets</b>		<b>5,894,285</b>	<b>5,272,659</b>	<b>5,893,987</b>	<b>5,272,353</b>
<b>Total assets</b>		<b>6,780,435</b>	<b>5,907,847</b>	<b>6,779,529</b>	<b>5,906,838</b>
<b>Current liabilities</b>					
Payables	12	48,376	50,500	48,376	50,530
Unearned premiums		468,235	435,395	468,235	435,395
Tax liabilities	7(b)	93,935	36,779	94,004	36,746
Outstanding claims	13	665,618	596,316	665,618	596,316
Provisions	14	4,591	3,890	4,054	3,386
Lease liabilities		111	0	111	0
<b>Total current liabilities</b>		<b>1,280,866</b>	<b>1,122,880</b>	<b>1,280,398</b>	<b>1,122,373</b>
<b>Non-current liabilities</b>					
Outstanding claims	13	4,160,832	4,081,746	4,160,832	4,081,746
Provisions	14	5,634	5,409	5,196	4,907
Deferred tax liabilities	7(c)	111,036	66,262	111,036	66,262
Lease liabilities		513	0	513	0
<b>Total non-current liabilities</b>		<b>4,278,015</b>	<b>4,153,417</b>	<b>4,277,577</b>	<b>4,152,915</b>
<b>Total liabilities</b>		<b>5,558,881</b>	<b>5,276,297</b>	<b>5,557,975</b>	<b>5,275,288</b>
<b>Net assets</b>		<b>1,221,554</b>	<b>631,550</b>	<b>1,221,554</b>	<b>631,550</b>
<b>Equity</b>					
Reserves	15	4,404	2,251	4,404	2,251
Retained surplus	16	1,217,150	629,299	1,217,150	629,299
<b>Total equity</b>		<b>1,221,554</b>	<b>631,550</b>	<b>1,221,554</b>	<b>631,550</b>

The attached notes form part of the financial reports.

<b>STATEMENTS OF CASH FLOWS</b>		<b>CONSOLIDATED</b>		<b>TAC</b>
<b>For the year ended 30 June 2004</b>		<b>2004</b>	<b>2003</b>	<b>2004</b>
	<b>Note</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Cash flows from operating activities</b>				
Transport accident charges received		1,046,282	978,869	1,046,282
Dividends received		120,979	108,625	120,979
Interest received		120,399	132,598	120,399
Claims paid		(616,703)	(537,475)	(624,236)
Claims recoveries received		6,808	9,500	6,808
Payments to suppliers and employees		(142,775)	(134,946)	(134,475)
Payments for accident prevention programs		(25,000)	(24,972)	(25,000)
Goods and services tax paid		(58,179)	(56,590)	(58,179)
Tax paid		(90,834)	(43,127)	(90,741)
<b>Net cash inflow from operating activities</b>	<b>22 (b)</b>	<b>360,977</b>	<b>432,482</b>	<b>361,837</b>
<b>Cash flows from investing activities</b>				
Payments from/(to) controlled entity		0	0	(860)
Payments for investments		(5,954,101)	(10,813,306)	(5,954,101)
Proceeds from sale of investments		5,793,143	10,550,814	5,793,143
Payments for equipment, furniture and IT systems		(1,949)	(3,301)	(1,949)
<b>Net cash outflow from investing activities</b>		<b>(162,907)</b>	<b>(265,793)</b>	<b>(163,767)</b>
<b>Cash flows from financing activities</b>				
Dividends paid for accident prevention blackspot		0	(110,000)	0
Farrow Group liquidation distribution received/(paid)		452	(29)	452
<b>Net cash outflow from financing activities</b>		<b>452</b>	<b>(110,029)</b>	<b>452</b>
<b>Net increase in cash held</b>		<b>198,522</b>	<b>56,660</b>	<b>198,522</b>
Cash at the beginning of the financial year		180,836	128,268	180,836
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year		(270)	(4,092)	(270)
<b>Cash at end of the financial year</b>	<b>22 (a)</b>	<b>379,088</b>	<b>180,836</b>	<b>379,088</b>

The attached notes form part of the financial reports.

## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (A) BASIS OF PREPARATION

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

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

The consolidated financial report has been prepared on an accrual basis and is based on 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 of investments 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. Unlisted property trust distribution income is recognised when the trustee declares distribution.

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.

## 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. Unlisted property trust units are stated at net asset value of the trust as advised by the trustees.

Investments that are due to mature, expire or be realised within 12 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 rates of exchange prevailing at the dates of the transactions. 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 12 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 is 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 liability 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 \$381.6 million (2003: \$383.2 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 OF NON-CURRENT ASSETS

Depreciation is provided on a straight line basis on IT systems, furniture and equipment at rates that 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%
- Motor vehicles under lease 33%



**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(N) LEASES**

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised at the present value of the minimum lease payments and disclosed as motor vehicles under lease. Capitalised lease assets are depreciated on a straight line basis over the term of the lease of three years. A lease liability of equal value is also recognised. Lease payments are allocated between the principal component of the lease liability and the interest expense.

Operating lease payments are charged as an expense in the periods in which they are incurred.

**(O) DIVIDENDS**

In accordance with section 29B of the *Transport Accident Act 1986*, the TAC is required to pay to the Victorian 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.

**(P) 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.

**(Q) 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.

**(R) ROUNDING OFF**

Amounts have been rounded to the nearest \$1,000, unless otherwise stated.

**(S) THE IMPACTS OF ADOPTING AASB EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

AASB 1047 "Disclosing the impacts of adopting AASB equivalents to IFRS" requires narrative disclosures of how the transition process is being managed and an explanation of the key differences in accounting policies that are expected to arise from the transition to the Australian equivalents to IFRS. Refer to note 25 for further details.

