

Transport Accident Commission

2005 Annual Report



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Mission

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.

Vision

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.

The Hidden Road Toll

The hidden road toll represents the many thousands of Victorians whose lives have been affected by road trauma.

The often-unseen consequences – ‘the ripple effect’ of this trauma – for individuals, families and the community, start within the first 10 minutes and may stretch to 10 years and beyond.

Highlights 2004/05

Service Delivery

- \$643 million in support services for 41,035 clients
- Highest-ever Client Satisfaction Score of 7.3 out of 10
- New legislative amendments to deliver more than \$19 million in benefits annually
- Introduction of new dispute resolution protocols
- \$60 million boost to trauma research to be administered by the Victorian Neurotrauma Initiative (VNI)

Road Safety

- Road toll remained low at 338
- Hospitalised claim rate at a record low
- \$130 million commitment to improve roads to reduce run-off road crashes
- A further \$110 million commitment to the Safer Roads Infrastructure Program to improve dangerous intersections

Our People

- Road toll remained low at 338
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- \$130 million commitment to improve roads to reduce run-off road crashes
- A further \$110 million commitment to the Safer Roads Infrastructure Program to improve dangerous intersections

Financial Management

- Actuarial release of \$96 million
- Funding ratio of 119%
- Investment return of 13.7%
- After-tax profit of \$464 million, driven largely by buoyant equity markets

October 2005

John Lenders MP

Minister for WorkCover

Level 51

Macarthur Street

East Melbourne

Vic 3002

Dear Minister,

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

In doing so, I take this opportunity on behalf of the Board to thank the CEO, Stephen Grant, for his effective leadership throughout the past year.

A handwritten signature in black ink, appearing to read "James MacKenzie". The signature is written in a cursive, flowing style.

James MacKenzie

Chairman

About the TAC

The TAC is part of the life of every Victorian motorist. Each year an insurance premium is paid by vehicle owners when they take out or renew their registration. However, unless they are injured in a crash, most people are unaware of how the TAC works and the support services it funds.

The community generally knows of the TAC through its high-profile public education campaigns and road safety programs, but the TAC's core responsibility is to fund the medical treatment and support services needed by people injured in transport accidents. Improving the state's trauma system has become a key area of focus and investment for the TAC during recent years.

The TAC covers transport accidents directly caused by the driving of a car, motorcycle, bus, train or tram. People can submit a claim for support services if they are injured as a driver, passenger, pedestrian, motorcyclist or cyclist.

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

Common law damages are payable for economic loss up to a maximum of \$900,720, and for pain and suffering up to a maximum of \$400,310. Economic loss can be paid to the dependants of a person killed in a transport accident up to a maximum of \$655,680.

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

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

Other support services the TAC may fund include:

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

The needs of each person are different, and the TAC examines each case individually when determining what it can fund – assessing whether the treatment or service is reasonable and whether it will contribute to the injured person's recovery.

When making decisions, the TAC is governed by the *Transport Accident Act 1986* which sets out what it can fund and any conditions that apply. To support this, the TAC has its own policies and guidelines that regulate decision-making.

The TAC also relies on information and recommendations obtained from the injured person's health care professionals as well as independent experts.

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

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

Chairman's and CEO's Report

Four years ago, the TAC set out on a journey to substantially improve client service, while maintaining the financial sustainability of the scheme.

Each year, the TAC applies two lead indicators – client satisfaction and financial management – to measure its performance against these objectives.

It is therefore extremely pleasing to report that, for the first time ever, the TAC in 2004/05 exceeded its targets for both of these key performance indicators.

Importantly, these outstanding results were accompanied and underpinned by record levels of staff satisfaction and morale.

A combination of effective claims management, improved service delivery, successful road safety initiatives and an emphasis on staff development and support, has led to a set of achievements which demonstrate the TAC's determination to lead the world in all facets of its business.

Service delivery

The TAC's core business and vision centre on providing the highest standards of service to Victorians injured on our roads.

Measuring clients' perceptions of, and satisfaction with, their dealings with the TAC is an important gauge of our progress in achieving our aim of being a world leader in service delivery.

In 2004/05 the TAC received its highest-ever client satisfaction score of 7.3 out of 10. This was derived from a comprehensive survey of clients. A record 77% of clients reported that they were satisfied or very satisfied with the service they had received from the TAC.

This result not only exceeded our target, but was a considerable increase over our previous best satisfaction score of 7.1.

A major achievement in 2004/05 was the introduction of significant changes to the *Transport Accident Act 1986*. As well as bringing the legislation into line with current community attitudes, the reforms provide significantly enhanced benefits and support for clients. Representing an additional \$19 million in benefits to be paid each year, the reforms also give the TAC the capacity to make certain types of payments earlier.

The past 12 months also marked a new beginning for the TAC in working more collaboratively with plaintiff solicitors to bring about faster resolutions to claims disputes. A set of agreed protocols was introduced, outlining procedures for the TAC and clients' solicitors to follow when settling common law and impairment claims and no-fault disputes.

These protocols, which were jointly developed by the TAC and Australia's leading legal associations, are aimed at substantially reducing the time taken to resolve disputes and lessening the financial and emotional stress on clients. In turn, this helps people to concentrate on their recovery and to get on with their lives.

Effective health care

Over the past three years, the TAC has placed particular emphasis on encouraging clinical best practice in the treatment and care of clients. This has been achieved through a partnership approach with providers and peak representative bodies, and a focus on client outcomes.

To build on the leading-edge work of the Victorian Trauma Foundation, the TAC announced in June that it would provide \$60 million to the Victorian Neurotrauma Initiative (VNI), a joint five-year program with the State Government.

The VNI will administer funding for research and improvements in the care, management and quality of life for patients with spinal cord and brain injuries.

Financial results

One of the most satisfying results of the past year has been the ability of management and staff to remain focused on managing scheme liabilities while seeking further opportunities to improve service to clients.

The TAC's 2004/05 actuarial release (or write-down in projected liabilities) of \$96 million was an outstanding achievement to which each area of the business contributed.

Buoyant investment markets delivered a return of 13.7% and boosted the TAC's after-tax profit of \$464 million for the year.

The table above (Figure 1) provides details of the impact of internal factors on the TAC's result, before short-term fluctuations and economic assumptions.

In 2004/05, the impact on profit from internal factors was \$363 million due mainly to strong claims management and a record low number of hospitalised claims.

The TAC's funding ratio continues to be strong at 119%.

Road safety

Used effectively, the mass media can provide information, shape attitudes and influence individual behaviour. Since the early 1990s, the TAC has leveraged the power and influence of high-impact public education campaigns to promote safer road-user attitudes and actions.

During 2004/05, the TAC maintained its focus on the main causes of road trauma – speeding, drink-driving, youth inexperience and risk-taking and fatigue. It also tackled the issues of vehicle safety and developed comprehensive programs to reduce the high crash rate of motorcyclists.

The road toll for 2004/05 was 338. Of particular note was the fact that the hospitalised claim rate – a key measure of serious injuries – fell to a record low of 8.4 per 10,000 vehicles. The TAC's programs and initiatives form part of Victoria's broader road safety strategy, *arrive alive!*, in partnership with Victoria Police, VicRoads and the Department of Justice.

In addition to its legislated responsibility for road safety promotion and public education, the TAC also provided significant funds to treat the state's worst 'black spots'. This included \$130 million to help reduce the incidence of run-off road crashes and a further \$110 million has been committed to improve dangerous intersections.

Our people

During the past year, we welcomed Maria Wilton and Julie Caldecott to the TAC Board of Management. Maria and Julie bring significant expertise to the organisation in the areas of funds management and health services delivery and strategy.

Finally, we recognise the outstanding efforts of TAC's talented and committed staff. The success of the past 12 months has only been possible through their dedication and determination to provide the highest levels of service to the Victorian community.

It is therefore both pleasing and appropriate that the record high client satisfaction score in 2004/05 has been mirrored by a best-ever result in the TAC Employee Opinion Survey, with a staff satisfaction rating of 72%.

James MacKenzie

Chairman

Stephen Grant

Chief Executive Officer

Impacts on profit

(\$ million)	00/01	01/02	02/03	03/04	04/05
Impact on profit from internal factors	69	347	507	298	363
Impact on profit from external factors					
Difference between actual investment returns and long-term expected returns	(288)	(550)	(201)	300	373
Change in inflation assumptions and discount rates	9	29	(255)	171	(108)
Impact of claims past inflation	31	N/A*	N/A*	N/A*	N/A*
Impact of legislative changes	(23)	16	N/A	N/A	N/A
Tax and other	10	(2)	0	(179)	(164)
Net profit/(loss) after tax	(192)	(160)	51	590	464

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

Figure 1

Board of Management

James MacKenzie

BBus, FCA, FAICD

Chairman

Appointed 2001

Chairman, Victorian WorkCover Authority
 Director, Amrad Corporation Ltd
 Director, Circadian Technologies Ltd
 Director, Mirvac Group
 Consultant, Deloitte

Chairman, Remuneration Committee

Member, Financial and Investment Strategies Committee

Stephen Grant

BA (Marketing), FCA

Chief Executive Officer and Managing Director

Appointed 2000

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

Elana Rubin

BA (Hons), MA, ASIA

Appointed 2003

Executive Director, Investments, Australian Retirement Fund
 Director, Hotel, Leisure and Tourism Trust of Australia
 Director, Industry Superannuation Property Trust
 Director, Unisuper
 Director, Victorian Rail Track Corporation
 Director, Victorian WorkCover Authority

Chair, Financial and Investment Strategies Committee

Member, Remuneration Committee

Michael Wright

BEcon (Hons), MSC Econ (IR)

Appointed 2004

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

Member, Financial and Investment Strategies Committee

Member, Audit and Risk Management Committee

Paul Barker

BBus, FCA, ACIS

Appointed 2002

Chair, VicForests
 Director, Victorian WorkCover Authority

Chair, Audit and Risk Management Committee

Chair, Marketing and Road Safety Committee

Maria Wilton

BEcon, ASIA, CFA

Appointed 2004

Portfolio Manager, Institutional Business, BT Financial Group
 Trustee, Emergency Services Super

Member, Remuneration Committee

Member, Marketing and Road Safety Committee

Julie Caldecott

BM, BS (Hons), MBA

Appointed 2004

Senior Manager, Boston Consulting Group
 Director, Royal Children's Hospital Melbourne

Member, Audit and Risk Management Committee

Member, Marketing and Road Safety Committee

Senior Management

Stephen Grant

Chief Executive Officer and Managing Director

Doug Kearsley

Deputy Chief Executive Officer and Executive General Manager, Finance and Strategy

David Healy

General Manager, Road Safety

Ann Donnan

General Manager, Human Resources

Paul O'Connor

General Manager, Resolution

Kerry Power

General Manager, Health Care

Colin Radford

General Manager, Corporate Affairs

Sue Kapourelakos

General Manager, Major Injury

Jane Boag

General Manager, Recovery Support

Andrew Saunders

Chief Information Officer

Chris Aylen

Chief Financial Officer

10 Minutes

The accident scene

Timely and effective emergency and clinical care is crucial in the immediate aftermath of a serious road crash.

Police and ambulance officers, and often State Emergency Service (SES) volunteers and fire fighters, must arrive quickly at the scene to rescue trapped occupants and administer treatment to stabilise patients for transfer to hospital.

As well as providing funding for emergency rescue equipment, the TAC invests millions of dollars in trauma research, education and management systems through the Victorian Trauma Foundation (VTF) and the recently announced Victorian Neurotrauma Initiative (VNI).

The TAC continues to work with other peak bodies to identify and address opportunities to improve our current trauma system from the time the ambulance arrives, to patient diagnosis, treatment, stabilisation, transit to hospital, surgery and intensive care. Infrastructure improvements, advanced technology and skill development of trauma emergency personnel are key focus areas.

By facilitating and supporting advancement in the state's trauma system, the TAC is striving to reduce preventable deaths and permanent disabilities resulting from road crashes – or, put simply, saving and improving lives.

Shelley Olson

Paramedic

Metropolitan Ambulance Service Victoria

Crash scenes are usually chaotic and confronting. There's debris strewn across the road, bystanders hanging around and traffic banked up.

One of the first things that we need to do when arriving at a crash is to determine the number of patients and whether further back-up is required and what form this might take. If it looks like the injuries are severe, we need to call for a helicopter to be sent.

If the driver or passengers are trapped, we will call the fire brigade and the SES to come down and cut them out of the vehicle. Paramedics often have to get inside the wreck to start treating the patient while this is happening.

We check the patient's vital signs and make an initial assessment of their injuries to administer the right emergency treatment. This might be giving the patient oxygen, pain relief drugs, fluids through a drip or dressing wounds. Most patients are fitted with a neck collar in case there are spinal injuries. If there are suspected fractures, we'll put splints on their limbs.

The majority of patients involved in road trauma usually have multiple injuries. They are often badly messed up and sometimes three paramedics are needed in the back of the ambulance to treat these patients on the way to hospital.

Patients with major injuries are usually taken to the Alfred or Royal Melbourne and kids and teenagers will be taken to the Royal Children's Hospital.

The upside of my job is that I can make a life-saving difference to someone who's been hurt. This person is somebody's mum, dad, wife, partner, sister, brother or friend.

What's sad and frustrating is seeing innocent people being killed or injured as a result of a crash that didn't need to happen in the first place when drink-driving, speeding or showing off was the cause.

Service Delivery

Excellence in service delivery and client satisfaction are the TAC's highest priorities and both are linked to staff performance measures. An enormous amount of work has been undertaken during the past year to improve communication with clients and their families, simplify processes and speed up payment timelines.

Client satisfaction

Each year the TAC commissions independent surveys of 2,500 clients to measure their satisfaction with the organisation on three key criteria: resolving issues; keeping them up-to-date; and treating them as individuals.

The TAC's client satisfaction score for 2004/05 was a record high 7.3 out of 10 (Figure 3). This score exceeded the annual target of 7.2 and the previous highest score of 7.1 (June 2004).

The key result indicators were at record highs due to continued implementation of long-term strategies, addressing areas of client concern and the introduction of special service delivery programs involving staff across the entire organisation.

There were significant improvements in client service relating to personal interactions and in areas related to issues resolution. The focus on the 'treat me as an individual' dimension improved to a record high of 7.5.

The focus in the coming year will continue to be on ensuring clients are kept up-to-date with understandable, relevant information; are treated with empathy and respect; and receive services quickly and efficiently.

Interactions with clients

Our staff are regularly in direct contact with clients and the public – be it over the telephone or face-to-face – and often the outside world's perception of, and satisfaction with, the TAC are based on these interactions.

That is why improving understanding and empathy for client experiences, as well as training in effective communication, continues to be an important focus area for TAC staff.

Some specific staff training initiatives during the past year included: letter writing guidelines about using simple and concise language and layout; telephone technique training; and dealing effectively with distressed clients or difficult situations.

Communications with clients

Understanding client information needs is an area of on-going research and development.

The TAC has researched the issues facing clients with different injury types and those living in regional areas to better understand and respond to their specific needs. Using these insights, the TAC has developed and refined its communication materials to ensure brochures and letters are clear, comprehensive and contain timely and relevant information.

In the past year, new booklets and fact sheets have been prepared on the following topics.

Soft tissue injuries – information about the recovery process, keeping motivated with rehabilitation programs, and practical advice on safely doing day-to-day activities without worsening pain or causing further discomfort.

Families of children with injuries – explaining common emotions that can be experienced by family members adjusting to new circumstances, working with health professionals to get the best results, TAC support for children starting or returning to school, and support networks and groups.

Impairment benefits – explaining definitions, processes for medical examination, how impairment is rated, and how long it will take for determinations and payments.

In the coming year, exploratory research will be conducted with clients, employers and treaters to produce more detailed information materials for clients returning to work. Particular emphasis will be placed on addressing the barriers preventing people from going back into the workforce following a crash.