<b>2) REVENUE FROM OPERATING ACTIVITIES</b>		<b>CONSOLIDATED</b>		<b>TAC</b>	
	<b>Note</b>	<b>2004 \$000</b>	<b>2003 \$000</b>	<b>2004 \$000</b>	<b>2003 \$000</b>
Premium revenue	3	919,410	861,676	919,410	861,676
Claims recoveries revenue	6	(5)	3,814	(5)	3,814
Dividends	5	122,082	111,333	122,082	111,333
Interest income	5	118,882	128,737	118,882	128,737
		<b>1,160,369</b>	<b>1,105,560</b>	<b>1,160,369</b>	<b>1,105,560</b>

3) PROFIT FROM OPERATING ACTIVITIES		CONSOLIDATED		TAC	
	Note	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Premium revenue		919,410	861,676	919,410	861,676
Reinsurance expenses		(2,106)	(1,527)	(2,106)	(1,527)
Net premium revenue		917,304	860,149	917,304	860,149
Claims recoveries revenue	6	(5)	3,814	(5)	3,814
Gross claims incurred	6	(720,673)	(865,288)	(728,206)	(873,465)
Administration and program costs		(125,278)	(123,753)	(117,745)	(115,576)
Premium collection fees		(19,100)	(17,748)	(19,100)	(17,748)
Underwriting profit/(loss)		52,248	(142,826)	52,248	(142,826)
Investment revenue	5	717,004	194,202	717,004	194,202
Profit from operating activities		769,252	51,376	769,252	51,376
(A) Profit from operating activities includes the following expenses:					
▪ Bad and doubtful debts		(203)	(1,198)	(203)	(1,198)
▪ Depreciation on equipment and furniture		2,950	2,692	2,950	2,692
▪ Employee entitlement provisions		1,726	1,486	1,728	1,181
▪ Net operating lease rentals		5,228	4,887	5,228	4,887
▪ Auditor-General's fees <sup>1</sup>		154	160	147	153
▪ Interest on finance lease		7	–	7	–

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

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

This note provides additional analysis of the net profit after tax of \$590.0 million (2003: \$51.2 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 annual investment returns and the long-term average 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 significant increase in profit after tax for the 2003/04 financial year, with major contribution from external factors. The financial result was favourably affected by the strong investment returns for the year, which were \$300 million above the long-term average expected returns. The previous financial year's result was \$201 million below the long-term average expected returns. In addition, the claims economic impact from rising bond yields (discount rates) over the year resulted in a favourable impact of \$171 million (2003: \$255 million unfavourable) on claims liabilities.

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

	<b>2004 (\$M)</b>	<b>2003 (\$M)</b>
Short-term investment fluctuations <sup>1</sup>	300	(201)
Changes in inflation assumptions and discount rates <sup>2</sup>	171	(255)

<sup>1</sup> The TAC investment portfolio recorded a return of 13.0%, compared to 3.7% in the previous year. Equity markets produced strong returns in 2003/04 compared to negative returns in 2002/03.

<sup>2</sup> Domestic bond yields rose significantly in 2003/04 resulting in a higher claims discount rate and a corresponding decrease in outstanding claims liability. However, in 2002/03, domestic bond yields fell resulting in an increase in outstanding claims liability.

4) ADMINISTRATION COSTS	CONSOLIDATED		TAC	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Staff and related	50,518	48,952	43,440	41,105
Information technology	19,942	21,636	19,942	21,636
Operating costs	19,333	18,948	18,878	18,618
<b>Total</b>	<b>89,793</b>	<b>89,536</b>	<b>82,260</b>	<b>81,359</b>

5) INVESTMENT REVENUE	CONSOLIDATED		TAC	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Dividends	122,082	111,333	122,082	111,333
Interest	118,882	128,737	118,882	128,737
Changes in net market values of investments				
▪ Unrealised gains/(losses)	405,064	(34,089)	405,064	(34,089)
▪ Realised gains/(losses)	86,736	(1,362)	86,736	(1,362)
	732,764	204,619	732,764	204,619
Investment expenses	(15,760)	(10,417)	(15,760)	(10,417)
<b>Total</b>	<b>717,004</b>	<b>194,202</b>	<b>717,004</b>	<b>194,202</b>

The TAC investment portfolio recorded a positive return of 13.0% for 2003/04, a significant increase over the return of 3.7% in the previous year due principally to a strong rebound in equity markets. Investment expenses increased in 2003/04 due to a larger investment portfolio size and a full year of active stock selection management (part year in 2002/03).

#### 6) CLAIMS INCURRED

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the claims assumptions (e.g. changes in economic assumptions, prudential margin and claims experience) made 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 2004			CONSOLIDATED 2003		
	Current Year \$000	Prior Years \$000	Total \$000	Current Year \$000	Prior Years \$000	Total \$000
Gross claims incurred						
▪ Undiscounted	1,626,673	1,182,815	2,809,488	1,413,337	(2,032,583)	(619,246)
▪ Discount	(841,489)	(1,247,326)	(2,088,815)	(667,529)	2,152,063	1,484,534
	<b>785,184</b>	<b>(64,511)</b>	<b>720,673</b>	<b>745,808</b>	<b>119,480</b>	<b>865,288</b>
Claims recoveries						
▪ Undiscounted	(13,909)	(21,016)	(34,925)	(15,015)	34,938	19,923
▪ Discount	6,232	28,698	34,930	3,991	(27,728)	(23,737)
	<b>(7,677)</b>	<b>7,682</b>	<b>5</b>	<b>(11,024)</b>	<b>7,210</b>	<b>(3,814)</b>
<b>Net claims incurred</b>	<b>777,507</b>	<b>(56,829)</b>	<b>720,678</b>	<b>734,784</b>	<b>126,690</b>	<b>861,474</b>

**6) CLAIMS INCURRED** (Continued)

	Current Year \$000	Prior Years \$000	TAC 2004 Total \$000	Current Year \$000	Prior Years \$000	TAC 2003 Total \$000
Gross claims incurred						
▪ Undiscounted	1,634,206	1,182,815	2,817,021	1,421,514	(2,032,583)	(611,069)
▪ Discount	(841,489)	(1,247,326)	(2,088,815)	(667,529)	2,152,063	1,484,534
	<b>792,717</b>	<b>(64,511)</b>	<b>728,206</b>	<b>753,985</b>	<b>119,480</b>	<b>873,465</b>
Claims recoveries						
▪ Undiscounted	(13,909)	(21,016)	(34,925)	(15,015)	34,938	19,923
▪ Discount	6,232	28,698	34,930	3,991	(27,728)	(23,737)
	<b>(7,677)</b>	<b>7,682</b>	<b>5</b>	<b>(11,024)</b>	<b>7,210</b>	<b>(3,814)</b>
<b>Net claims incurred</b>	<b>785,040</b>	<b>(56,829)</b>	<b>728,211</b>	<b>742,961</b>	<b>126,690</b>	<b>869,651</b>

The net claims incurred of \$721 million (2003: \$861 million) is impacted by both internal and external factors as noted below:

	2004 \$M	2003 \$M
Claims incurred – internal <sup>1</sup>	892	606
Claims incurred – external <sup>2</sup>	(171)	255
<b>Total claims incurred</b>	<b>721</b>	<b>861</b>

<sup>1</sup> "Claims incurred – internal" for 2003/04 is \$892 million, which is \$286 million higher than the claims incurred for the previous year. In a maturing scheme like the TAC scheme, claims incurred – internal would normally be expected to increase by 6% to 7% annually.