The TAC has also undertaken a major redevelopment of its website – www.tac.vic.gov.au – to make it more user-friendly. Clients can easily access information about a range of topics including: step-by-step instructions on making a claim; services and costs that can be covered; policies; decision-making and review processes.

Support services funded by the TAC

In 2004/05, the TAC funded a total of \$643 million in support services and benefits compared with \$617.4 million in 2003/04 (Figure 2).

During the past year, 19,292 new claims were lodged with the TAC – a 2% decrease on the previous year's figure of 19,733 (Figure 4). In the same period, 41,035 people received funded support from the TAC compared with 42,183 people in 2003/04.

In 2004/05, the TAC paid \$42.7 million for paramedical services (\$40.6 million in 2003/04) (Figure 5).

Improved benefits and outcomes for clients

Amendments to the *Transport Accident Act 1986*, passed by Parliament last December and introduced from late 2004, signify large improvements to services, options and outcomes for TAC clients.

The changes improve efficiency and bring the legislation into line with current community trends and values.

In financial terms, the changes mean more than \$11 million in new benefits and a further \$8 million in increased impairment benefits will be provided annually.

The most significant changes in the package of reforms relate to increased impairment benefits and the ability for the TAC to make an early lump sum payment to eligible clients.

The TAC's new capacity to make earlier payments helps to alleviate some of the financial and emotional burden on clients and their families as they plan for their long-term care.

Other highlights of the reforms include provisions to:

- simplify and expedite the process to assess and pay income benefits
- improve incentives for severely injured clients to return to supported employment by introducing an earning allowance before their TAC income support is affected
- enable people who were working part-time and caring for their children before the accident to claim both income and childcare support
- substantially increase the impairment benefit for people injured in transport accidents after 16 December 2004
- slow the growth in medical excess rates paid by clients
- introduce a new travel benefit to encourage and assist clients to return to work when travel difficulties impede an early return
- initiate a travel allowance for clients with severe injuries to give them greater independence in managing their travel needs.

Lifetime support

Each year, a small number of Victorians sustain injuries of such severity that some level of on-going support from the TAC will be needed for the rest of their lives.

Four years ago, the TAC introduced a new approach to looking after the lifetime support needs of these clients to increase the range of home, work and leisure options available to them.

The approach involves tailored plans for each client to connect them with various support, home, employment, recreation and social opportunities in their own communities.

The philosophy behind this approach is to promote client empowerment, independence and community participation.

In 2004/05, 122 TAC clients participated in community group programs. The groups range from social, such as dinner gatherings, leisure, such as ten pin bowling and indoor cricket, to skill development, such as woodwork, creative cooking and computers. All groups operate in a community setting.

Through partnerships with agencies, a total of 49 group activities are currently available.

In addition to improving the quality of life for clients, the introduction of community group programs has resulted in better management of the previously unsustainable growth in attendant care costs, which represent the TAC's largest liability.

A total of \$50.7 million was paid for lifetime support during 2004/05 (Figure 6).

Benefits paid (\$ million)

Benefit type	Payments	00/01	01/02	02/03	03/04	04/05
Treatment		154.6	157.6	155.4	167.2	171.3
Loss of income		55.8	58.1	57.1	60.8	68.0
Impairment		19.2	27.0	20.2	18.3	20.9
Death benefits		43.0	46.1	46.2	46.5	49.7
Long-term care		33.8	38.3	41.1	46.1	50.7
Other no-fault		17.1	20.9	21.3	23.9	28.0
Common law – serious injury		119.7	116.7	127.9	171.0	163.4
Common law – interstate and other		44.6	50.3	47.2	52.1	61.1
Run-off / VWA Section 137		10.1	19.1	19.8	31.5	29.8
Total		497.9	534.2	536.2	617.4	643.0

41,035 people received benefits from the TAC in 2004/05.

Figure 2

Self-purchasing of support services

One of the legislative change highlights in the past year was enabling clients who have a permanent disability to have greater freedom and control to purchase the services they need – known as 'self-purchasing'.

Under the self-purchasing arrangement, clients with disabilities such as quadriplegia or acquired brain injury have more choice and control over the supports and services they need to be active members of the community.

The new model means that severely injured people can receive a monthly allowance to purchase a range of support services, such as attendant care, physiotherapy or housekeeping.

Self-purchasing is a significant improvement on the previous method of support provision where injured people had to request changes on a case-by-case basis when circumstances changed, such as taking holidays or a busy social week.

People who choose self-purchasing as a way of managing their support needs can manage the program independently or with the support of a broker.

In 2004/05, the TAC completed its pilot self-purchasing program. All seven participating clients elected to continue to self-purchase their required services.

Feedback from these participants has been exceptionally positive with clients feeling that they have more control over their lives and the management of their services.

Resolving disputes quickly and fairly

A ground-breaking achievement in the past year was the TAC's collaborative work with prominent legal associations, including the Law Institute of Victoria and Australian Lawyers Alliance, to develop protocols for resolving common law and impairment claims and no-fault disputes.

The protocols came into effect in March and April 2005 and involve:

- earlier exchange of information to assist decision-making and shorter timeframes for the resolution of disputes
- pre-court meetings to avoid matters proceeding to court
- linking legal cost payments to early resolution.

The key objectives of the protocols are to: avoid disputation; improve decision-making quality and consistency; reduce time taken to resolve disputes and common law claims; and cut the cost of legal disputes.

The new protocols demonstrate the TAC's commitment to the civil justice reforms laid out in the Attorney General's Justice Statement.

Reviews of TAC decisions

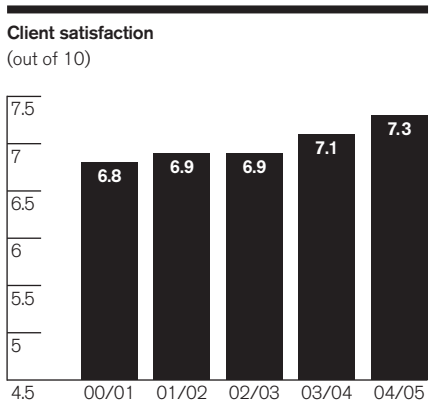
The level of disputation over TAC decisions remains low and has continued to decrease.

The TAC offers an alternative review process to the Victorian Civil and Administrative Tribunal (VCAT). In the past year, 753 requests for an informal review were lodged with the TAC, a 2% decrease over the previous 12 months.

At the end of June 2005, a total of 64 informal reviews remained unresolved (compared with 59 at June 2004). Following the informal review process, 104 clients sought a further review at VCAT during 2004/05 compared with 189 in 2003/04.

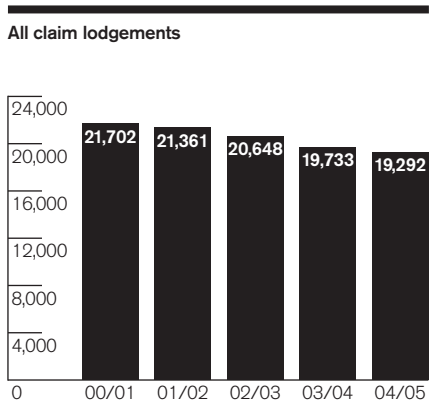
In the past year, 723 merit reviews were lodged with VCAT, compared with 1,015 in 2003/04 (Figure 7).

Impairment-related merit reviews have fallen to 288, a 39% decrease from 473 in 2003/04.



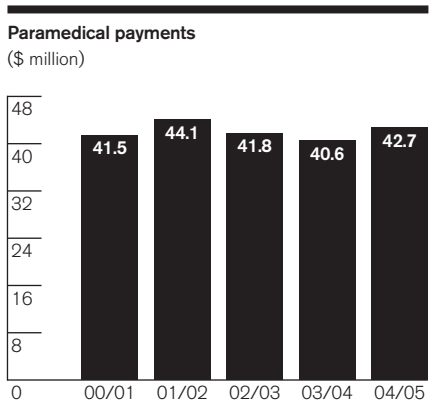
A best-ever client satisfaction score was achieved.

Figure 3



Claim lodgements continued to fall in 2004/05.

Figure 4



Paramedical payments are stable.

Figure 5

Common law

The TAC's results in 2004/05 have again proven that common law and no-fault benefits can co-exist in one scheme.

Strong improvement has continued 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 record low figure of 474 compared with 531 in June 2004 (Figure 8).

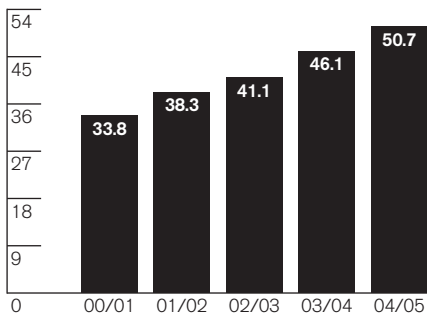
Model litigant

The TAC follows the Victorian Government's Model Litigant Guidelines in its claims management and dispute resolution. These guidelines promote an open, fair, honest and reasonable approach in all interactions with clients.

Pro bono

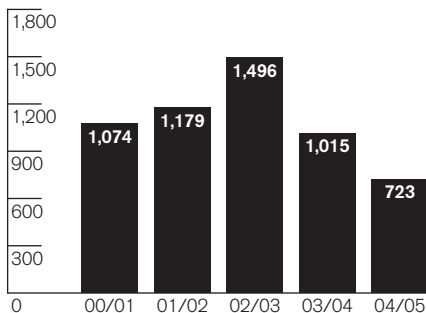
During the past year, the TAC has been active in delivering on its commitment to provide pro bono legal services. The organisation has provided resources and funding to the Public Interest Legal Clearing House (PILCH), a non-profit legal service that provides disadvantaged or marginalised members of the community with better access to the justice system.

Lifetime support payments
(\$ million)



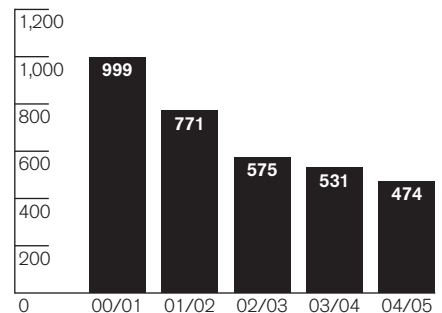
Payments for clients who need lifetime support continue to rise.
Figure 6

Merit reviews lodged at VCAT



Merit reviews lodged at VCAT are at an all-time low.
Figure 7

Claims awaiting a serious injury decision



Claims awaiting a serious injury decision have reached a record low.
Figure 8

10 Hours

At the emergency ward

Once transferred to the emergency hospital by road ambulance or helicopter, trauma patients are rapidly attended to by a team of specially trained medical and nursing staff to assess, diagnose and treat their most significant injuries as quickly as possible.

People with severe head and spinal injuries are either transported directly from the scene or transferred by ambulance or helicopter from suburban and regional hospitals to the Alfred Hospital – one of three Melbourne trauma centres and the largest, most active and best-equipped trauma service in Australasia.

In addition to treating about 2,400 trauma patients (of which 700 to 800 are classified as major trauma) each year, the Alfred has a strong focus on trauma research that seeks innovative approaches to improving care and outcomes for severely injured people.

Road crashes are sudden and unexpected, and for the patient's family and loved ones, it is a very worrying and emotional time.

Many people don't know what to expect during the recovery process and are reliant on information and support provided by the hospital staff, including social workers.

Dr Jamie Cooper

Associate Professor Monash University

Head

Trauma Intensive Unit Alfred Hospital

Unlike what you see on TV medical dramas, the scene at the Trauma Centre is relatively quiet, calm and controlled. There is a strong sense of 'busyness' as the emergency team – usually consisting of a trauma surgeon, emergency physician, anaesthetist, nurse and intensive care registrar – rallies to receive the next patient from the helicopter at the hospital's roof-top helipad.

Depending on the patient's injuries and condition, the next couple of hours involve a combination of things happening simultaneously and quickly. The first priority is usually resuscitation and inserting drips, fluids, breathing tubes and transfusions.

A number of tests and scans help us diagnose the person's primary problems and determine the priorities for treatment. This crucial time of the trauma patient's treatment is widely known as the 'golden hour' – the time when the trauma team can have the greatest influence on the patient's outcomes, particularly for those who have sustained head injuries. Many then have urgent surgery in the operating theatres that run here 24 hours a day.

The patients are managed in the intensive care unit where they receive around-the-clock monitoring by the one-to-one nurses and teams of specialist doctors. When patients are more stable and can breathe without support, they are transferred to a hospital ward.

Probably one of the most difficult and emotional aspects of our work is talking to families whose loved ones have suffered a major head injury. They often find it hard to accept what has suddenly happened and what lies ahead.

This is balanced, however, by the great satisfaction and reward you feel in seeing patients beating the odds and realising that their cognitive and physical function is going to be better than first expected.

Effective Health Care

To recover from accident injuries, clients usually need a range of medical treatment, rehabilitation services and therapy from a number of different practitioners. Service providers such as therapists, attendant care agencies and case managers play a critical role in ensuring appropriate interventions and achieving outcomes that enable clients to resume their lives at home, work and in leisure pursuits.

Therefore, the TAC works closely with service providers in the acute, rehabilitation and disability service sectors.

The TAC employs leading clinicians from a number of relevant medical, paramedical and health-related fields to work with service providers to improve the quality, and ensure appropriateness, of the type and level of care being provided to clients.

Having an in-house medical panel has proven effective in promoting clinical best practice as well as managing appropriate treatment levels and costs.

Effective treatment models

During the past two years, the TAC successfully introduced a Clinical Justification Program for physiotherapy services provided to clients.

Using a range of outcome measurement tools and criteria, the model puts an increased focus on goal-setting and assessing and monitoring the effectiveness of the client's treatment program.

The TAC's clinical justification approach has been favourably received by the Australian Physiotherapy Association and the paramedical field in general.

During 2004/05, the TAC expanded the model to include psychology and prosthetic providers, undertaking comprehensive stakeholder briefing sessions which attracted high attendance and positive feedback about the new program.

Mental health awareness

Although mental health problems can affect anyone at any time, people are particularly vulnerable following traumatic experiences such as a road crash. They may develop feelings of depression, guilt, anger or anxiety. In some cases, they may be diagnosed with post traumatic stress disorder or major depression. Such feelings can have a significant impact on a client's physical, occupational and social recovery, which is why the TAC has been working with experts in the mental health field to better understand and respond to clients' needs.

In addition to a series of staff information sessions, the TAC's Medical Panel has established a working party to identify at-risk clients and provide prompt and effective support. With the assistance of mental health providers including psychologists and psychiatrists, the working party is exploring ways to improve TAC communications – through clearer correspondence and simpler forms and work processes.

Funding of major trauma initiative

In June 2005, the TAC announced it would provide \$60 million over five years, with the Victorian Government contributing a further \$3 million, to fund research into improving understanding and effective treatment of brain and spinal cord injuries.

Currently, more than 700 Victorians sustain severe traumatic spinal and brain injuries each year, with the majority resulting from road crashes. Tragically, the average age of those sustaining spinal cord injury is 19 years, resulting in life-long sensory and motor impairment.

The new Victorian Neurotrauma Initiative (VNI) will see investment in research-led improvement for care, management and quality of life for seriously injured patients.

In summary, the VNI will fund:

- new equipment in ambulances
- training of staff on new procedures in trauma response
- research into trauma response and practice
- clinical spinal restoration research
- a Neurotrauma Research and Development Initiative coordinated by Neurosciences Victoria.

The VNI is another step forward in providing Victorians with world-class health care and placing the state at the forefront of trauma research and treatment.

In 2004/05, the TAC continued its support of the Victorian Trauma Foundation (VTF). Through leading-edge research and development, the VTF aims to reduce trauma-related death and disability. The VTF will play a key role in determining projects to be funded through the VNI.

Developing partnerships in the disability sector

More than 45% of traumatic brain injuries in Victoria are the result of road trauma. The TAC is currently supporting 1,560 clients with a moderate or severe brain injury as a result of their transport accident.