The larger than normal increase in claims incurred for 2003/04 is due to the result for 2002/03 being abnormally low as a result of a significant write-down in claims costs as recommended by the TAC's external actuary. Claims experience in 2003/04 was again favourable but to a lesser extent than 2002/03 (write-down due to claims management – \$118 million in 2003/04 compared to \$311 million in 2002/03).

<sup>2</sup> "Claims incurred – external" reflects the financial impact on changes in inflation assumptions and discount rates. In 2002/03, domestic bond yields fell significantly resulting in lower claims discount rate and a corresponding increase in claims incurred result. However, this trend was reversed in 2003/04, with the impact from rising bond yields (discount rates) contributed largely to the \$171 million reduction in outstanding claims liability.

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

	CONSOLIDATED 2004			CONSOLIDATED 2003		
	Claims Payments <sup>1</sup> \$000	Liability Movements <sup>2</sup> \$000	Total \$000	Claims Payments <sup>1</sup> \$000	Liability Movements <sup>2</sup> \$000	Total \$000
TAC scheme – no-fault	369,802	170,777	540,579	338,511	291,893	630,404
TAC scheme – common law	212,499	(27,948)	184,551	169,204	23,204	192,408
Run-off scheme	7,742	(12,199)	(4,457)	7,716	34,760	42,476
	590,043	130,630	720,673	515,431	349,857	865,288
Recoveries	(6,956)	6,961	5	(9,784)	5,970	(3,814)
<b>Total</b>	<b>583,087</b>	<b>137,591</b>	<b>720,678</b>	<b>505,647</b>	<b>355,827</b>	<b>861,474</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> GST credits recoverable are deducted in calculating the liability movements and accordingly the amounts are different from the increase in outstanding claims liabilities in note 13.



**6) CLAIMS INCURRED** (Continued)

	TAC 2004			TAC 2003		
	Claims Payments <sup>1</sup> \$000	Liability Movements <sup>2</sup> \$000	Total \$000	Claims Payments <sup>1</sup> \$000	Liability Movements <sup>2</sup> \$000	Total \$000
TAC scheme – no-fault	373,418	170,777	544,195	342,436	291,893	634,329
TAC scheme – common law	216,416	(27,948)	188,468	173,456	23,204	196,660
Run-off scheme	7,742	(12,199)	(4,457)	7,716	34,760	42,476
	597,576	130,630	728,206	523,608	349,857	873,465
Recoveries	(6,956)	6,961	5	(9,784)	5,970	(3,814)
<b>Total</b>	<b>590,620</b>	<b>137,591</b>	<b>728,211</b>	<b>513,824</b>	<b>355,827</b>	<b>869,651</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> GST credits recoverable are deducted in calculating the liability movements and accordingly the amounts are different from the increase in outstanding claims liabilities in note 13.

**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	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Prima facie income tax expense calculated at 30% (2003: 30%)</b>	<b>231,274</b>	<b>15,767</b>	<b>231,274</b>	<b>15,767</b>
Tax effect of permanent differences:				
▪ Tax-exempt foreign income <sup>1</sup>	0	10,738	0	10,738
▪ Tax benefit on tax losses from foreign investments <sup>1</sup>	(34,640)	0	(34,640)	0
▪ Imputation gross – up on dividends received	6,604	0	6,604	0
▪ Franking credits on dividends received	(22,015)	0	(22,015)	0
▪ Rebateable dividends	0	(24,976)	0	(24,976)
▪ Farrow Group revenue	(475)	(342)	(475)	(342)
▪ Sundry items	161	141	161	141
<b>Income tax expense</b>	<b>180,909</b>	<b>1,328</b>	<b>180,909</b>	<b>1,328</b>
<b>Aggregate income tax expense comprises:</b>				
▪ Current taxation provision	147,812	44,620	147,821	44,548
▪ Deferred income tax provision	44,774	(23,565)	44,774	(23,565)
▪ Future income tax benefit	(11,855)	(20,564)	(11,864)	(20,492)
▪ Under provision in prior year	178	837	178	837
	<b>180,909</b>	<b>1,328</b>	<b>180,909</b>	<b>1,328</b>

<sup>1</sup> Prior to 1 July 2003, foreign source income was exempt from tax under the tax equivalent regime (NTER). As a result of changes to the NTER, foreign source income became taxable effective 1 July 2003.

At 1 July 2003, the market value of TAC's foreign investments was lower than their original acquisition cost resulting in an unrealised loss of \$115.47 million for taxation purposes. Accordingly, a future income tax benefit of \$34.64 million has been brought to account on the basis that future foreign source income will be available to realise the benefit from the tax loss.