Some of the effects of brain injury include headaches and visual disturbances, difficulties in planning and thinking, emotional changes and physical disabilities. People with a brain injury are often at risk of becoming isolated and each person undertakes a long and difficult journey to re-establish their life.

The TAC is always looking for ways to provide the best possible rehabilitation and care for its clients and support for their families.

To extend its understanding of brain injury issues, learn from the latest international research and impart its specialist knowledge, the TAC helped fund and facilitate the World Congress on Brain Injury, held in Melbourne in May 2005.

More than 1,100 people attended the congress from across Australia and overseas, including academics, researchers, medical professionals, support organisations, people with brain injury and their families.

The TAC has continued to develop partnerships and work collaboratively with other Government agencies and support groups, such as the Department of Human Services and Headway Victoria, that have a shared commitment to improving the lives of people with disabilities.

In 2004/05, the TAC's work with its Disability Advisory Committee (DAC) also continued, gaining feedback on the organisation's programs and communications to ensure relevance and ease of understanding by those living with a permanent disability.

The Small Grants Program, established to provide funding for innovative community projects that promote opportunities for, and the empowerment of, people with disabilities has expanded significantly in 2004/05. Some examples of the programs funded include:

- Headway Victoria – Brain Injury Awareness Week
- Austin Health Rehabilitation – Murray to Moyne hand-cycling event
- The Song Room – theatre workshop for disadvantaged children.

10 Days

At the hospital

Until someone is involved in an accident, they usually have limited knowledge of what the TAC does and the types of treatment and services it funds.

As would be expected, clients and their families are often concerned about what they will do about money, particularly if the patient is the primary breadwinner.

It is usually a relief to them to find that the TAC will pay for medical treatment for accident-related injuries and that income replacement is available for those who were working at the time of their accident.

A clients' first point of contact with the TAC will usually be with a customer service officer who will gather information to help lodge their claim and answer any questions.

The level of contact that a client has with the TAC depends on their injuries, treatment requirements and individual circumstances.

Clients with severe and long-term injuries are allocated to a specific support coordinator to manage their particular claim and be their ongoing contact point at the TAC.

Elisabeth Laird Support Coordinator

Transport Accident Commission

Like a lot of the Support Coordinators at the TAC, I have a background in health – working in the specialised field of prosthetics and orthotics at various hospitals in Victoria and interstate.

At any one time, I am responsible for about 40 clients with the majority of them having spinal injuries, but also amputations and serious burns, who require varying levels of contact and support. There are some that I have daily communication with and others that pretty much self-manage their injuries and treatment.

I aim to meet my new clients within three days of them being allocated to me, which is typically shortly after their claim has been accepted.

Unlike my colleagues who have clients with major head injuries, I am usually able to speak directly with my clients, as well as their partners, parents or families.

During the first visit, there is a lot of information that I need to provide them that is hard to digest all at once, but the most important thing for them is to know that we're there to help.

The main questions raised at this stage are usually around money matters, whether their boss will keep their job open and what they will do about housing arrangements if they live in a flat and are going to be in a wheelchair.

I also explain what family support the TAC can pay for, such as counselling, which can be very helpful in the short and long-term in bringing up and addressing concerns.

My job is super busy, but very rewarding and allows me to help people re-build their lives after a major traumatic event.

Road Safety

The TAC's high-profile public education campaigns have been widely recognised for more than 15 years.

These road safety programs continue to play a critical role in ensuring the on-going viability of the TAC scheme. Preventing road trauma not only delivers enormous benefits to the Victorian community, it is also the best form of claims management.

In 2004/05, Victoria's road toll was 338, up 2% on the previous year (Figure 9). Importantly, the hospitalised claim rate – which is a more reliable measure of road safety performance – fell to a record low of 8.4 per 10,000 vehicles (Figure 10). The TAC's accepted no-fault claim rate also reduced to 44.8 in 2004/05 (Figure 11).

Fatalities among the more vulnerable road-user groups – motorcyclists, pedestrians and bicyclists – fell during 2004/05. Reductions in fatalities also occurred in regional areas, both in towns and on major roads.

In line with Victoria's road safety strategy '*arrive alive!*', the TAC – working in partnership with Victoria Police, VicRoads and the Department of Justice – has maintained its focus on tackling the following issues:

- speeding
- drink-driving
- young driver inexperience and risk-taking
- fatigue
- safer vehicles
- safer roads.

Major campaigns

Some of the major road safety initiatives undertaken in the past financial year included new adaptations of the *Wipe off 5* campaign to reinforce the consequences of low-level speeding and the fact that crashes caused by driving over the speed limit are 'no accident'.

The *Wipe off 5* campaign has continued to evoke favourable results in terms of audience comprehension and acceptance, as well as road-user behavioural change.

Independent market research (conducted by Sweeney Research) has shown positive shifts in attitudes and self-reported behaviour, with those claiming to speed 'all' or 'most' of the time dropping to a record low level of 12%. In June 2001, the figure was 25%.

For the first time, in May 2005, VicRoads Speed Monitoring Surveys showed that average travelling speeds in 60km/h, 70km/h and 80km/h zones were below the posted limit.

New executions of the *Only a little bit over – You bloody idiot* campaign highlighted the social and lifestyle consequences of losing your licence due to drink-driving, including loss of employment and being unable to meet family commitments.

The TAC also maintained its focus on supporting young people in developing skills and experience behind the wheel through the Learner's Log that tracks and rewards young drivers' progress towards gaining 120 hours practice.

The *Make a film, Make a difference* competition encourages aspiring young film-makers to develop an engaging idea to challenge the driving attitudes of young drivers. The competition was again very positively received, with more than 170 entries being submitted. The two winners each had their short films created with \$10,000 funding from the TAC, with the films screened in cinemas around the state.

Funding for safer roads

In the past year, the State Government and the TAC announced two huge funding boosts to improve Victoria's most dangerous roads.

The Safer Roads Infrastructure Program (SRIP) will see the TAC contribute \$130 million over 2004/05 and 2005/06 to improve 23 of Victoria's highest risk roads for run-off-road crashes.

Run-off-road crashes account for a high proportion of casualty crashes and more than 40% of fatal and serious injury crashes.

In May 2005, a further \$110 million in funding from the TAC was announced for a second SRIP program to target improvements to Victoria's most dangerous intersections.

Vehicle safety

In 2004/05, the TAC SafeCar on-road trial concluded. This trial involved 15 vehicles being specially equipped with five Intelligent Transport Systems (ITS) and subleased to nine public and private organisations in and around Melbourne.

The ITS included: daytime running lights; reverse collision warning; seatbelt reminder system; intelligent speed adaptation system; and following distance warning.

Twenty-three drivers were involved in the trial which involved each of the vehicles being driven for a distance of at least 16,500 kilometres.

An independent review of the trial by Monash University Accident Research Centre showed that SafeCar systems had a positive road safety effect on driver behaviour.

The next steps in the broader program include planning for the deployment of ITS systems on a wider scale in Victoria, with a focus on large company fleets.

During the last year, the TAC also reinvigorated its 'How safe is your car' website (www.howsafeisyourcar.com.au). An accompanying advertising campaign was launched in July 2004 to encourage car buyers to look at the crash-test safety ratings of new and used vehicle models before making their purchase. The campaign increased visits to the website by more than 200%.

Motorcycle safety

There are approximately 110,000 registered motorcycles in Victoria. Crash data shows this road-user group remains a high crash risk category.

During 2004/05, the TAC developed its *Ride Smart* CD Rom, an Australian-first, to improve the safety of Victoria's motorcycling community and reduce the alarming level of trauma involving riders.

The CD Rom aims to help cut the death and injury toll amongst motorcyclists and pillion by improving vital hazard perception and other cognitive skills of riders.

Similar to its predecessor for car drivers (*Drive Smart*), the new rider education tool has been carefully developed and evaluated, and uses real-life traffic scenes from metropolitan and regional areas of Victoria.

Ride Smart is available free-of-charge within Victoria, via the TAC's dedicated website for motorcyclists (www.spokes.com.au) or registration forms that will accompany direct mail communications sent to all newly licensed motorcyclists.

A range of other promotional activities with rider industry groups, training providers and events will also be utilised to raise awareness of *Ride Smart*.

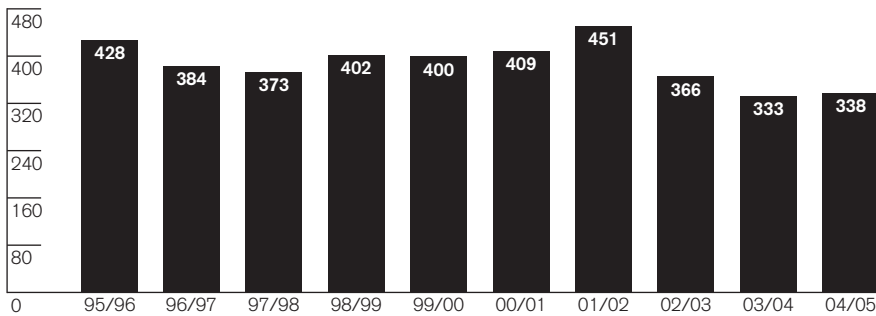
Partnerships

Sponsorships and community partnerships form an important part of the TAC's road safety marketing and communications program to reach both broad and niche groups who require specific behavioural messages.

The TAC's road safety partnership portfolio includes: Collingwood Football Club; Under 18's TAC Cup Football Competition; Falls Festival; Royal Victorian Bowls Association; and Wangaratta Festival of Jazz and Blues.

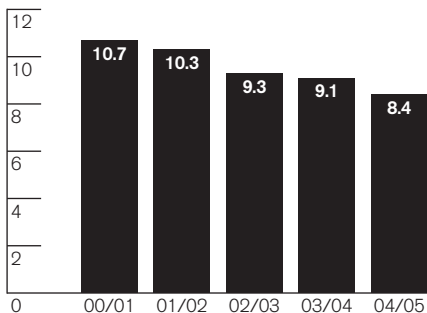
The TAC utilises its partnership portfolio to encourage responsible road-user behaviour among specific target groups. For example, in 2004/05 all clubs in the TAC Cup competition conducted road safety education evenings, encouraged their players to get their Learner's Permit and to work towards gaining 120 hours of practical driving experience. Many of the clubs also conducted additional promotions in their communities to reinforce the importance of getting as much driving practice as possible before gaining a licence.

Victorian road toll



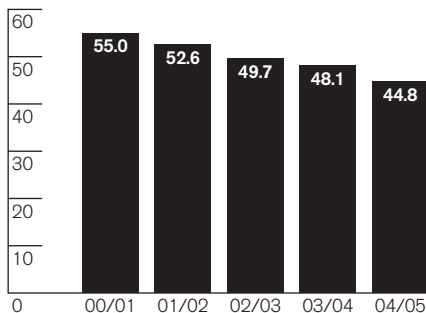
Victoria achieved another low road toll in 2004/05.
Figure 9

Hospitalised claim rate (> 1 day/10,000 vehicles)



The number of claims requiring hospitalisation is at a record low.
Figure 10

Accepted TAC no-fault claims (per 10,000 vehicles)



The no-fault claim rate per 10,000 vehicles continues to fall.
Figure 11

10 Weeks

At the rehabilitation hospital

After the emergency hospital, most patients are ready to move to a rehabilitation hospital. This is usually several weeks after a crash.

Rehabilitation sees the injured person working with a range of medical, paramedical and health professionals, such as physiotherapists, speech pathologists, occupational therapists, neuro-psychologists, social workers and dieticians. All these treatment services and equipment required to assist the client's rehabilitation are paid for by the TAC.

The patient is assessed to work out an appropriate treatment program with a focus on re-learning basic skills (e.g. walking and talking), building strength and developing coping skills.

For most TAC clients who have sustained severe injuries, the rehabilitation process can be a slow journey that takes months or even years.

A large number of TAC clients are admitted to Epworth Rehabilitation (formerly Bethesda) in Richmond to undertake their rehabilitation programs and to prepare for their return home or supported living arrangements.

Gavin Williams Physiotherapist

Epworth Rehabilitation

I was attracted to this side of physiotherapy because it allows me to work with a team to make a real difference to people's lives – helping them to walk again and relieve intense physical pain after a traumatic accident.

Of course, such results don't happen overnight. Most patients I work with spend a long, long time in rehab and seeing them work hard and reach their goals is fantastic.

Where the physio program starts depends on the patient's injuries. About half of Epworth Rehab's admissions have fractures, so we are regularly fitting splints and casts to allow the bones to heal well.

My main aim is usually to get patients up on their feet as soon as possible and from there, keep seeking the next goal or achievement – from increasing the time they can stand up, to taking a few steps, to being able to walk unaided.

As well as stretching and strengthening exercises, patients have hydrotherapy sessions. The pool's water is a warm 34 degrees which makes it a comforting and safe environment for patients when they are learning to walk.

Rehabilitation can be very tiring for patients who usually undergo six to eight hours of therapy each day, including physiotherapy, occupational therapy and speech pathology.

I see about four or five hospital in-patients and around 15-plus outpatients on an average day. I'd say that nearly three-quarters of them are young men under the age of 25.

Patients get itchy feet about going home and think that everything is going to be just like it was before their accident, when in reality, it is often a lot harder than they expect. They have had a life – and lifestyle – changing accident. An important part of my role is helping clients to prepare for what happens when they leave the hospital and setting appropriate expectations about how they may feel in settling back in to home-life.

Our People

Attracting and retaining high-quality staff is vital to the TAC in delivering all areas of its business – from providing the best service to clients, to maintaining strong financial management and effectively communicating its road safety messages to the public.

The TAC is committed to being an 'employer of choice' by providing staff support, encouraging work-life balance and offering learning and development opportunities. This focus has been rewarded with a strong staff morale index and lower-than-average attrition rate.

Employee Opinion Survey

The TAC's latest Employee Opinion Survey achieved an all-time high result, with a satisfaction rating of 72% (Figure 12).

All survey categories improved over the past two years and every category was above the Australian average – in most cases, significantly.

Learning and performance culture

The TAC offers opportunities to enable staff to increase skills, management capabilities and leadership qualities to assist their day-to-day work performance and career advancement.

A new intranet site was introduced last year to provide staff with easy access to information about learning and development opportunities and events.

In 2004/05, the TAC supported 15 staff to undertake or complete part-time post-graduate studies relating to their professional fields.

Finding the right people

The TAC is constantly looking for innovative and effective ways of attracting the best people to the organisation.

In the past financial year, the TAC has continued to develop its successful Staff Referral System that taps into employees' personal and professional networks to seek recommendations for job vacancies.

TAC staff understand the skills necessary to work at the organisation, know first-hand what the workplace culture is like and most have contact networks in their given field, so they are perfectly placed to recommend potential candidates for vacant and upcoming positions within the business.

The TAC has also expanded its online database of potential job seekers with various skills sets and experience to match different areas of the business. There are more than 4,000 vetted applications stored in the database that can be referenced when vacancies or new positions arise.

Career opportunities

Involvement in the Victorian Government's Youth Employment Scheme (YES) has proven a very effective means of acquiring enthusiastic and talented young employees in the past year.

The YES traineeships within Government health and community service agencies enable school-leavers aged 15 to 24 to enter the workforce, acquire skills and capabilities and build sustainable careers.

The traineeships run over a 12-month period and combine formal training that allows the trainee to earn an accredited qualification. In 2004/05 the TAC provided four young people with a traineeship opportunity.

The Wur-cum barra Indigenous Employment Strategy aims to achieve a greater representation of Indigenous staff and provide them with career progression opportunities through training and development. In 2004/05 the TAC developed a strategy to achieve the outcomes of Wur-cum barra through the establishment of links and partnerships with local Indigenous organisations, facilitation of cultural awareness within the organisation and the development of a clerkship program.

Our health and safety

The TAC promotes a safe work environment for its staff and visitors through the practical application of risk management principles within its integrated Workplace Occupational Health and Safety Program.

With the support of its Occupational Health and Safety (OHS) Committee, the TAC strives to empower staff to manage their health and safety through education and awareness strategies.

The TAC's philosophy towards injury management takes a proactive early intervention approach to injury and non-work-related illness.

This preventive OHS focus means that the TAC does not wait until an injury or illness escalates to a formal workplace injury claim before offering employee assistance.

OHS focus areas

The TAC's OHS strategy focuses on the following four main priority areas.

Prevention – hazard and incident identification and reporting by employees; resolution of health and safety issues; and compliance with OHS legislation including procedures to ensure staff safety while working in the field or from home. For example, the TAC has a Safe Driving Policy that applies to staff use of fleet cars and encourages employees to monitor their level of fatigue and 'fitness' to drive.

Health promotion – information, events and offers to encourage staff health and well-being, such as flu vaccination and eyesight tests, Quit (smoking) programs and glucose and cholesterol checks. The TAC also allows staff to donate blood at regular on-site visits by the Blood Bank.

Rehabilitation – including early intervention and support for staff to manage occupational and non-work-related conditions. The TAC's Human Resources Division includes a Return to Work Coordinator and a Staff Counsellor.

Compensation – a focus on assisting staff at all points during the process and encouraging and facilitating return to work.

Performance measures

The organisation measures its OHS performance through:

- staff and management feedback
- reported work-related injuries
- staff retained at work with work-related injuries
- work-related injury claims lodged
- successful returns to work
- non work-related injury/illness interventions.

The OHS Committee

The TAC's OHS Committee comprises 11 staff representatives, including the OHS coordinator and OHS adviser and meets formally on a quarterly basis.

All committee members have undertaken certified training programs at RMIT. Working closely with all areas of the business, the members are actively involved in the promotion of workplace safety, and the identification and resolution of OHS issues.

OHS committee members are required to receive, document and follow-up all hazard and incident reports with the support of the OHS adviser and coordinator.

The OHS representative and committee member role is often a thankless task and the TAC takes this opportunity to recognise and acknowledge the valued contributions of these individuals to the safety, health and well-being of their fellow workmates.

Key initiatives

In 2004/05, the OHS Committee instigated a number of proactive programs and initiatives, including the following.

- **Testing and treatment for improved health** – free flu vaccination program taken up by 300 staff; continued utilisation of computer-based exercise program, 'Prime Mover', to encourage staff to take regular breaks from sitting in a fixed posture and discouragemuscle strain; eyesight testing;and air quality monitoring.
- **Health and well-being 'Staffcare' program** – lunch-time activities, presentations and events to promote work-life balance; and screen-based eye exercise software.
- **Awareness and information** – expansion of the organisation's OHS intranet site to enable better staff access to relevant information,such as health and safety publications and the Staffcare program.
- **Training** – working in partnership with the Metropolitan Fire Brigade and the Victorian WorkCover Authority (VWA) to revamp fire warden and 'life safety' training (both theoretical and practical). The TAC and VWA also commenced a pilot to use web-based software to provide additional training to fire wardens.
- **Review** – completion of a comprehensive internal review to not only ensure thatthe TAC complies with the new OHS Act that came into effect on 1 July 2005,but to also seek ways to enhance existing practices and structures.

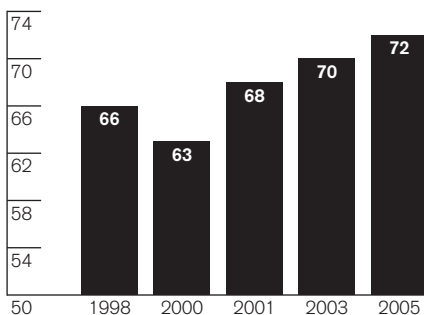
2004/05 OHS incident report

In the past financial year, the TAC had four staff with full claims (Figure 13) and four staff with minor WorkCover claims.

Moving forward

In 2005/06, the TAC will maintain the momentum generated by the key programs and initiatives of the past year, and introduce new initiatives, to ensure injury prevention continues.

Staff morale index
(% favourable response)



Staff morale reached a best-ever score in 2005.
(Surveys were not conducted in 1999, 2002 and 2004).
Figure 12

Occupational health and safety performance

Benefit type	03/04	04/05
Number of new WorkCover claims	1	4
Total days lost due to injury	227	342
Number of new return to work programs	0	0

Figure 13

10 Months

Going home

Leaving the rehabilitation hospital is a significant and exciting milestone in a patient's recovery process.

For clients returning home, as well as their families and those they live with, this can also be a time of huge adjustment. In some instances, the client's home or vehicle may need to be modified to ensure access and safety issues are addressed.

Most clients continue treatment, therapy – such as physiotherapy – and exercise programs, as hospital out-patients. Many require care and support services around the home, such as attendant care, child-care and domestic services.

This is also typically a time when clients begin the process of going back to the workforce with the support of a return-to-work plan designed by them, their employer, an occupational therapist and their TAC Support Coordinator.

Martin Trivett Crash Survivor

I've always been in to keeping fit and was on a morning bike ride when I was hit from behind by a van.

After emergency treatment at the Monash Medical Centre and surgery at the Austin Spinal Unit to insert rods on the sides of my damaged spinal column and screws and clips to support the fractured vertebrae, I was able to begin active rehabilitation three weeks later.

The gradual process of re-learning how to stand, then walk, had its very frustrating moments, but the key to success was a positive attitude.

You've got to be grateful for the capacity you do have. After meeting others at the rehab hospitals, I felt that my injuries were a minuscule inconvenience in comparison.

I spent about seven weeks at the Royal Talbot where my rehabilitation program increased intensity with physiotherapy, gym and hydrotherapy sessions, as well as being eased off pain medication.

I felt huge achievement and pride when I was able to walk 10 metres unaided and was counting down the days until I was going home for good.

I don't know how I would have made it through the past 10 months without my wife and two young daughters who have been great motivators in my recovery. The girls, who were used to a very active dad, have had to adjust to what things I can and can't do now, or not quite yet.

My employer of the last 20 years has been the National Australia Bank and they have been amazing in their support as I've made my gradual return to work. They have been understanding and flexible with letting me leave for my physio and rehabilitation sessions, then have time for recovery.

Financial Management

Sound financial management enables the TAC to provide ongoing support to Victorians injured on our roads.

Investment and financial risk management strategies

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

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

The allocation to growth assets is diversified across Australian and international equities and property. A further reduction in investment volatility is expected to be achieved over time by increasing the allocation to unlisted assets, a process being undertaken by the Victorian Funds Management Corporation on behalf of the TAC.

The TAC's exposure to currency, which exists via an allocation to international equities, is 50% hedged. This approach minimises the impact of either a strong appreciation or depreciation in the Australian dollar.

The TAC's annual result is dominated by the need under Australian Accounting Standards to mark the TAC's assets and liabilities to market levels each year. Both equity prices and bond yields (which impact valuation of the TAC's claims liabilities) can be volatile. Even moderate changes in the valuation of the balance sheet caused by markets can have a substantial impact on annual profit. Accordingly, capital levels are maintained as a buffer against short-term volatility.

The TAC's policy is to seek to maintain funding levels between 115% and 125% of outstanding claims liabilities.

The TAC has taken out reinsurance cover to protect the scheme against the impact of a catastrophic event. The Board has elected to retain the first \$75 million of exposure to any catastrophe and reinsures a further \$150 million to safeguard the scheme. The exposure retained is equivalent to a 2% impact on funding level.

The TAC discounts claims liabilities at a rate of 'risk-free + 1%', recognising that the TAC's investment portfolio is expected to achieve better than risk-free returns over the duration of the TAC's claims liabilities (10 years). A prudential margin of 15% is then added to this estimate to determine the outstanding claims liability valuation.

Notwithstanding its integrated financial risk management strategies, the TAC's annual profit remains volatile, with losses expected on average once every four years, caused predominantly by investment market volatility. While a lower allocation to growth assets would slightly reduce this volatility, premiums would need to be increased to maintain long-term profitability levels. Accordingly, the TAC has developed a reporting framework where contributions to annual profit from internal and external factors (such as volatility in investment markets and claims discount rates and inflation) are identified and reported separately.

In 2004/05, the impact on profit from internal factors was \$363 million (\$298 million in 2003/04).

2004/05 results

The TAC recorded an after-tax operating profit for 2004/05 of \$464 million (\$590 million profit in 2003/04).

Buoyant investment markets again contributed to the TAC's investment return of 13.7% (13% in 2003/04).

The TAC's rolling 10-year real investment return of 6.7% per annum was above the targeted real return of 5% (Figure 14).

The TAC achieved an actuarial release of \$96 million.

Premiums

Consistent with the *Transport Accident Act 1986*, premium levels increased in line with the CPI (2.2%) on 1 July 2004.

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 2005 were \$7.43 billion (\$6.78 billion at 30 June 2004), while total liabilities were at \$6.03 billion (\$5.56 billion at 30 June 2004).

The TAC's funding ratio at 30 June 2005 was 119% (116% at 30 June 2004).

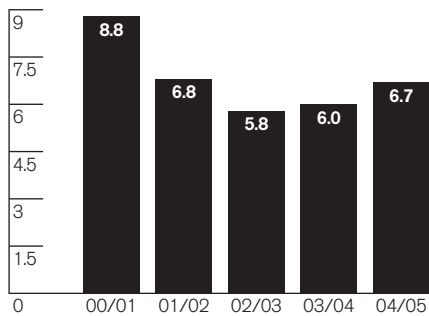
Tax and dividends paid

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.

During 2004/05, the TAC paid a dividend of \$295 million relating to 2003/04.

TAC's rolling real investment return

(%)



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

Figure 14

10 Years

Returning to community life

Adjusting to life after a road crash is not easy and a proportion of the TAC's most severely injured clients will require some level of ongoing support for the rest of their lives.

During recent years, the TAC has placed an increased focus on improving its clients' transitions from hospital to home and helping people return to and actively participate in community life.

As well as assisting clients to find quality care and support services in their local area, the TAC also supports them to participate in recreational and leisure activities that encourage well-being and integration into the community.

The key aim of the TAC's lifetime support approach is to maximise people's independent living skills, mobility and community access and involvement.

Stuart Tripp Crash Survivor

After living in hospital for nearly a year, I went to live with my parents in the Latrobe Valley with the intention of taking up my life where I'd left off before my accident.

Things didn't go as I had planned and I found it was hard to recreate the life that I had before.

I didn't realise it, but I was in denial about being an amputee – 'I don't have a disability'. I was a qualified plumber and had gone back to school to study for a Diploma in Applied Science, Wool and Fibre Marketing that allowed me to travel and work around the world. After the crash, these jobs were no longer suitable for me.

I'd lost contact with mates and others were busy getting on with their own lives.

A few other set backs in my personal life sent me to rock bottom, but these events also sparked me to seek help from a psychologist who explained that I had been experiencing post traumatic stress. I've been working with the same psychologist ever since and have made huge progress in that time.

I shifted into a flat by myself in Elwood four years ago and immersed myself in the local community. Feeling connected and part of the community is hugely important.

The biggest turn around occurred when I received my first hand-cycle in late 2003. It closed a chapter where I thought I would never feel such mobility and freedom again. What it's done for my body is nothing compared with what it's done for my mind.

Last year I competed, and came twenty-sixth, in the hand-cycling section of the New York Marathon and this year, third in the Australian Nationals.

While I have ups and downs, on the whole, life is pretty good and I've got much better at managing my injuries and health.

Each year, about 17,000 Victorians are badly injured on our roads. This is the hidden road toll.

Supporting each injured person, are many thousands of health and community professionals who play a vital role in helping individuals in their recovery, rehabilitation and integration back into community life.

To our clients and those who assist and support them – you inspire us.

Financial Reports

2004/05

Statements of financial performance		Consolidated			TAC
For the year ended 30 June 2005		2005	2004	2005	2004
	Note	\$000	\$000	\$000	\$000
Net premium revenue	3	973,665	917,304	973,665	917,304
Gross investment revenue	5	859,575	732,764	859,575	732,764
Claims recoveries revenue	6	9,617	(5)	9,617	(5)
Total operating income		1,842,857	1,650,063	1,842,857	1,650,063
Gross claims incurred	6	(1,006,788)	(720,673)	(1,009,764)	(728,206)
Administration costs	4	(91,561)	(89,793)	(88,585)	(82,260)
Accident prevention expenditure		(24,715)	(25,000)	(24,715)	(25,000)
Road safety infrastructure expenditure		(47,727)	0	(47,727)	0
Trauma projects expenditure		(4,925)	(10,485)	(4,925)	(10,485)
Premium collection fees		(20,016)	(19,100)	(20,016)	(19,100)
Investment expenses	5	(18,711)	(15,760)	(18,711)	(15,760)
Profit from operating activities	3	628,414	769,252	628,414	769,252
Farrow Group revenue		5,525	1,661	5,525	1,661
Profit from ordinary activities before income tax expense		633,939	770,913	633,939	770,913
Income tax expense	7(a)	(169,579)	(180,909)	(169,579)	(180,909)
Net profit	16	464,360	590,004	464,360	590,004

The attached notes form part of the financial reports.

Statements of financial position		Consolidated			TAC
As at 30 June 2005		2005	2004	2005	2004
	Note	\$000	\$000	\$000	\$000
Current assets					
Cash assets	22	22,343	24,534	22,343	24,534
Receivables	8	49,157	43,246	49,157	42,097
Investments	9	1,025,335	786,568	1,025,335	786,568
Other assets	10	12,272	31,802	12,272	32,343
Total current assets		1,109,107	886,150	1,109,107	885,542
Non-current assets					
Receivables	8	176,270	163,421	176,270	163,421
Investments	9	5,947,376	5,550,126	5,947,376	5,550,126
Equipment, furniture and IT systems	11	6,531	8,957	6,531	8,957
Deferred tax assets	7(d)	185,869	171,781	185,869	171,483
Total non-current assets		6,316,046	5,894,285	6,316,046	5,893,987
Total assets		7,425,153	6,780,435	7,425,153	6,779,529
Current liabilities					
Payables	12	62,742	48,376	62,742	48,376
Unearned premiums	1(c)	491,086	468,235	491,086	468,235
Tax liabilities	7(b)	57,031	93,935	57,031	94,004
Outstanding claims	13	703,846	665,618	703,846	665,618
Provisions	14	4,216	4,591	4,216	4,054
Lease liabilities	1(m)	278	111	278	111
Total current liabilities		1,319,199	1,280,866	1,319,199	1,280,398
Non-current liabilities					
Outstanding claims	13	4,536,436	4,160,832	4,536,436	4,160,832
Provisions	14	6,423	5,634	6,423	5,196
Deferred tax liabilities	7(c)	171,573	111,036	171,573	111,036
Lease liabilities	1(m)	608	513	608	513
Total non-current liabilities		4,715,040	4,278,015	4,715,040	4,277,577
Total liabilities		6,034,239	5,558,881	6,034,239	5,557,975
Net assets		1,390,914	1,221,554	1,390,914	1,221,554
Equity					
Reserves	15	6,300	4,404	6,300	4,404
Retained surplus	16	1,384,614	1,217,150	1,384,614	1,217,150
Total equity		1,390,914	1,221,554	1,390,914	1,221,554

The attached notes form part of the financial reports.