**7) INCOME TAX** (Continued)

<b>(B) CURRENT TAX LIABILITIES</b>	<b>CONSOLIDATED</b>		<b>TAC</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Balance at beginning of year	36,779	34,449	36,746	34,431
Movements during the year:				
▪ Income tax paid	(90,834)	(43,127)	(90,741)	(43,070)
▪ Current year's income tax expense	147,812	44,620	147,821	44,548
▪ Under provision in prior year	178	837	178	837
	<b>93,935</b>	<b>36,779</b>	<b>94,004</b>	<b>36,746</b>

<b>(C) DEFERRED TAX LIABILITIES</b>	<b>CONSOLIDATED</b>		<b>TAC</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following items:				
▪ Unrealised gain on investments	110,926	66,303	110,926	66,303
▪ Expenditure currently deductible for tax but deferred for accounting purposes	27	0	27	0
▪ Difference in depreciation of plant and equipment for accounting and income tax purposes	83	(41)	83	(41)
	<b>111,036</b>	<b>66,262</b>	<b>111,036</b>	<b>66,262</b>

<b>(D) DEFERRED TAX ASSETS</b>	<b>CONSOLIDATED</b>		<b>TAC</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Provision for 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	161,548	151,131	161,548	151,131
▪ Provisions and accrued employee entitlements not currently deductible	9,379	8,114	9,081	7,812
▪ Accruals not currently deductible	854	680	854	676
	<b>171,781</b>	<b>159,925</b>	<b>171,483</b>	<b>159,619</b>

8) INVESTMENTS	CONSOLIDATED		TAC	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
<b>Net Market Value</b>				
<b>Current</b>				
Bank, money market, foreign currency and other deposits	695,618	448,905	695,618	448,905
Debt securities	44,605	74,550	44,605	74,550
Investment income receivables	46,345	46,759	46,345	46,759
<b>Total current</b>	<b>786,568</b>	<b>570,214</b>	<b>786,568</b>	<b>570,214</b>
<b>Non-current</b>				
Debt securities	1,566,716	1,874,137	1,566,716	1,874,137
Equities – Listed domestics	1,463,558	1,197,508	1,463,558	1,197,508
Equities – Listed international <sup>1</sup>	1,878,348	1,353,899	1,878,348	1,353,899
Listed property trusts	605,978	503,088	605,978	503,088
Unlisted property trusts	35,526	0	35,526	0
<b>Total non-current</b>	<b>5,550,126</b>	<b>4,928,632</b>	<b>5,550,126</b>	<b>4,928,632</b>
<b>Total investments</b>	<b>6,336,694</b>	<b>5,498,846</b>	<b>6,336,694</b>	<b>5,498,846</b>

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

#### MONETARY ITEMS DENOMINATED IN FOREIGN CURRENCIES

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

	CONSOLIDATED		TAC	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
United States dollar	1,067,844	796,617	1,067,844	796,617
Euro dollar	296,747	232,805	296,747	232,805
Japanese yen	177,020	102,472	177,020	102,472
United Kingdom pound sterling	197,892	141,035	197,892	141,035
Other foreign currencies	181,229	136,033	181,229	136,033
	<b>1,920,732</b>	<b>1,408,962</b>	<b>1,920,732</b>	<b>1,408,962</b>

9) RECEIVABLES	CONSOLIDATED		TAC	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
<b>Current</b>				
Premiums receivable	8,098	8,667	8,098	8,667
Input tax credits <sup>1</sup>	25,236	19,791	25,236	19,791
Claims recoveries and other debtors	14,932	16,754	13,783	16,051
Less: Provision for doubtful debts	(5,020)	(5,127)	(5,020)	(5,127)
	9,912	11,627	8,763	10,924
<b>Total current</b>	<b>43,246</b>	<b>40,085</b>	<b>42,097</b>	<b>39,382</b>
<b>Non-current</b>				
Input tax credits <sup>1</sup>	121,081	108,768	121,081	108,768
Claims recoveries receivable	42,891	47,640	42,891	47,640
Less: Provision for doubtful debts	(551)	(647)	(551)	(647)
	42,340	46,993	42,340	46,993
<b>Total non-current</b>	<b>163,421</b>	<b>155,761</b>	<b>163,421</b>	<b>155,761</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	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Current</b>				
Farrow distribution	20,148	0	20,148	0
Deferred acquisition costs	9,748	9,044	9,748	9,044
Prepayments and others	1,019	4,329	1,019	4,329
GST receivable	887	0	887	0
Amount due from controlled entity	0	0	541	0
<b>Total current</b>	<b>31,802</b>	<b>13,373</b>	<b>32,343</b>	<b>13,373</b>
<b>Non-current</b>				
Farrow distribution	0	19,008	0	19,008
<b>Total non-current</b>	<b>0</b>	<b>19,008</b>	<b>0</b>	<b>19,008</b>

11) EQUIPMENT, FURNITURE AND IT SYSTEMS	CONSOLIDATED		TAC	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Equipment, furniture and IT systems</b>				
At cost	22,476	20,546	22,476	20,546
Accumulated depreciation	(14,144)	(11,213)	(14,144)	(11,213)
	<b>8,332</b>	<b>9,333</b>	<b>8,332</b>	<b>9,333</b>
<b>Motor vehicles under lease</b>				
At cost	644	0	644	0
Accumulated depreciation	(19)	0	(19)	0
	<b>625</b>	<b>0</b>	<b>625</b>	<b>0</b>
<b>Written down value</b>	<b>8,957</b>	<b>9,333</b>	<b>8,957</b>	<b>9,333</b>
<b>Reconciliation:</b>				
Opening written-down value as at 1 July	9,333	8,727	9,333	8,727
Additions	2,574	3,301	2,574	3,301
Disposals	0	(3)	0	(3)
Current year depreciation	(2,950)	(2,692)	(2,950)	(2,692)
<b>Closing written down value as at 30 June</b>	<b>8,957</b>	<b>9,333</b>	<b>8,957</b>	<b>9,333</b>

12) PAYABLES	CONSOLIDATED		TAC	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Current</b>				
Advance premiums <sup>1</sup>	18,679	18,736	18,679	18,736
Other creditors and accruals	29,697	28,750	29,697	28,750
GST payable	0	3,014	0	2,725
Amount due to controlled entity	0	0	0	319
<b>Total current</b>	<b>48,376</b>	<b>50,500</b>	<b>48,376</b>	<b>50,530</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 2004 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	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Undiscounted future claims payments	13,963,454	11,674,738	13,963,454	11,674,738
Discount to present value	(9,137,004)	(6,996,676)	(9,137,004)	(6,996,676)
<b>Total outstanding claims liability</b>	<b>4,826,450</b>	<b>4,678,062</b>	<b>4,826,450</b>	<b>4,678,062</b>
Current liability	665,618	596,316	665,618	596,316
Non-current liability	4,160,832	4,081,746	4,160,832	4,081,746
<b>Total outstanding claims liability</b>	<b>4,826,450</b>	<b>4,678,062</b>	<b>4,826,450</b>	<b>4,678,062</b>

	CONSOLIDATED		TAC	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
TAC scheme – no-fault	3,295,205	3,113,446	3,295,205	3,113,446
TAC scheme – common law	1,298,850	1,320,061	1,298,850	1,320,061
Run-off scheme	232,395	244,555	232,395	244,555
	<b>4,826,450</b>	<b>4,678,062</b>	<b>4,826,450</b>	<b>4,678,062</b>

The weighted average discounted expected term to settlement from the reporting date of the outstanding claims is estimated to be 9.9 years (2003: 9.9 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 \$604 million (2003: \$585 million) to the liability for outstanding claims at balance date.