Statements of cash flows		Consolidated			TAC
		2005	2004	2005	2004
For the year ended 30 June 2005	Note	\$000	\$000	\$000	\$000
Cash flows from operating activities					
Transport accident charges received		1,099,812	1,046,282	1,099,812	1,046,282
Dividends received		146,899	120,979	146,899	120,979
Interest received		120,245	120,399	120,245	120,399
Claims paid		(648,801)	(616,703)	(651,783)	(624,236)
Claims recoveries received		8,832	6,808	8,832	6,808
Payments to suppliers and employees		(139,458)	(132,290)	(136,948)	(123,990)
Payments for accident prevention and trauma projects		(67,139)	(35,485)	(67,139)	(35,485)
Goods and services tax paid		(48,110)	(58,179)	(48,110)	(58,179)
Tax paid		(160,026)	(90,834)	(160,095)	(90,741)
Net cash inflow from operating activities	22 (b)	312,254	360,977	311,713	361,837
Cash flows from investing activities					
Payments from/(to) controlled entity		0	0	541	(860)
Payments for investments		(9,794,377)	(5,954,101)	(9,794,377)	(5,954,101)
Proceeds from sale of investments		9,644,629	5,793,143	9,644,629	5,793,143
Payments for equipment, furniture and IT systems		(411)	(1,949)	(411)	(1,949)
Net cash outflow from investing activities		(150,159)	(162,907)	(149,618)	(163,767)
Cash flows from financing activities					
Dividends paid		(295,000)	0	(295,000)	0
Farrow Group liquidation distribution received		24,860	452	24,860	452
Net cash outflow from financing activities		(270,140)	452	(270,140)	452
Net increase/(decrease) in cash held		(108,045)	198,522	(108,045)	198,522
Cash at the beginning of the financial year		379,088	180,836	379,088	180,836
Effects of exchange rate changes on cash held in foreign currencies at the beginning of the financial year		208	(270)	208	(270)
Cash at end of the financial year	22 (a)	271,251	379,088	271,251	379,088

The attached notes form part of the financial reports.

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

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, TAC Law Pty Ltd (refer 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 TAC uses for discounting outstanding claims liabilities is based on the market risk-adjusted rates of return applicable to 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 of the 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.

(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 cashflow 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 plans are recognised as an expense as the contributions are paid or become payable.

(l) Depreciation of non-current assets

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

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

- IT systems 33%
- Furniture and equipment 10% – 15%
- Motor vehicles under lease 33%

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

(m) 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.

(n) Dividends

In accordance with section 29B of the *Transport Accident Act 1986*, the TAC is required to pay to the Victorian State Government, a dividend as determined by the Treasurer. An obligation to pay a dividend only arises after a formal determination is made by the Treasurer following consultation between the TAC, the Minister for WorkCover and the Treasurer.

(o) Income tax

In accordance with section 88 (3D) of the *State Owned Enterprises Act 1992* the TAC is required to pay income tax equivalent under the National Tax Equivalent Regime (NTER).

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

(p) Goods and services tax

Revenues, expenses and fixed assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Authority (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of expense. Receivables and payables are stated inclusive of GST.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) Rounding off

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

(r) The impacts of adopting Australian equivalents to International Financial Reporting Standards (A-IFRS)

AASB 1047 'Disclosing the impacts of adopting Australian equivalents to International Financial Reporting Standards' requires disclosures of any known or reliably estimable information about the impacts on the financial report had it been prepared using A-IFRS or if the impacts are not known or reliably estimable, a statement to that effect. Refer to note 25 for further details.

	Note	Consolidated		TAC	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
2. Revenue from operating activities					
Premium revenue	3	975,822	919,410	975,822	919,410
Claims recoveries revenue	6	9,617	(5)	9,617	(5)
Dividends	5	157,344	122,082	157,344	122,082
Interest income	5	121,322	118,882	121,322	118,882
		1,264,105	1,160,369	1,264,105	1,160,369

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

	Note	Consolidated		TAC	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
3. Profit from operating activities					
Premium revenue		975,822	919,410	975,822	919,410
Reinsurance expenses		(2,157)	(2,106)	(2,157)	(2,106)
Net premium revenue		973,665	917,304	973,665	917,304
Claims recoveries revenue	6	9,617	(5)	9,617	(5)
Gross claims incurred	6	(1,006,788)	(720,673)	(1,009,764)	(728,206)
Administration and program costs		(121,201)	(125,278)	(118,225)	(117,745)
Road safety infrastructure expenditure ¹		(47,727)	0	(47,727)	0
Premium collection fees		(20,016)	(19,100)	(20,016)	(19,100)
Underwriting profit/(loss)		(212,450)	52,248	(212,450)	52,248
Investment revenue	5	840,864	717,004	840,864	717,004
Profit from operating activities		628,414	769,252	628,414	769,252

(a) Profit from operating activities includes the following expenses

▪ Bad and doubtful debts		315	203	315	203
▪ Depreciation on equipment and furniture		2,837	2,950	2,837	2,950
▪ Employee entitlement provisions		1,788	1,726	1,648	1,728
▪ Net operating lease rentals		5,023	5,228	5,023	5,228
▪ Auditor General's fees ²		178	154	171	147
▪ Interest on finance lease		40	7	40	7

¹ This expenditure is part of the \$130 million funding commitment by the TAC for major road safety infrastructure program in Victoria over 2004/05 and 2005/06.

² 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 \$464 million (2004 – \$590 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 profit after tax for the 2004/05 financial year, with major contribution from external factors. The financial result was favourably affected by the strong investment returns for the year, which were \$373 million above the long-term average expected returns. The previous financial year's result was \$300 million above the long-term average expected returns. However, the claims economic impact from falling bond yields (discount rates) over the year resulted in an unfavourable impact of \$108 million on claims liabilities. This is in contrast with the previous year when increasing bond yields resulted in a favourable impact of \$171 million.

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

	2005 (\$M)	2004 (\$M)
Short-term investment fluctuations ¹	373	300
Changes in inflation assumptions and discount rates ²	(108)	171

¹ The TAC investment portfolio recorded a return of 13.7%, compared to 13.0% in the previous year, from continuing strong equity markets.

² Domestic bond yields fell significantly during the year resulting in a lower claims discount rate and a corresponding increase in outstanding claims liability.

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

4. Administration costs	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Staff and related	55,561	50,518	52,719	43,440
Information technology	17,242	19,942	17,242	19,942
Other operating costs	18,758	19,333	18,624	18,878
Total	91,561	89,793	88,585	82,260

TAC Law, a controlled entity of the TAC, ceased operation during the year and the relevant parts of its operation have been integrated into the TAC's claims management activity. The increase in the administration costs for the TAC in 2004/05 as compared to the consolidated amount is predominantly due to the reclassification of costs.

5. Investment revenue	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Dividends	157,344	122,082	157,344	122,082
Interest	121,322	118,882	121,322	118,882
Changes in net market values of investments				
▪ Unrealised gains	352,684	405,064	352,684	405,064
▪ Realised gains	228,225	86,736	228,225	86,736
	859,575	732,764	859,575	732,764
Investment expenses	(18,711)	(15,760)	(18,711)	(15,760)
Total	840,864	717,004	840,864	717,004

The TAC investment portfolio recorded a positive return of 13.7% for 2004/05, an increase over the return of 13.0% in the previous year due principally to continuing strong equity markets. Investment expenses increased in 2004/05 mainly due to the average larger investment portfolio size.

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 2005			Consolidated 2004		
	Current year \$000	Prior years \$000	Total \$000	Current year \$000	Prior years \$000	Total \$000
Gross claims incurred						
▪ Undiscounted	1,493,585	(577,952)	915,633	1,626,673	1,182,815	2,809,488
▪ Discount	(660,920)	752,075	91,155	(841,489)	(1,247,326)	(2,088,815)
	832,665	174,123	1,006,788	785,184	(64,511)	720,673
Claims recoveries						
▪ Undiscounted	(13,080)	21,537	8,457	(13,909)	(21,016)	(34,925)
▪ Discount	4,860	(22,934)	(18,074)	6,232	28,698	34,930
	(8,220)	(1,397)	(9,617)	(7,677)	7,682	5
Net claims incurred	824,445	172,726	997,171	777,507	(56,829)	720,678

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

6. Claims incurred (continued)

	TAC 2005			TAC 2004		
	Current year \$000	Prior years \$000	Total \$000	Current year \$000	Prior years \$000	Total \$000
Gross claims incurred						
▪ Undiscounted	1,496,561	(577,952)	918,609	1,634,206	1,182,815	2,817,021
▪ Discount	(660,920)	752,075	91,155	(841,489)	(1,247,326)	(2,088,815)
	835,641	174,123	1,009,764	792,717	(64,511)	728,206
Claims recoveries						
▪ Undiscounted	(13,080)	21,537	8,457	(13,909)	(21,016)	(34,925)
▪ Discount	4,860	(22,934)	(18,074)	6,232	28,698	34,930
	(8,220)	(1,397)	(9,617)	(7,677)	7,682	5
Net claims incurred	827,421	172,726	1,000,147	785,040	(56,829)	728,211

The net claims incurred of \$997 million (2004 – \$721 million) is impacted by both internal and external factors as noted below.

	2005 \$M	2004 \$M
Claims incurred – internal ¹	889	892
Claims incurred – external ²	108	(171)
Total claims incurred	997	721

¹ "Claims incurred – internal" for 2004/05 is \$889 million, which is marginally lower 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 lower than expected claims incurred results in 2004/05 is due to better claims experience across current and prior accident periods as determined by the external actuaries.

² "Claims incurred – external" reflects the financial impact on changes in inflation assumptions and discount rates. In 2004/05, domestic bond yields fell significantly resulting in lower claims discount rate and a corresponding increase in claims incurred result of \$108 million. However, in 2003/04, higher 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 2005			Consolidated 2004		
	Claims payments ¹	Liability movements ²	Total	Claims payments ¹	Liability movements ²	Total
	\$000	\$000	\$000	\$000	\$000	\$000
TAC scheme – no-fault	391,955	292,686	684,641	369,802	170,777	540,579
TAC scheme – common law	210,999	86,092	297,091	212,499	(27,948)	184,551
Run-off schemes	8,731	16,325	25,056	7,742	(12,199)	(4,457)
	611,685	395,103	1,006,788	590,043	130,630	720,673
Recoveries	(8,494)	(1,123)	(9,617)	(6,956)	6,961	5
Total	603,191	393,980	997,171	583,087	137,591	720,678

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

² GST credits recoverable are deducted in calculating the liability movements and accordingly the amounts are different from the increase in outstanding claims liability in note 13.

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

6. Claims incurred (continued)

	TAC 2005			TAC 2004		
	Claims payments ¹	Liability movements ²	Total	Claims payments ¹	Liability movements ²	Total
	\$000	\$000	\$000	\$000	\$000	\$000
TAC scheme – no-fault	393,384	292,686	686,070	373,418	170,777	544,195
TAC scheme – common law	212,546	86,092	298,638	216,416	(27,948)	188,468
Run-off scheme	8,731	16,325	25,056	7,742	(12,199)	(4,457)
	614,661	395,103	1,009,764	597,576	130,630	728,206
Recoveries	(8,494)	(1,123)	(9,617)	(6,956)	6,961	5
Total	606,167	393,980	1,000,147	590,620	137,591	728,211

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

² GST credits recoverable are deducted in calculating the liability movements and accordingly the amounts are different from the increase in outstanding claims liability 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	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Prima facie income tax expense calculated at 30% (2004 – 30%)	190,182	231,274	190,182	231,274
Tax effect of permanent differences:				
▪ Tax benefit on tax losses from foreign investments ¹	0	(34,640)	0	(34,640)
▪ Imputation gross-up on dividends received	7,333	6,604	7,333	6,604
▪ Franking credits on dividends received	(25,493)	(22,015)	(25,493)	(22,015)
▪ Farrow Group revenue	(1,656)	(475)	(1,656)	(475)
▪ Sundry items	(787)	161	(787)	161
Income tax expense	169,579	180,909	169,579	180,909
Aggregate income tax expense comprises:				
▪ Current taxation provision	124,274	147,812	124,274	147,821
▪ Deferred income tax provision	60,538	44,774	60,538	44,774
▪ Future income tax benefit	(14,081)	(11,855)	(14,081)	(11,864)
▪ Under/(over) provision in prior year	(1,152)	178	(1,152)	178
	169,579	180,909	169,579	180,909

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

At 1 July 2003, the TAC's foreign investments recorded an unrealised loss of \$115.47 million for taxation purposes. Accordingly, a future income tax benefit of \$34.64 million was brought to account on the basis that future foreign source income would be available to realise the benefit from the tax loss.

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

7. Income tax (continued)

(b) Current tax liabilities	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Balance at beginning of year	93,935	36,779	94,004	36,746
Movements during the year:				
▪ Income tax paid	(160,026)	(90,834)	(160,095)	(90,741)
▪ Current year income tax expense	124,274	147,812	124,274	147,821
▪ Under/(over) provision in prior year	(1,152)	178	(1,152)	178
	57,031	93,935	57,031	94,004

(c) Deferred tax liabilities	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Provision for deferred income tax comprises the estimated expense on the following items:				
▪ Unrealised gain on investments	171,202	110,926	171,202	110,926
▪ Expenditure currently deductible for tax but deferred for accounting purposes	0	27	0	27
▪ Difference in depreciation of plant and equipment for accounting and income tax purposes	371	83	371	83
	171,573	111,036	171,573	111,036

(d) Deferred tax assets	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Provision for future income tax benefit comprises the estimated future benefit on the following items:				
▪ Claims handling expense included in outstanding claims	175,161	161,548	175,161	161,548
▪ Provisions and accrued employee entitlements not currently deductible	9,420	9,379	9,420	9,081
▪ Accruals not currently deductible	1,288	854	1,288	854
	185,869	171,781	185,869	171,483

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

8. Receivables	Consolidated		TAC	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Current				
Premiums receivable	8,492	8,098	8,492	8,098
Input tax credits ¹	28,638	25,236	28,638	25,236
Claims recoveries and other debtors	16,833	14,932	16,833	13,783
Less: Provision for doubtful debts	(4,806)	(5,020)	(4,806)	(5,020)
	12,027	9,912	12,027	8,763
Total current	49,157	43,246	49,157	42,097
Non-current				
Input tax credits ¹	136,409	121,081	136,409	121,081
Claims recoveries receivable	40,311	42,891	40,311	42,891
Less: Provision for doubtful debts	(450)	(551)	(450)	(551)
	39,861	42,340	39,861	42,340
Total non-current	176,270	163,421	176,270	163,421

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

9. Investments	Consolidated		TAC	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Net market value				
Current				
Bank, foreign currency and other deposits	828,045	695,618	828,045	695,618
Debt securities	139,424	44,605	139,424	44,605
Investment income receivables	57,866	46,345	57,866	46,345
Total current	1,025,335	786,568	1,025,335	786,568
Non-current				
Debt securities	1,469,727	1,566,716	1,469,727	1,566,716
Equities – listed domestic	1,628,832	1,463,558	1,628,832	1,463,558
Equities – listed international ¹	2,096,668	1,878,348	2,096,668	1,878,348
Listed property trusts	508,259	605,978	508,259	605,978
Unlisted property trusts	243,890	35,526	243,890	35,526
Total non-current	5,947,376	5,550,126	5,947,376	5,550,126
Total	6,972,711	6,336,694	6,972,711	6,336,694

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

On 28 July 2005, the Treasurer of Victoria announced an intention for Victorian Funds Management Corporation (VFMC) to assume responsibility for the TAC's strategic investment asset allocation decisions in respect of the TAC's Fund. VFMC is currently responsible for implementing the TAC's investment strategy decisions. The change is intended to allow the TAC to focus on its core business, while investment strategy decisions are made by one specialist entity. The Government hopes that this reform, which also applies to the funds managed by other Government agencies, will be implemented by June 2006.

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

9. Investments (continued)

Monetary items denominated in foreign currencies

The Australian Dollar equivalents for the foreign currency investments held at balance date are as follows.

	Consolidated		TAC	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
United States Dollar	1,127,078	1,067,844	1,127,078	1,067,844
Euro Dollar	334,626	296,747	334,626	296,747
Japanese Yen	182,790	177,020	182,790	177,020
United Kingdom Pound Sterling	186,301	197,892	186,301	197,892
Canadian Dollar	65,247	47,338	65,247	47,338
Swiss Franc	52,814	61,362	52,814	61,362
Other foreign currencies	212,570	72,529	212,570	72,529
	2,161,426	1,920,732	2,161,426	1,920,732

10. Other assets	Consolidated		TAC	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Current				
Farrow distribution	813	20,148	813	20,148
Deferred acquisition costs	10,216	9,748	10,216	9,748
Prepayments and others	896	1,019	896	1,019
GST receivable	347	887	347	887
Amount due from controlled entity	0	0	0	541
Total current	12,272	31,802	12,272	32,343

11. Equipment, furniture and IT systems	Consolidated		TAC	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Equipment, furniture and IT systems				
At cost	22,524	22,476	22,524	22,476
Accumulated depreciation	(16,876)	(14,144)	(16,876)	(14,144)
	5,648	8,332	5,648	8,332
Motor vehicles under lease				
At cost	1,000	644	1,000	644
Accumulated depreciation	(117)	(19)	(117)	(19)
	883	625	883	625
Written down value	6,531	8,957	6,531	8,957
Reconciliation:				
Opening written down value as at 1 July	8,957	9,333	8,957	9,333
Additions	433	2,574	433	2,574
Disposals	(22)	0	(22)	0
Current year depreciation	(2,837)	(2,950)	(2,837)	(2,950)
Closing written down value as at 30 June	6,531	8,957	6,531	8,957

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

12. Payables	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Current				
Advance premiums ¹	21,823	18,679	21,823	18,679
Other creditors and accruals	40,919	29,697	40,919	29,697
Total current	62,742	48,376	62,742	48,376

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

13. Outstanding claims

Outstanding claims liability as at 30 June 2005 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
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Undiscounted future claims payments	14,293,779	13,963,454	14,293,779	13,963,454
Discount to present value	(9,053,497)	(9,137,004)	(9,053,497)	(9,137,004)
Total outstanding claims liability	5,240,282	4,826,450	5,240,282	4,826,450
Current liability	703,846	665,618	703,846	665,618
Non-current liability	4,536,436	4,160,832	4,536,436	4,160,832
Total outstanding claims liability	5,240,282	4,826,450	5,240,282	4,826,450

	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
TAC scheme – no-fault	3,597,800	3,295,205	3,597,800	3,295,205
TAC scheme – common law	1,393,882	1,298,850	1,393,882	1,298,850
Run-off scheme	248,600	232,395	248,600	232,395
	5,240,282	4,826,450	5,240,282	4,826,450

The weighted average discounted expected term to settlement from the reporting date of the outstanding claims is estimated to be 10.4 years (2004 – 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 \$655 million (2004 – \$604 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.

Claims expected to be paid:	Discount rate		Wage inflation rate	
	2005	2004	2005	2004
	%	%	%	%
Year 1	6.3	6.4	3.2	3.2
Year 2 to 5	6.1	6.9	4.0	4.0
Year 6 +	6.2	7.3	2.3	3.3

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

14. Provisions	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Current				
Employee benefits	4,003	4,377	4,003	3,840
Farrow liabilities	213	214	213	214
Total current	4,216	4,591	4,216	4,054
Non-current				
Employee benefits	6,423	5,634	6,423	5,196
Total non-current	6,423	5,634	6,423	5,196

15. Reserves	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Motorcycle Road Safety Reserve¹				
Balance as at 1 July	4,404	2,251	4,404	2,251
Transfer from retained surplus	4,055	3,832	4,055	3,832
Transfer to retained surplus	(2,159)	(1,679)	(2,159)	(1,679)
Balance as at 30 June	6,300	4,404	6,300	4,404

¹ TAC premium for certain motorcycle classes include an additional levy to fund special projects to improve motorcycle road safety in Victoria. These monies are set aside in the Motorcycle Road Safety Reserve specifically set up for this program.

16. Retained surplus	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Balance as at 1 July	1,217,150	629,299	1,217,150	629,299
Net operating profit for the current year	464,360	590,004	464,360	590,004
Dividend paid	(295,000)	0	(295,000)	0
Transfer to Motorcycle Road Safety Reserve	(4,055)	(3,832)	(4,055)	(3,832)
Transfer from Motorcycle Road Safety Reserve	2,159	1,679	2,159	1,679
Balance as at 30 June	1,384,614	1,217,150	1,384,614	1,217,150

In accordance with section 29B of the *Transport Accident Act 1986*, the TAC is required to pay to the Victorian State Government, a dividend as determined by the Treasurer. At the date of signing the financial report, the amount of dividend with respect to the 2004/05 financial year has not been determined. A formal determination by the Treasurer is expected to be made during October 2005. The dividend of \$295 million paid during the year was for the 2003/04 financial year.

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

17. Commitments for expenditure	Consolidated			TAC
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
(a) Administrative expenditure¹				
Estimated administrative expenditure contracted for at balance date, but not provided for:				
▪ No later than one year	108,487	80,827	108,487	80,827
▪ Later than one year but not later than five years	140,048	76,230	140,048	76,230
	248,535	157,057	248,535	157,057
(b) Operating leases				
Minimum lease payments:				
▪ No later than one year	5,282	5,506	5,282	5,506
▪ Later than one year but not later than five years	18,645	19,311	18,645	19,311
▪ Later than five years	1,084	5,580	1,084	5,580
	25,011	30,397	25,011	30,397
(c) Finance leases				
▪ No later than one year	325	177	325	177
▪ Later than one year but not later than five years	639	513	639	513
Total minimum lease payments	964	690	964	690
▪ Future finance charges	(78)	(66)	(78)	(66)
Lease liability	886	624	886	624
▪ Current liability	278	111	278	111
▪ Non-current liability	608	513	608	513
	886	624	886	624

The weighted average interest rate implicit in the leases is 6.3% (2004 – 6.3%).

¹ Includes remaining commitments by the TAC to fund major road safety infrastructure programs at a total cost of \$191 million over 2005/06 and 2006/07 (original commitments were \$240 million). The programs are aimed at reducing the incidence of serious casualty crashes and road trauma and are expected to result in lower TAC claims costs.

In addition, it also includes a total commitment of \$60 million over five years to fund trauma research projects under the Victorian Neurotrauma Initiative program.

18. Controlled entity

TAC Law Pty Ltd (TAC Law) ceased operations as an incorporated legal practice on 7 November 2004 and is in the process of being deregistered.

The TAC did not own shares in TAC Law but was the principal client of TAC Law under a retainer agreement. The TAC was therefore 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.

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

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.

	2005	TAC
	\$000	2004
		\$000
Total remuneration received or receivable by executive officers of the TAC whose remuneration exceeded \$100,000	2,014	1,800

	Total remuneration		Base remuneration	
	2005	2004	2005	2004
Income band	No.	No.	No.	No.
\$120,000 – \$129,999	0	1	0	1
\$150,000 – \$159,999	0	0	1	2
\$160,000 – \$169,999	0	0	1	1
\$170,000 – \$179,999	0	0	2	1
\$180,000 – \$189,999	1	3	2	2
\$190,000 – \$199,999	1	0	0	0
\$200,000 – \$209,999	2	1	1	0
\$210,000 – \$219,999	2	2	0	0
\$220,000 – \$229,999	1	0	0	2
\$230,000 – \$239,999	0	1	1	0
\$250,000 – \$259,999	0	0	1	0
\$260,000 – \$269,999	0	1	0	0
\$270,000 – \$279,999	1	0	0	0
\$290,000 – \$299,999	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	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
State Superannuation Fund – revised and new schemes ¹	1,235	902	1,235	902
Victorian Superannuation Fund – VicSuper scheme	2,393	2,024	2,251	1,736
Private sector complying funds	1,300	1,083	1,065	641
Total	4,928	4,009	4,551	3,279

¹ These are defined benefit schemes.

The TAC does not recognise any defined benefit liability in respect of the revised and new scheme under the State Superannuation Fund, as the TAC has no legal or constructive obligation to pay future benefits relating to its employees. TAC's only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance administers and discloses the state's defined benefit liabilities in its financial report.

The basis of superannuation contributions is based on the relevant rules of each plan. There are no contributions made to defined benefit schemes outstanding at balance date (2004 – nil).

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

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

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 in the TAC during the financial year are as follows.

The Minister,

The Honourable Rob Hulls MP, Minister for WorkCover (to 23 January 2005)

The Honourable John Lenders MP, Minister for WorkCover (from 24 January 2005)

The Directors,

Mr Paul Barker

Ms Julie Caldecott (appointed 26 October 2004)

Mr Stephen Grant (Chief Executive Officer)

Mr James MacKenzie (Chairman)

Ms Melanie McMillan (resigned 1 July 2004)

Ms Elana Rubin

Ms Maria Wilton (appointed 7 December 2004)

Mr Michael Wright

Remuneration of responsible persons	Consolidated		TAC	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Remuneration received or receivable by responsible persons of the TAC and a controlled entity	642	651	642	625
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	2
\$30,000 – \$39,999			3	3
\$80,000 – \$89,999			0	1
\$90,000 – \$99,999			1	0
\$360,000 – \$369,999			0	1
\$380,000 – \$389,999			1	0

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

Related party transactions

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

	TAC and consolidated	
	2005 \$000	2004 \$000
Legal services	0	32

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*.

Mr James MacKenzie is a consultant to Deloitte; entities of the Deloitte Group have provided services to the TAC during the year on normal commercial terms and conditions.

Mr Stephen Grant is a director of Monash University Accident Research Centre which has provided road safety research services to the TAC.

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 annual WorkCover premium to the VWA through one of its authorised agents.

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.

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

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	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Cash at bank	22,343	24,534	22,343	24,534
Money market deposits	248,908	354,554	248,908	354,554
Total	271,251	379,088	271,251	379,088

(b) Reconciliation of net cash flows from operating activities to net profit

	Consolidated		TAC	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Net profit after tax	464,360	590,004	464,360	590,004
Depreciation and amortisation	2,837	2,950	2,837	2,950
Unrealised gain on investments	(352,684)	(405,064)	(352,684)	(405,064)
Realised gain on sale of investments	(228,225)	(86,736)	(228,225)	(86,736)
Farrow Group revenue	(5,525)	(1,661)	(5,525)	(1,661)
Changes in assets and liabilities				
Increase in outstanding claims	413,832	148,388	413,832	148,388
Increase in unearned premium reserve	22,851	32,841	22,851	32,841
Decrease in receivables and other assets	(31,236)	(7,803)	(31,777)	(7,355)
Increase/(decrease) in creditors and provisions	16,560	(2,016)	16,560	(1,697)
Decrease in net deferred tax balances	46,457	32,917	46,457	32,909
Increase/(decrease) in income tax payable	(36,973)	57,157	(36,973)	57,258
Net cash flows from operating activities	312,254	360,977	311,713	361,837

23. Financial instruments

Purpose of holding derivative products

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

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

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

Interest rate risk

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

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

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

23. Financial instruments (continued)

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

2005	Fixed interest maturing in					Total value \$000
	Floating interest rate	1 year or less	1 to 5 years	Over 5 years	Non-interest bearing	
	\$000	\$000	\$000	\$000	\$000	
Financial assets						
Cash and deposits	22,343	0	0	0	0	22,343
Other assets	0	0	0	0	813	813
Investments	204,120	895,963	784,134	991,664	4,096,831	6,972,711
Total financial assets	226,463	895,963	784,134	991,664	4,097,644	6,995,867
Weighted average effective interest rate	4.75%	5.67%	5.71%	4.95%	–	
Financial liabilities						
Accruals and creditors	0	0	0	0	40,919	40,919
Other liabilities	0	278	608	0	213	1,099
Total financial liabilities	0	278	608	0	41,132	42,018
Weighted average effective interest rate	–	6.36%	6.36%	–	–	–
Net financial assets	226,463	895,685	783,526	991,664	4,056,512	6,953,849
2004						
2004	Fixed interest maturing in					Total value \$000
	Floating interest rate	1 year or less	1 to 5 years	Over 5 years	Non-interest bearing	
	\$000	\$000	\$000	\$000	\$000	
Financial assets						
Cash and deposits	24,534	0	0	0	0	24,534
Other assets	0	0	0	0	20,148	20,148
Investments	0	847,567	919,350	748,668	3,821,109	6,336,694
Total financial assets	24,534	847,567	919,350	748,668	3,841,257	6,381,376
Weighted average effective interest rate	4.50%	5.02%	5.89%	5.19%	–	
Financial liabilities						
Accruals and creditors	0	0	0	0	29,697	29,697
Other liabilities	0	111	513	0	214	838
Total financial liabilities	0	111	513	0	29,911	30,535
Weighted average effective interest rate	–	6.36%	6.36%	–	–	–
Net financial assets	24,534	847,456	918,837	748,668	3,811,346	6,350,841

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.

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

23. Financial instruments (continued)

(ii) Reconciliation of net financial assets to net assets

	Consolidated	
	2005	2004
	\$000	\$000
Net financial assets as above	6,953,849	6,350,841
Non-financial assets and liabilities:		
▪ Provisions	(239,030)	(214,982)
▪ Net insurance liabilities	(5,731,368)	(5,294,685)
▪ Net non-financial assets	407,463	380,380
Net assets per statement of financial position	1,390,914	1,221,554

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 strategy.

The forward exchange contracts are usually for less than 12 months and contracts outstanding at balance date in Australian Dollar equivalents are as follows.

	2005		2004	
	Average weighted exchange rate	Market value \$000	Average weighted exchange rate	Market value \$000
Outstanding contracts (3 months or less)				
United States Dollar	0.764	524,941	0.717	521,604
Euro Dollar	0.604	144,638	0.591	134,349
Japanese Yen	81.186	89,402	77.498	92,955
United Kingdom Pound Sterling	0.413	101,849	0.398	100,803
Swiss Franc	0.933	23,197	0.905	26,829
Canadian Dollar	0.949	29,041	0.977	24,281
Swedish Krona	5.553	8,533	5.413	9,369
Hong Kong Dollar	5.941	6,794	5.620	6,380
Danish Kroner	4.567	3,238	4.352	1,707
Singapore Dollar	1.262	3,521	1.209	3,211

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.

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.
- (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.)

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

23. Financial Instruments (continued)

Net fair values

(i) Methods of valuing financial instruments

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

- (a) Financial instruments traded in an organised financial market (traded securities) – current quoted market bid price for an asset or offer price for a liability adjusted for any transaction costs necessary to realise the asset or settle the liability. Quoted market prices are available for listed shares, options debentures and other equity and debt securities.
- (b) Financial instruments not readily traded in an organised financial market – the present value of contractual future cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, accounts receivable, accounts payable and dividends payable approximate net fair value.

(ii) Carrying value of financial instruments

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

24. Segment information

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

25. Impacts of adopting Australian equivalents to International Financial Reporting Standards

Following the adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS), the TAC will report for the first time in compliance with A-IFRS when results for the financial year ended 30 June 2006 are reported.

An A-IFRS compliant financial report will comprise a new statement of changes in equity in addition to the three existing financial statements, which will all be renamed. The Statement of Financial Performance will be renamed as the Income Statement, the Statement of Financial Position will revert to its previous title as the Balance Sheet and the Statement of Cash Flows will be simplified as the Cash Flow Statement. However, for the purpose of disclosing the impact of adopting A-IFRS in the 2004/05 financial report, which is prepared under existing accounting standards, existing titles and terminologies will be retained.

An entity that has adopted A-IFRS must record transactions that are reported in the financial report as though A-IFRS had always applied, including restating the comparative amounts to reflect the application of A-IFRS to that comparative period. Most accounting policy adjustments required on transition to A-IFRS will be made retrospectively against opening retained earnings as at 1 July 2004 for the comparative period.

However, exemption is available under AASB 1 First-time adoption of Australian Equivalent to International Financial Reporting Standard to defer the date of transition until 1 July 2005 for the application and adjustments of the following A-IFRS standards:

- AASB 132 Financial Instruments: Disclosure and Presentation
- AASB 139 Financial Instruments: Recognition and Measurement
- AASB 4 Insurance Contracts
- AASB 1023 General Insurance Contracts.