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 (2003: 1%).

	DISCOUNT RATE		WAGE INFLATION RATE	
	2004 %	2003 %	2004 %	2003 %
<b>Claims expected to be paid:</b>				
Year 1	6.4	5.4	3.2	4.1
Year 2 to 5	6.9	5.9	4.0	4.0
Year 6 +	7.3	6.5	3.3	2.5

**14) PROVISIONS**

	CONSOLIDATED		TAC	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Current</b>				
Employee benefits	4,377	3,837	3,840	3,333
Farrow liabilities	214	53	214	53
<b>Total current</b>	<b>4,591</b>	<b>3,890</b>	<b>4,054</b>	<b>3,386</b>
<b>Non-current</b>				
Employee benefits	5,634	5,180	5,196	4,678
Farrow liabilities	0	229	0	229
<b>Total non-current</b>	<b>5,634</b>	<b>5,409</b>	<b>5,196</b>	<b>4,907</b>

15) RESERVES	CONSOLIDATED		TAC	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>(a) Reserve for Accident Prevention Blackspot Dividend</b>				
Balance as at 1 July	0	110,000	0	110,000
Dividend paid	0	(110,000)	0	(110,000)
Balance as at 30 June	0	0	0	0
<b>(b) Motorcycle Road Safety Reserve<sup>1</sup></b>				
Balance as at 1 July	2,251	0	2,251	0
Transfer from retained surplus	3,832	2,746	3,832	2,746
Transfer to retained surplus	(1,679)	(495)	(1,679)	(495)
Balance as at 30 June	4,404	2,251	4,404	2,251
<b>Total reserves</b>	<b>4,404</b>	<b>2,251</b>	<b>4,404</b>	<b>2,251</b>

<sup>1</sup> In the 2003 financial year, 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.

16) RETAINED SURPLUS	CONSOLIDATED		TAC	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Balance as at 1 July	629,299	580,321	629,299	580,321
Operating profit for the current year	590,004	51,229	590,004	51,229
Transfer to Motorcycle Road Safety Reserve	(3,832)	(2,746)	(3,832)	(2,746)
Transfer from Motorcycle Road Safety Reserve	1,679	495	1,679	495
<b>Balance as at 30 June</b>	<b>1,217,150</b>	<b>629,299</b>	<b>1,217,150</b>	<b>629,299</b>

The TAC will resume dividend payment to the Victorian State Government with the next payment due in October 2004. As at the date of signing of the financial report, the amount of the dividend has not been determined. A formal determination by the Treasurer, made in accordance with the provisions of the *Transport Accident Act*, is expected to be made during October 2004.

## 17) COMMITMENTS FOR EXPENDITURE

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

	CONSOLIDATED		TAC	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
<b>Administrative expenditure<sup>1</sup></b>				
▪ No later than one year	80,827	22,034	80,827	22,034
▪ Later than one year but not later than five years	76,230	14,969	76,230	14,969
	<b>157,057</b>	<b>37,003</b>	<b>157,057</b>	<b>37,003</b>
<b>Operating leases</b>				
▪ No later than one year	5,506	5,375	5,506	5,375
▪ Later than one year but not later than five years	19,311	18,903	19,311	18,903
▪ Later than five years	5,580	9,722	5,580	9,722
	<b>30,397</b>	<b>34,000</b>	<b>30,397</b>	<b>34,000</b>
<b>Finance leases</b>				
▪ No later than one year	111	0	111	0
▪ Later than one year but not later than five years	513	0	513	0
	<b>624</b>	<b>0</b>	<b>624</b>	<b>0</b>

The weighted average interest rate implicit in the leases is 6.3% (2003: N/A).

<sup>1</sup> Includes a commitment by the TAC to fund a major road safety infrastructure program at a cost of \$130 million over 2004/05 and 2005/06. The program is aimed at reducing road trauma and is expected to result in lower TAC claims costs. In addition, it also includes annual funding of \$2.5 million for three years to the Victorian Trauma Foundation.

**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.

**19) EXECUTIVE OFFICERS' REMUNERATION**

The number of executive officers of the TAC, excluding the Chief Executive Officer, whose total remuneration exceeded \$100,000 is shown in the table below in their relevant income bands. The base remuneration of executive officers is exclusive of bonus, long-service leave and redundancy payments.

	2004 \$000	TAC 2003 \$000
Total remuneration received or receivable by executive officers of the TAC whose remuneration exceeded \$100,000	1,800	1,882

Income Band	TOTAL REMUNERATION		BASE REMUNERATION	
	2004 \$000 No.	2003 \$000 No.	2004 \$000 No.	2003 \$000 No.
\$80,000 – \$89,999	0	0	0	1
\$120,000 – \$129,999	1	1	1	0
\$140,000 – \$149,999	0	0	0	3
\$150,000 – \$159,999	0	1	2	1
\$160,000 – \$169,999	0	0	1	2
\$170,000 – \$179,999	0	3	1	1
\$180,000 – \$189,999	3	2	2	0
\$190,000 – \$199,999	0	1	0	0
\$200,000 – \$209,999	1	0	0	0
\$210,000 – \$219,999	2	0	0	1
\$220,000 – \$229,999	0	0	2	1
\$230,000 – \$239,999	1	0	0	0
\$250,000 – \$259,999	0	2	0	0
\$260,000 – \$269,999	1	0	0	0

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	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
State Superannuation Fund – Revised and New Schemes <sup>1</sup>	902	873	902	873
Victorian Superannuation Fund – VicSuper Scheme	2,024	1,913	1,736	1,617
Private Sector Complying Funds	1,083	915	641	679
<b>Total</b>	<b>4,009</b>	<b>3,701</b>	<b>3,279</b>	<b>3,169</b>

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

## 20) EMPLOYEE SUPERANNUATION (Continued)

The basis of superannuation contributions is determined by the various schemes. There are no contributions outstanding at balance date (2003: nil).