In accordance with the Financial Reporting Directions (FRD) issued by the Minister for Finance, FRD 101 First-time adoption of A-IFRS, the TAC has adopted the exemption under AASB 1 to defer the date of transition of the above new standards until 1 July 2005. Accordingly, the comparative information for transactions affected by these standards will be accounted for in accordance with existing accounting standards.

The TAC has taken the following steps in managing the transition to A-IFRS and has achieved the following scheduled milestones:

- established a project team to oversee the transition to and implementation of A-IFRS
- completed a review of the new accounting standards and identified the key issues and the likely impacts resulting from the adoption of A-IFRS and FRDs
- briefed senior management, the Board and stakeholders to raise awareness of the financial impact and changes in reporting requirements
- completed reconfiguration and testing of user systems and processes to meet new requirements.

This financial report has been prepared in accordance with current Australian accounting standards and other financial reporting requirements (Australian GAAP). A number of differences between Australian GAAP and A-IFRS have been identified and the following tables outline the estimated impacts on the financial report for the year ended 30 June 2005 had it been prepared using A-IFRS.

The estimates disclosed in the reconciliations are the TAC's best estimates of the impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to A-IFRS may differ from the estimates disclosed due to change in facts and circumstances and potential amendments to A-IFRS and UIG Interpretations. Therefore, until TAC prepares its full A-IFRS financial report for year ended 30 June 2006, it is possible that the disclosures set out on the next page may have to be adjusted.

Notes to, and forming part of, the financial reports for the year ended 30 June 2005

25. Impacts of adopting Australian equivalents to International Financial Reporting Standards (continued)

Table 1: Reconciliation of net profit as presented under Australian GAAP and that under A-IFRS

	Note	Year ended 30 June 2005 \$000
Net profit as reported under Australian GAAP		464,360
Estimated A-IFRS impact on expenses		
▪ Employee benefits	(a)	38
▪ Income tax expense	(b)	294
Total estimated A-IFRS impact on net profit		332
Net profit under A-IFRS		464,692

Table 2: Reconciliation of total assets and total liabilities as presented under Australian GAAP and that under A-IFRS

	Note	30 June 2005 \$000
Total assets under Australian GAAP		7,425,153
Estimated A-IFRS impact on assets		
▪ Deferred tax assets	(b)	(11)
Total estimated A-IFRS impact on assets		(11)
Total assets under A-IFRS		7,425,142
Total liabilities under Australian GAAP		6,034,239
Estimated A-IFRS impact on liabilities		
▪ Provisions	(a)	(38)
▪ Deferred tax liabilities	(b)	(305)
Total estimated A-IFRS impact on liabilities		(343)
Total liabilities under A-IFRS		6,033,896

Table 3: Reconciliation of equity as presented under Australian GAAP and that under A-IFRS

	30 June 2005 \$000
Total equity under Australian GAAP	1,390,914
Estimated A-IFRS impact on equity	
▪ Retained surplus	332
Total estimated A-IFRS impact on equity	332
Total equity under A-IFRS	1,391,246

Explanatory notes

The following explanatory notes relate to the reconciliations above and describe the key differences between the accounting policies under AGAAP and A-IFRS.

(a) Employee benefits. Under AASB 119 Employee Benefits, liabilities for short-term employee benefits such as wages and salaries and annual leave, payable within 12 months of reporting date, are to be measured at nominal amounts whilst liabilities for long-term employee benefits, such as accrued annual leave and long service leave, expected to be settled beyond 12 months are to be measured at present value.

This will result in a change to the current accounting policy, under which all accrued annual leave is measured at nominal amount. The impact of the change to measure long-term accrued annual leave at present value, will be an estimated decrease in employee benefits liability by \$0.04 million at 30 June 2005.

(b) Income tax. Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of the assets and liabilities in the statement of financial position and their associated tax bases. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method and items are only tax-effected if they are included in the determination of pre-tax profit.

The impact of the change will be a net decrease in deferred tax balances by \$0.29 million at 30 June 2005 with a corresponding decrease in income tax expense by \$0.29 million.

(c) Financial instruments. As mandated in FRD 101, the TAC has adopted the exemption available under AASB 1 to defer the date of transition of AASB 132 and AASB 139 until 1 July 2005. Accordingly, there will be no quantitative impacts and no adjustments to classification or measurement of financial assets or liabilities from the application of AASB 132 and AASB 139 to the 30 June 2005 financial report. Changes in classification and measurement will only be recognised from 1 July 2005.

Under AASB 139, financial assets held by an entity will be classified as either at fair value through profit and loss, held-to-maturity, available for sale or loans and receivables and, depending on classification, measured at fair value or amortised cost. Assets backing general insurance liabilities under AASB 1023 must be measured at fair value through profit and loss.

The TAC has determined that the majority of its financial assets are held to back its insurance liabilities. Accordingly, these assets will be measured at fair value through profit and loss on the adoption of A-IFRS. Fair value of financial assets under A-IFRS, will be measured at 'bid' or 'offer' rates as appropriate, compared to the current accounting policy of using mid-market rates. The impact of the change to fair value measurement will be an estimated increase of \$7.73 million in investment assets as at 1 July 2005.

(d) Insurance contracts. As mandated in FRD 101, the TAC has adopted the exemption available under AASB 1 to defer the date of transition of AASB 4 and AASB 1023 until 1 July 2005. Accordingly, there will be no quantitative impacts on the financial positions as at 1 July 2004 and 30 June 2005 and the financial performance for the year ended 30 June 2005.

Under AASB 1023, there will be different requirements as to the methodology, prudential margin and discount rates to be applied when calculating outstanding claim liabilities. The impact of the change to the measurement of claims liabilities using risk free discount rates plus a prudential margin to provide for a 75% probability of sufficiency will be an estimated increase of \$193 million in claims liabilities as at 1 July 2005.

Statement by Chairman, Chief Executive Officer and Chief Financial 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 2005 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 19th day of August 2005.



James MacKenzie
Chairman



Stephen Grant
Chief Executive Officer



Chris Aylen
Chief Financial Officer



AUDITOR GENERAL
VICTORIA

INDEPENDENT AUDIT REPORT

Transport Accident Commission

To the Members of the Parliament of Victoria and Members of the Board of the Transport Accident Commission

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report for the financial year ended 30 June 2005 relates to the financial report of the Transport Accident Commission included on its web site. The Members of the Board of the Transport Accident Commission are responsible for the integrity of the website. 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.

Scope

The Financial Report

The accompanying financial report for the year ended 30 June 2005 of the Transport Accident Commission consists of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial report, and the supporting declaration. The financial report includes the consolidated financial statements of the economic entity, comprising the Transport Accident Commission and the entity it controlled during the financial year as disclosed in note 18 to the financial statements.

Members' Responsibility

The Members of the Board of the Transport Accident Commission are responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the *Audit Act 1994*, an independent audit has been carried out in order to express an opinion on the financial report. 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.



AUDITOR GENERAL
VICTORIA

Independent Audit Report (Continued)

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the members
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report.

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 cash flows.

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

Independence

The Auditor General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers are to be exercised. The Auditor-General and his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

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 2005 and their financial performance and cash flows for the year then ended.

MELBOURNE
19 August 2005

JW CAMERON
Auditor-General

Section 1 – Corporate governance

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

Board of Management

The Chairman and the Board are nominated by the Minister and appointed by the Governor in Council. There are presently six non-Executive Directors, including the Chairman, and one Executive Director.

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

- compliance with applicable laws and regulations
- reliability of financial reporting
- safeguarding of assets
- 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: James MacKenzie (Chairman), Elana Rubin and Maria Wilton.

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 the 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.
- Recruitment – to recruit the TAC's Chief Executive Officer.

Audit and Risk Management Committee

Members: Paul Barker (Chair), Julie Caldecott 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:

- Oversee an appropriate risk management framework and consider the effectiveness of the TAC's risk management and internal controls.
- Provide an oversight for the issues that potentially impact the TAC's financial reporting process of proposed regulatory, accounting or reporting initiatives.
- Consider the reliability, integrity and completeness of financial information and the financial reporting practices of the TAC presented by management.
- Monitor compliance with relevant laws, regulations and government directives and that the accounting policies are in line with the *Financial Management Act 1994*, Government guidelines and current Australian Accounting Standards.
- Monitor compliance with the TAC's internal investment policies and procedures, the contractual arrangements with the VFMC and compliance requirements of the Prudential Statement.
- Advise the Finance and Investment Strategies Committee of any matter or internal control weakness that impacts that committee's area of responsibility.
- Review and recommend approval of the annual audit plan submitted by internal audit.
- Monitor that the objectivity and independence of internal and external audit is preserved by monitoring employment relationships, financial relationships and the provision of non-audit services and other assessments as deemed necessary.
- Review management responses to internal and external audit reports, actions to correct any noted deficiencies and monitor progress to correct deficiencies.
- Evaluate the overall effectiveness of internal and external audit and recommend appointment and fees for the internal auditors to the Board.
- Implement the TAC's annual internal audit plan and deal with issues raised by the TAC's auditors (internal and external).
- Initiate and supervise, where appropriate, special reviews.

Section 1 – Corporate governance (continued)

Financial and Investment Strategies Committee

Members: Elana Rubin (Chair), James MacKenzie and Michael Wright

Role:

- Make recommendations (at least annually) to the Board on investment objectives, strategy, asset allocation and tactical overlays (if any), performance benchmarks and tracking errors, in the context of overall balance sheet risk management.
- Oversee the implementation of the investment strategy, including any matching of assets and liabilities adopted by the Board.
- Make recommendations to the Board on the establishment of a stock voting policy and review VFMC reports to ensure voting activity is in accordance with policy.
- Review the performance of the 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), Julie Caldecott and Maria Wilton

Role:

- Review 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.
- Monitor 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 the TAC management, the internal auditors of the TAC and the VFMC and from the VFMC Board.

Risk management

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

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

Shared values and guiding principles

Integrity

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

Unity of purpose

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

Dignity and respect

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

Innovation

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

Accountability and responsibility

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

Section 2 – Compliance

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

Incorporation and ministerial responsibility

The TAC is a body corporate established under section 10 of the *Transport Accident Act 1986* (the Act) (No. 111 of 1986, reprint No. 10 dated 25 August 2005). The Act sets out the objectives, functions and powers of the TAC. 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 2004 to 30 June 2005.

The TAC's objectives, functions, powers and accountability

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

Objectives of the Commission (section 11)

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

Functions of the Commission (section 12)

- To administer the Transport Accident Fund.
- To receive and assess, and accept or reject, claims for compensation.
- To defend proceedings relating to claims for compensation.
- To pay compensation to persons entitled to compensation.
- To determine transport accident charges.
- To collect and recover transport accident charges.
- To provide advice in relation to the transport accident scheme.
- To provide funds for the program designed to secure the early and effective medical and vocational rehabilitation of persons injured as a result of transport accidents and for other rehabilitation programs for persons injured in transport accidents.
- To collect and assess data and statistics in relation to transport accidents.
- To provide advice to the Minister in relation to matters specifically referred to the Commission by the Minister and generally in relation to the administration of this Act and the compensation scheme under this Act.
- To commercially exploit knowledge and expertise in compensation schemes and scheme administration.
- To act as an authorised agent under section 23 of the *Accident Compensation Act 1985*.
- If appointed, to act as an agent of a self-insurer under section 143A of the *Accident Compensation Act 1985*.
- To carry out such other functions conferred on the Commission by this or any other Act.
- To promote the prevention of transport accidents and safety in use of transport.
- To design and promote, so far as possible, a program aimed at securing 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 that Act.
- To enter into agreements or arrangements for the commercial exploitation within or outside Victoria of intellectual property rights and ancillary services on any terms or conditions as to royalties, lump sum payments or otherwise as the Commission may see fit.
- To enter into agreements or arrangements within or outside Victoria for the provision by the Commission of administration, management or information systems or services.

Section 2 – Compliance (continued)

Accountability of the Commission

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

Legislation

The following legislative changes have occurred in the period from 1 July 2004 to 30 June 2005.

Transport Accident (Amendment) Act 2004, No.94/2004

The *Transport Accident (Amendment) Act 2004* was passed on 7 December 2004 and progressively came into operation between 8 December 2004 and 1 March 2005. The legislation made a number of changes to the Act to improve benefits for clients in a range of benefit areas. The following table outlines the highlights of the 2004 legislative changes and shows the benefit areas addressed, the date of effect of the change, the clients affected and the description of the changes made to the Act.

Benefit area	Date of effect	Clients affected	Description of the legislative change made
Income	1/1/2005	New clients injured on or after 1/5/2005	<p>Loss of Earnings (LOE) rate for clients is now based on client's average gross earnings over the previous 12 months rather than the client's ordinary time earnings resulting in increased LOE benefits for most clients.</p> <p>Seasonal workers have a choice in relation to the calculation of LOE benefits and can have LOE assessed and paid based on average income over 12 months, or based on periods when they would have earned the income.</p> <p>Self-employed clients who have a total LOE as a result of an accident are now paid an interim payment of 75% of the maximum LOE rate for up to 12 weeks to ensure income is available while complex calculation of entitlement occurs.</p> <p>Severely injured clients in a supported employment program can now earn up to \$120 per week without affecting their entitlement to LOE capacity benefits.</p>
Home services and child-care	1/1/2005	New clients injured on or after 1/1/2005	<p>The former separate services of housekeeping and domestic services are now combined into a single and comprehensive home services benefit.</p> <p>The previous rules that required a person to be mainly engaged in housekeeping to be entitled to housekeeping benefits have been removed to enable wider access to home services assistance after an accident.</p> <p>The threshold test for access to child-care benefits has been lowered from mainly engaged in child-care to engaged in child-care in the 30 days prior to the accident. This means that for the first time child-care has been opened up for clients who were working and caring for children prior to the accident. Child-care is capped at 10 hours per week where the client was working 35 hours or more per week. This entitlement progressively increases as work hours (pre-accident) decrease.</p> <p>The entitlement to home services, will, like the housekeeping benefit it replaces, cease after five years for all clients except those who have suffered a severe injury. Clients with a severe injury will be able to receive home services benefits indefinitely.</p> <p>Post-acute support services replace the former service called 'attendance' in the legislation and are available to provide personal assistance in periods following hospital discharge.</p>
Impairment	8/12/2004	Clients injured in accidents on or after 8/6/2003	Clients whose accident occurred from 8 June 2003 can be paid an interim payment if injuries have substantially stabilised or the client is likely to be more than 30% impaired.
	1/3/2005	Clients whose accident occurred on or after 1/9/2003	Clients whose accident occurred on or after 1 September 2003 will have their impairment assessed within three years after an accident, unless the client's injuries are unstable and they elect to wait until their injuries are stable.

Appendix

Benefit area	Date of effect	Clients affected	Description of the legislative change made
Impairment (continued)	1/1/2005	Clients who have an impairment assessed after 1/1/2005	New, easy-to-work-with provisions apply where clients get impairment from multiple accidents.
	8/12/2004	Clients injured in a transport accident on or after 8/12/2004	Significantly increased impairment lump sum benefits for clients whose accidents occur on or after 8 December 2004. A comparative scale of the revised impairment benefits appears after this table.
Post-hospital support	1/3/2005	All clients	Clients admitted to hospital three years after their accident can claim the cost of child-care, home services or a contribution towards loss of income up to \$3,500 per claim. The \$3,500 amount is to be indexed annually in accordance with increases in average weekly earnings.
RTW travel	1/1/2005	All clients	Clients unable to use their normal mode of travel when returning to work can claim additional travel costs up to \$1,000 during the 12 weeks after first returning to work. The amount of \$1000 will be indexed annually by the CPI.
Family counselling	8/12/2004	All clients	The TAC will fund family counselling in the event of severe injury or death provided by a social worker or other authorised providers.
Travel allowance	8/12/2004	All clients	Severely injured clients with stable travel needs can enter into an agreement with the TAC to pay for their travel needs by means of a weekly travel allowance.
Individual Funding Agreements	8/12/2004	All clients	Severely injured clients can enter into an agreement with the TAC to make periodic payments directly to clients for certain approved services. The funding agreements will allow clients to self-purchase the services they need, providing increased flexibility in relation to purchasing approved services.
Acupuncture	8/12/2004	All clients	The TAC will fund acupuncture services by practitioners registered under the <i>Chinese Medicine Registration Act 2000</i> .
Medical excess	8/12/2004	New clients	The TAC will be able to recommend to Government to maintain the excess at its current amount.
Home and vehicle modification	8/12/2004	All clients	The TAC's obligations to fund home and vehicle modifications by clearly setting out what the TAC takes into account in determining the reasonable costs of modifications to be funded has been clarified. The requirement to enter into an agreement with the TAC for expensive modifications has been clarified.
Referrals to registration boards	8/12/2004	All clients	The TAC will be able to refer misconduct by service providers to the appropriate registration board, suspend payments after the referral and provide information to the board to support any investigation they decide to undertake.