The TAC has received confirmation from the Government Superannuation Office that the TAC has no unfunded employer superannuation liability for employee entitlements in respect of 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 PERSONS

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

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

The Minister,  
The Honourable Rob Hulls MP, Minister for WorkCover

The Directors,  
Mr Paul Barker  
Mr Stephen Grant (Chief Executive Officer)  
Mr James MacKenzie (Chair)  
Ms Melanie McMillan  
Ms Elana Rubin  
Ms Anne Ward (resigned 16 April 2004)  
Ms Judith Ward (resigned 19 April 2004)  
Mr Michael Wright (appointed 4 May 2004)

## REMUNERATION OF RESPONSIBLE PERSONS

The amounts relating to the Minister are reported separately in the financial reports of the Department of Premier and Cabinet.

	CONSOLIDATED		TAC	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Remuneration received or receivable by responsible persons of the TAC and a controlled entity	651	742	625	689
The number of directors of the TAC whose remuneration falls within the following bands:			No.	No.
\$1 – \$9,999			1	1
\$20,000 – \$29,999			2	1
\$30,000 – \$39,999			3	3
\$40,000 – \$49,999			0	2
\$80,000 – \$89,999			1	1
\$360,000 – \$369,999			1	0
\$370,000 – \$379,999			0	1

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

## RELATED PARTY TRANSACTIONS

Ms Anne Ward, a director during the 2003/04 year, is 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	
	2004 \$000	2003 \$000
Legal services	32	211

**21) RESPONSIBLE PERSONS (Continued)****OTHER PAYMENTS**

The following payments are also noted, although they are not considered to be responsible person related party transactions for the purpose of Ministerial Directions under the *Financial Management Act 1994*.

Ms Anne Ward is a member of the Epworth Hospital board of management. The TAC pays Epworth Hospital for medical services provided to TAC clients that are compensable under the TAC scheme.

Mr James MacKenzie is an advisor to Deloitte. Deloitte has provided consultancy services to the TAC during the year on normal commercial terms and conditions.

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. Finally, TAC Law Pty Ltd, which is deemed to be a controlled entity of the TAC for financial reporting purposes (note 18), also provides legal services to the VWA under a retainer agreement.

**OTHER TRANSACTIONS**

Other related transactions and loans requiring disclosure under the Directions of the Minister for Finance have been considered and there are no matters to report.

**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	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Cash at bank	24,534	11,516	24,534	11,516
Money market deposits	354,554	169,320	354,554	169,320
<b>Total</b>	<b>379,088</b>	<b>180,836</b>	<b>379,088</b>	<b>180,836</b>

**(B) RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET PROFIT**

	CONSOLIDATED		TAC	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Net profit after tax	590,004	51,229	590,004	51,229
Depreciation and amortisation	2,950	2,692	2,950	2,692
Unrealised loss/(gain) on investment	(405,064)	34,089	(405,064)	34,089
Realised loss/(gain) on sale of investment	(86,736)	1,362	(86,736)	1,362
Farrow Group revenue	(1,661)	(1,181)	(1,661)	(1,181)
<b>Changes in assets and liabilities</b>				
Increase in outstanding claims	148,388	386,252	148,388	386,252
Increase in unearned premium reserve	32,841	25,181	32,841	25,181
Increase in receivables and other assets	(7,803)	(33,890)	(7,355)	(33,907)
Increase/(decrease) in creditors, accruals and provisions	(2,016)	8,547	(1,696)	8,196
Decrease/(increase) in net deferred tax balances	32,917	(44,128)	32,909	(44,056)
Increase in income tax payable	57,157	2,329	57,258	2,314
<b>Net cash flows from operating activities</b>	<b>360,977</b>	<b>432,482</b>	<b>361,837</b>	<b>432,171</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.

**(i) A summary of the TAC's exposure to interest rate risk on financial instruments is as follows:**

2004	FIXED INTEREST MATURING IN					
	Floating interest rate \$000	1 year or less \$000	1 to 5 years \$000	Over 5 years \$000	Non-interest bearing \$000	Total value \$000
<b>Financial assets</b>						
Cash and deposits	24,534	0	0	0	0	24,534
Other assets	0				20,148	20,148
Investments	0	847,567	919,350	748,668	3,821,109	6,336,694
<b>Total financial assets</b>	<b>24,534</b>	<b>847,567</b>	<b>919,350</b>	<b>748,668</b>	<b>3,841,258</b>	<b>6,381,376</b>
Weighted average effective interest rate	4.50%	5.02%	5.89%	5.19%		
<b>Financial liabilities</b>						
Accruals and creditors	0	0	0	0	29,697	29,697
Other liabilities	0	111	513	0	214	838
<b>Total financial liabilities</b>	<b>0</b>	<b>111</b>	<b>513</b>	<b>0</b>	<b>29,911</b>	<b>30,535</b>
Weighted average effective interest rate	–	6.36%	6.36%	–		
<b>Net financial assets</b>	<b>24,534</b>	<b>847,456</b>	<b>918,837</b>	<b>748,668</b>	<b>3,811,347</b>	<b>6,350,841</b>

2003	FIXED INTEREST MATURING IN					
	Floating interest rate \$000	1 year or less \$000	1 to 5 years \$000	Over 5 years \$000	Non-interest bearing \$000	Total carrying value \$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>

**23) FINANCIAL INSTRUMENTS (Continued)**

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**

	2004 \$000	CONSOLIDATED 2003 \$000
Net financial assets	6,350,841	5,500,338
Non-financial assets and liabilities:		
▪ Provisions	(214,982)	(112,058)
▪ Net insurance liabilities	(5,294,685)	(5,113,457)
▪ Net non-financial assets	380,380	356,727
<b>Net assets per statement of financial position</b>	<b>1,221,554</b>	<b>631,550</b>

**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 partially hedge the currency exposure of investments denominated in foreign currencies in line with the TAC's investment strategies.

## 23) FINANCIAL INSTRUMENTS (Continued)

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

	2004		2003	
	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	0.7175	521,604	0.6269	846,848
Euro dollar	0.5906	134,349	0.5578	193,734
Japanese yen	77.4980	92,955	74.1150	107,969
United Kingdom pound sterling	0.3978	100,803	0.3928	155,070
Swiss franc	0.9052	26,829	0.8337	39,583
Canadian dollar	0.9767	24,281	0.8936	36,913
Swedish krona	5.4129	9,369	5.0939	12,064
Hong Kong dollar	5.6205	6,380	4.9417	8,910
Danish kroner	4.3519	1,707	4.1441	3,581
Singapore dollar	1.2089	3,211	1.1127	4,470

## 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:

- 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.
- 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.

## 25) IMPACTS OF ADOPTING AASB EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, all Australian reporting entities are required to adopt the financial reporting requirements of the Australian equivalents to International Financial Reporting Standards (IFRS). This requirement also extends to any comparative financial information included within the report. The first day of the comparative period, 1 July 2004, effectively becomes the transition date for the TAC. Any adjustments arising from the changes in the recognition or measurement of assets and liabilities at the transition date arising from the adoption of IFRS will be made against retained surplus at the transition date.

The TAC has taken the following steps in managing the transition to Australian equivalents to IFRS:

- established a project team to oversee the transition to, and manage the implementation of, the Australian equivalents to IFRS;
- commenced analysis to identify key differences between current accounting policies and IFRS requirements that will have significant impact on the TAC's reported results; and
- briefed senior management, the Board and stakeholders to raise awareness of the financial impact and changes in reporting requirements.

The TAC has identified a number of changes to the existing accounting policies that may have a material impact on the TAC's financial position and financial performance following the adoption of the requirements of Australian equivalents to IFRS. These include:

- Insurance contracts – the new accounting standards applying to insurance contracts may have different requirements as to the methodology, prudential margin and discount rates to be applied when calculating claims liabilities. As a result, the measurement of these liabilities may change with the resulting adjustment at transition date to be made against retained surplus.
- Income tax – under the new standard, a balance sheet approach is to be adopted under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

In addition, a number of other changes in requirements have been identified which are expected to require changes in methodology, processes and increased disclosures. The changes are not expected to have a material impact on the TAC's financial position and financial performance.

**STATEMENT BY CHAIR, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE AND ACCOUNTING OFFICER**

We certify that the financial reports of the Transport Accident Commission have been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian accounting standards and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the statements of financial performance, statements of financial position, statements of cash flows and notes to and forming part of the financial reports, present fairly the financial transactions for the year ended 30 June 2004 and the financial position of the Transport Accident Commission as at that date.

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

Dated at Melbourne this 27th day of August 2004.



**James MacKenzie**

Chair



**Stephen Grant**

Chief Executive Officer



**Chris Aylen**

Chief Finance & Accounting Officer



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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 the Audited Financial Report**

This audit report relates to the financial report of Transport Accident Commission for the financial year ended 30 June 2004 included on its web site. The Board of the Transport Accident Commission is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the 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 2004, comprising statement of financial performance, statement of financial position, statement of cash flows and notes to the financial statements, has been audited. The financial report includes the consolidated financial statements of the economic entity, comprising the Transport Accident Commission and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 18 to the financial statements. The Members of the Board are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the financial report has been carried out in order to express an opinion on it to the Members of the Parliament of Victoria, 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 2004 and their financial performance and cash flows for the year then ended.

EDWARD M. HAY  
Acting Auditor-General

MELBOURNE  
31 August 2004



## SECTION 1 – CORPORATE GOVERNANCE

This statement covers the main corporate governance practices that ensure the TAC is managed 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 four 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 Elana Rubin

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 and Michael Wright all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*.

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).
- Monitor the reliability of financial information and the financial reporting practices of the TAC.
- Monitor compliance with relevant laws, regulations and government directives and ensure 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.
- Monitor 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 and Elana Rubin (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 (Chair), Stephen Grant and Michael Wright

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* (No. 111 of 1986, reprint No. 9 dated 3 December 2003). This 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 2003 to 30 June 2004.

### 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 3 December the *Accident Compensation and Transport Accident Acts (Amendment) Act 2003* (the Act) (Act No.95/2003) came into operation. Sections 25 to 32 of this Act made changes to the *Transport Accident Act 1986* (the TAA) as follows:

- Section 25 of the Act addressed the TAC's liability to pay accommodation and living costs that arose from a Court decision in *Transport Accident Commission v McRitchie* (2003) VSCA 51 (5 May 2003). The legislation change makes it clear that the TAC is not liable for the payment of basic accommodation costs such as rent and daily living costs such as food and personal items from 3 December 2003.
- Section 25 also contains provisions to assist clients in special accommodation. Existing residents of special accommodation facilities, such as nursing homes or group homes, will continue to receive compensation for living costs until 2 June 2005. The section also provides a new transitional benefit for clients entering special accommodation, who will receive 18 months of payments of living costs after being first transitioned to special accommodation.
- Section 28 of the Act dealt with the issue of rounding permanent impairment scores. This amendment was introduced to address the impact of a Court decision in the case of *Connelly v MMI Workers Compensation (Vic) Ltd & ors* (2003) VSCA 60 (27 May 2003). The section provided that rounding of final whole person impairment scores to the nearest 5% was no longer allowable from 3 December 2003. To ease the impact of this provision the TAC implemented work practices to ensure that clients who previously received the benefit of administrative rounding under the TAC's policy were not disadvantaged by the statutory removal of rounding.

The Act also included other amendments of the TAA that were introduced to improve the operation of the TAA and make necessary consequential amendments arising from the provisions of sections 25 and 28 of the Act:

- Sections 26 and 29 of the Act amended section 42 of the TAA to clarify when no-fault benefits cease under Victorian law as a result of lodgement of a claim for compensation under another interstate or overseas scheme. The section means that clients whose TAC benefits are terminated as a result of seeking compensation in another jurisdiction will retain the right to an impairment assessment for common law purposes.
- Section 27 amended the Act to repeal sections 46A(8) and (9). The sections were re-included in a new Part 11 of the TAA, which contains all of the transitional provisions associated with assessment of impairment under the American Medical Association Guides to the Evaluation of Permanent Impairment.
- Section 30 of the Act clarifies the application of the two-year limit on liabilities in section 60(1A) of the TAA by extending this liability to three years in some circumstances to take account of the late lodgement and acceptance of some claims.
- Section 31 of the Act amends section 70 of the TAA by extending the period of time to apply for a review of an initial eligibility decision from 28 days to 12 months in circumstances where the TAC does not meet statutory time frames for acceptance of a claim.
- Section 32 of the Act includes a new Part 11 in the TAA, which contains all of the transitional arrangements required to give effect to the Act.

### Other legislative changes affecting the *Transport Accident Act 1986*

There were no other significant legislation changes that affected the operation of the *Transport Accident Act 1986* in the period from 1 July 2003 to 30 June 2004.

## SUBORDINATE LEGISLATION

### Regulations

The *Transport Accident (Prescribed Severe Injury) Regulations 2003* (SR 156/2003) were made on 16 December 2003 (Gazette G52, p3351). The Regulations were introduced to expand the definition of a severe Injury in section 60(2B) of the *Transport Accident Act 1986* to provide access to family counselling for the families of clients who sustained the prescribed injuries in a transport accident. The additional injuries defined as severe injuries were blindness, certain full thickness burns and complete brachial plexus injuries.

### Orders in Council

On 11 May 2004 the *Transport Accident Charges Order (No.1) 2004* was made by the Governor in Council (Government Gazette G20, 13 May 2004 pp1243-1250 & erratum S111, 14 May 2004 p1). The Order prescribes the transport accident charges applicable to all classes of motor vehicles from 1 July 2004.

## **SECTION 2 – COMPLIANCE** (Continued)

### **VICTORIAN INDUSTRY PARTICIPATION POLICY**

During 2003/04 there were no contracts commenced or completed to which the *Victorian Industry Participation Policy Act 2003* applied.

### **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 2003/04 total consultancy expenditure (as defined by the *Financial Management Act 1994*) was \$0.60 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. The review identified three main restrictions on competition: the mandatory nature of the insurance, monopoly provision and centralised premium setting. To address centralised premium setting, in 2004 the Minister for WorkCover requested an independent review by the Essential Services Commission of the TAC's proposed premium for 2004/05.

#### **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.

### **COMPLIANCE WITH THE *BUILDING ACT 1993***

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.

The TAC regularly reminds staff of the legislation and procedures.

During 2003/04 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 Financial Reporting Direction 22 issued by the Minister for Finance under section 8 of the *Financial Management Act 1994* has been prepared and is available on request.

### **SCHEME NOTES**

#### **Service of Documents**

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

Alternatively, 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.

## **SECTION 2 – COMPLIANCE** (Continued)

### **ACCESS TO INFORMATION**

#### **Freedom of Information**

The TAC officers responsible for receipt and initial action on requests made under the *Freedom of Information Act 1982* are Mr Richard Pang and 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 2003/04, the TAC received 775 Freedom of Information requests (FOI), compared with 898 during 2002/03, a decrease of 14%. Most FOI requests related to anticipated or current common law proceedings.

In 2003/04 the average number of days for the TAC to make an initial decision in response to an FOI request was 17 days, well within the statutory time frame of 45 days.

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 \$20.50 application fee, applicable for the period 1 July 2004 to 30 June 2005.

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 FOI 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 claims officer or where the reports relate to impairment assessments, to the relevant impairment officer. There is no fee for access to documents under this policy.

#### **Subpoenas**

All subpoenas should be addressed to "The Authorised Person" and 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
<i>TAC Annual Reports</i>	Copy/Internet
<i>TAC Business Plan 2003–2006</i>	Copy
<i>TAC Statement of Corporate Intent 2001–2004</i>	Copy/Internet
<i>TAC Enterprise Agreement 2002–2005</i>	Copy
<i>Annual Transport Accident charges including GST and duty</i>	Copy/Internet
<i>TAC Research Charter</i>	Copy
<i>Your Privacy and the TAC</i>	Copy
<i>About the TAC</i>	Copy/Internet
<i>Information for people with Major Injuries</i> (Booklets 1–4)	Copy
<i>Empower</i>	Internet
<i>TAC benefits for self-employed people</i>	Copy
<i>TAC income benefits</i>	Copy
<i>TAC impairment benefits</i>	Copy
<i>Returning to work</i> (information sheet)	Copy
<i>If you need further treatment</i> (information sheet)	Copy
<i>Choosing an attendant care agency</i> (information sheet)	Copy
<i>Choosing a case manager</i> (information sheet)	Copy
<i>Supported leisure options</i> (information sheet)	Copy
<i>Therapy support</i> (information sheet)	Copy
<i>Daily support</i> (information sheet)	Copy
<i>4th Edition Impairment Examinations Information Manual</i>	Copy
<i>Working Together</i>	Copy
<i>TAC support when a person dies</i>	Copy
<i>Your Feedback</i>	Copy
<i>Drive Smart 2</i> (brochure)	Copy
<i>Drive Smart 2 CD-ROM</i> (available to learner drivers)	CD
<i>HELP pack</i>	Copy
<i>120 hours. Make it your goal</i>	Copy
<i>Make sure you're right to drive: how to reduce the risk for yourself and others on the road</i>	Copy
<i>Muck Up Day</i> video and curriculum advice booklet	Copy
<i>Road Safety Reports</i> (monthly summary)	Internet
<i>Safe Driving Policy</i>	Copy
<i>Save your skin: don't hit the road without full protective gear</i>	Copy
<i>VCE Legal Studies Resources Kit</i>	Copy
<i>VCE Media Resource Kit</i>	Copy
<i>TAC Law Careers</i>	Copy
<i>Victorian Trauma Foundation</i> (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\_attwood@tac.vic.gov.au). The request must be in writing, setting out:

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

**Access to information on the internet**

The TAC's corporate website ([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)) and safety tips and advice for motorcyclists ([www.spokes.com.au](http://www.spokes.com.au)). An interactive website has also been developed to help learners track their practice hours against the 120 hour target ([www.learnerslog.com.au](http://www.learnerslog.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.

**WORKFORCE DATA**

	2004	2003
TAC	580	553
TAC Law	52	62
TAC Law VWA team	33	31
Average age	37	37



**SECTION 2 – COMPLIANCE** (Continued)**DISCLOSURE INDEX**

The annual report of the TAC is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the TAC's compliance with statutory disclosure requirements.

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\*Throughout

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**Transport Accident Commission**

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GPO Box 2751Y Melbourne 3001  
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