Section 2 – Compliance (continued)**Legislation (continued)**

Impairment benefits comparison table

Degree of impairment	Accidents before 8 Dec 2004	Accidents on or after 8 Dec 2004
11%	\$863	\$5,500
12%	\$1,727	\$6,500
13%	\$2,590	\$7,500
14%	\$3,454	\$8,500
15%	\$4,317	\$9,500
20%	\$8,634	\$15,000
25%	\$12,952	\$22,500
30%	\$17,269	\$30,000
35%	\$21,586	\$37,500
40%	\$25,903	\$45,000
50%	\$34,538	\$60,250
60%	\$43,172	\$78,000
70%	\$51,807	\$98,000
80%	\$60,441	\$120,000
90%	\$69,076	\$164,000
100%	\$77,710	\$252,000

Other legislative changes affecting the *Transport Accident Act 1986**Occupational Health and Safety Act 2004* No. 107/2004

Section 186 of the *Occupational Health and Safety Act 2004* amended section 3(1) of the *Transport Accident Act 1986* by including a revised definition of a railway train. The TAC pays compensation to a person injured in a transport accident involving a railway train.

Accident Compensation (Amendment) Act 2005 No. 28/2005

Section 30 of the *Accident Compensation (Amendment) Act 2005* amended section 10 of the *Transport Accident Act 1986* by removing the requirement for the Commission to hold and use a common seal. This amendment brought the TAC into line with modern corporate practice in relation to the approval of documents.

Subordinate legislation**Regulations**

No regulations were made under the *Transport Accident Act 1986* in the 2004/05 year.

Orders in Council

The orders in Council made during 2004/05 were:

- The Transport Accident Charges Order (No.1) 2005 (Gazette 12 May 2005 page 911). This order fixed the transport accident charges to apply during the 2005/06 financial year. The order increased the transport accident charges for vehicles in all classes by the CPI.
- Declaration that the TAC Medical Excess not be indexed in the financial year commencing 1 July 2005 (Gazette 12 May 2005 page 917). This order provided that the TAC medical excess not be indexed on 1 July 2005 as provided by the *Transport Accident Act 1986*. This order was made following legislative changes in late 2004 that enabled the making of an Order in Council to override the automatic indexation of the amount of the medical excess.

Victorian Industry Participation Policy (VIPP)

During 2004/05, the TAC commenced one contract in metropolitan Melbourne to which the VIPP applied. The commitments by the contractor included:

- an overall level of local content of 20% of the total value of the contract
- seven full-time equivalent jobs
- technology and skills transfer are expected to result in new skills being transferred to employees.

Section 2 – Compliance (continued)**Consultants**

Consultancies	Description of work	Total approved project fee	2004/05 expenditure	Future expenditure
		\$	\$	\$
Bearing Point Australia Pty Ltd	Continuous improvement in claims management project	149,000	149,000	0
Canterbury Partners	Dispute resolution and common law claims management project	130,000	60,000	0

In addition, a further five consultancies where the total fees payable to the consultant were less than \$100,000 were engaged during the financial year at a total cost of \$0.09 million. Total approved project fees and expenditure for 2004/05 excludes GST.

National competition policy**Review of legislative restrictions**

In accordance with its National Competition Policy commitments, the Government commissioned a review of Victoria's transport accident compensation legislation in September 2000. The review identified three main restrictions on competition: the compulsory nature of the scheme, the TAC as a legislated monopoly and centralised premium setting. To address centralised premium setting, the Minister for WorkCover now requests the Essential Services Commission to provide an independent review of the TAC's proposed premium each year.

Competitive neutrality

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

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.

Whistleblowers Protection Act 2001

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

During 2004/05 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.

Section 2 – Compliance (continued)

Environmental performance

The TAC has introduced a Green Office policy focused on protecting the environment and supporting sustainable outcomes. During the year the TAC implemented a number of 'green office' initiatives, supported by an awareness program to reduce waste and improve resource efficiency. Initiatives include:

- office equipment – use of photocopiers made from recycled and recyclable parts with an energy saving mode and the use of double-sided printers
- recycling – separation of kitchen waste for recycling and an office paper recycling program
- energy consumption – nightly security patrols to ensure all lighting is turned off when staff have left for the day and limitation of the operation of the building's air-conditioning system commensurate with staff occupation of the building
- paper – recycled office paper is available for use and a campaign is underway to introduce its use throughout the TAC's operations.

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:

General Manager
Resolution Division
GPO Box 2751Y
MELBOURNE VIC 3001

Ausdoc: DX 28 Melbourne

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

Access to information

Freedom of Information

The TAC officers responsible for receipt and initial action on requests made under the *Freedom of Information Act 1982* are Mr Richard Pang, Ms Samantha de Forest and Ms Sarah Klaikaietis

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

During 2004/05, the TAC received 803 Freedom of Information (FOI) requests for access to documents, compared with 775 during 2003/04, an increase of 4%. Most requests related to anticipated or current common law proceedings.

The average number of days for the TAC to make an initial decision in response to an FOI request for access to documents was 24 days, well within the statutory timeframe of 45 days.

There was one request for an amendment to personal records. A decision was made within the statutory time-frame of 30 days.

Routine documentation may be released without making a formal FOI request. Potential applicants should therefore first request release of such documentation from the relevant staff member.

Should a formal FOI request be required, a request must be submitted in writing detailing the documents sought, as well as enclosing the statutory \$21 application fee, preferably in the form of a cheque, payable to the Transport Accident Commission.

The statutory application fee of \$21 is applicable for the period 1 July 2005 to 30 June 2006 in accordance with the *Monetary Units Act 2004*. The fee will be waived for applicants seeking personal information who provide a copy of their current valid Health Care Card or Pensioner Concession card.

There is no application fee for a request for amendment to personal records.

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

Section 2 – Compliance (continued)

Access to information (continued)

Freedom of Information (continued)

Further general information about FOI is available from the Victorian Government's FOI Online website: www.foi.vic.gov.au

Contact details for the TAC's FOI section are as follows:

Freedom of Information Officer
 Transport Accident Commission
 GPO Box 2751
 MELBOURNE VIC 3001
 Phone: (03) 9664 6527
 Fax: (03) 9656 9360
 Email: foi@tac.vic.gov.au

Medical reports for common law purposes

To facilitate clients receiving legal advice, the TAC will on request or as part of its agreed protocols provide copies of medical reports commissioned by the TAC, independently of its normal FOI access arrangements.

Requests for access to medical reports should be directed to the relevant TAC 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 prior to the return date of the subpoena.

Publications

The TAC produces and makes available the following publications:

Description	Mode of access
TAC Annual Reports (2001 onwards)	Copy/Internet
TAC Enterprise Agreement 2002–2005	Copy
Annual transport accident charges including GST and duty	Copy
TAC Research Charter	Copy
Your privacy and the TAC	Copy
About the TAC	Copy/Internet
Information for people with major injuries (Booklets 1–4)	Copy
Empower	Internet
TAC benefits for self-employed people	Copy
TAC income support	Copy
TAC impairment benefits	Copy
Returning to work (Information sheet)	Copy
If you need further treatment (Information sheet)	Copy
Choosing an attendant care agency (Information sheet)	Copy
Choosing a Case Manager (Information sheet)	Copy
Supported leisure options (Information sheet)	Copy
Therapy support (Information sheet)	Copy
Daily support (Information sheet)	Copy
4th Edition Impairment examinations information manual	Copy
Working together	Copy
TAC support when a person dies	Copy
Your feedback	Copy

Section 2 – Compliance (continued)

Publications (continued)

Description	Mode of access
Drive Smart 2 (brochure)	Copy
Drive Smart 2 CD-Rom (available to learner drivers)	CD
HELP pack	Copy
120 hours. Make it your goal	Copy
Make sure you're right to drive: how to reduce the risk for yourself and others on the road	Copy
Muck Up Day video and curriculum advice booklet	Copy
Road safety reports (monthly summary)	Internet
Safe Driving Policy	Copy
Save your skin: don't hit the road without full protective gear	Copy
VCE Legal Studies Resources Kit	Copy
VCE Media Resource Kit	Copy
At home with the family	Copy
About lifetime support	Copy
Principles of therapy	Copy
Clinical justification flow chart	Copy
TAC information for people with soft tissue injuries	Copy
Information on TAC medical examinations (Information sheet)	Copy
Post-hospital support (Information sheet)	Copy
Residential care (Information sheet)	Copy
TAC impairment examination (Information sheet)	Copy
Community services (Information sheet)	Copy
Community services for families (Information sheet)	Copy
Self-purchasing your TAC services (Information sheet)	Copy
Returning to work (Information sheet)	Copy
Loss of earnings capacity (Information sheet)	Copy
Your individual plan (Information sheet)	Copy
TAC information for employers (Information sheet)	Copy
Additional support for self employed people (Information sheet)	Copy
A better approach to lifetime support	Copy
Victorian Trauma Foundation (Information kit)	Copy/Internet

Research information

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

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

Access to information on the Internet

The TAC's corporate website (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). The TAC also offers drivers information about vehicle crash test results on the How Safe Is Your Car website (www.howsafeisyourcar.com.au).

Section 2 – Compliance (continued)

Employment and conduct 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 potential pregnancy, religion, political opinion, national extraction, social origin, trade union association or non-association.

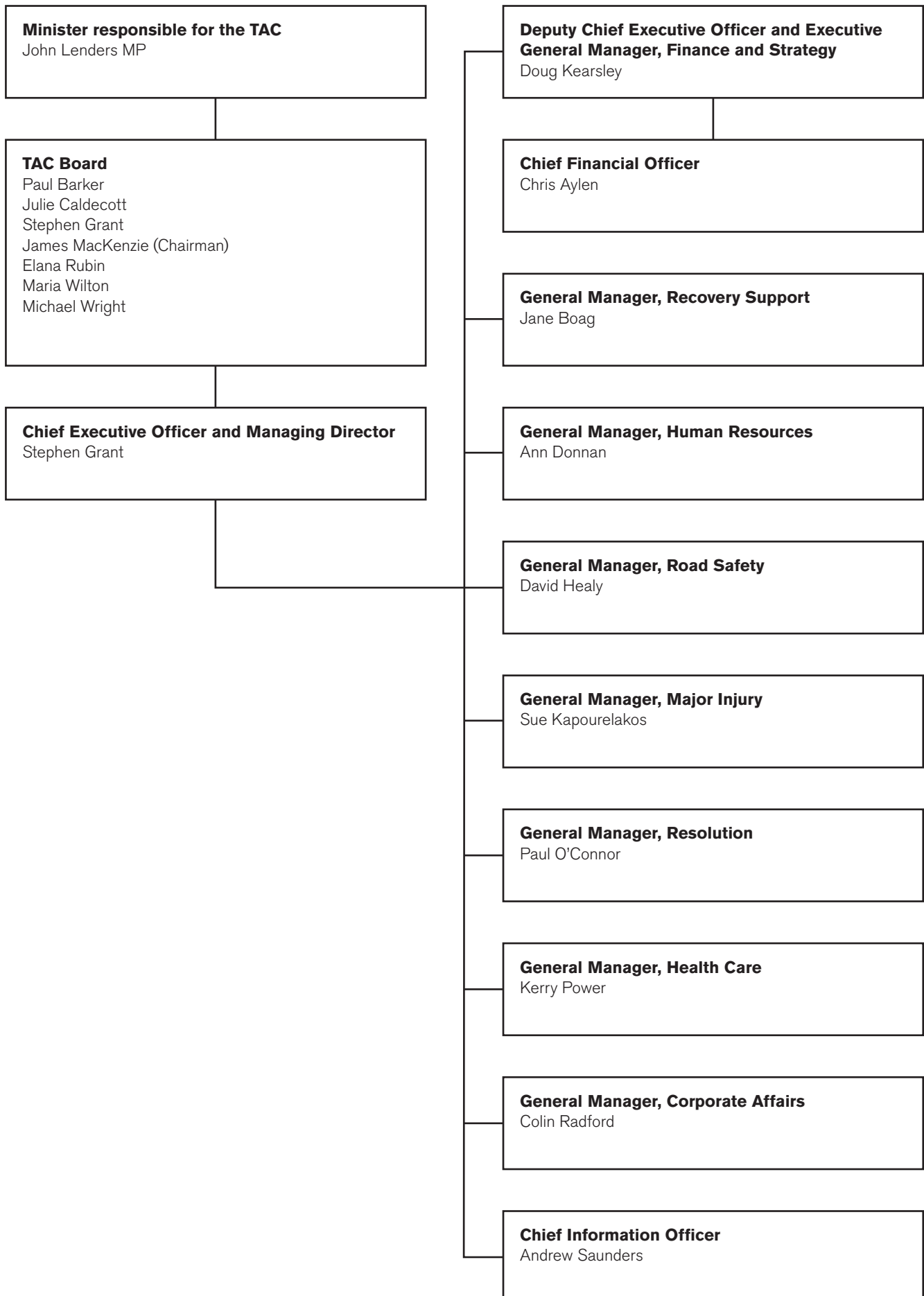
Each year the TAC undertakes Equal Employment Opportunity training as part of its obligation and commitment to a workplace free of harassment and discrimination. The TAC's objective is to have a workplace free of these issues. To do this, managers must continually show leadership in order to develop and maintain a culture where these sorts of behaviours are unacceptable.

Workforce Data

	2005	2004
TAC (number of employees)	666*	580
TAC Law (number of employees)	0	52
TAC Law VWA team (number of employees)	0	33
Average age (years)	37	37

*2005 TAC figures include staff transferred from TAC Law.

Appendix



Compliance index to disclosure requirements 2004/05

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.

Ministerial Directions Legislation	Requirement	Page reference
Report of Operations		
Charter and purpose		
FRD 22	Manner of establishment and relevant Minister	66
FRD 22	Objectives, functions, powers and duties	66–67
FRD 22	Nature and range of services provided	5
Management and structure		
FDR 22	Organisational structure	75
Financial and other information		
FRD 22	Statement of workforce data and principles	27, 74
FRD 22	Summary of the financial results for the year	7
FRD 22	Significant changes in financial position during the year	38
FRD 22	Operational and budgetary objectives and performance against objectives	*
FRD 22	Major changes or factors affecting performance	*
FRD 22	Subsequent events	N/A
FRD 22	Application and operation of <i>Freedom of Information Act 1982</i>	71
FRD 22	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	70
FRD 22	Statement on National Competition Policy	70
FRD 22	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	70
FRD 22	Details of consultancy expenditure	70
FRD 22	Statement of availability of other information	72–73
FRD 22	Occupational health and safety	26–27
FRD 10	Disclosure index	76
FRD 25	Victorian Industry Participation Policy disclosures	69
Financial Statements		
Financial statements required under Part 7 of the FMA		
SD 4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	40
SD 4.2(c)	Compliance with Ministerial Directions	40
SD 4.2(d)	Rounding of amounts	42
SD 4.2(c)	Accountable officer's declaration	61
SD 4.2(b)	Statement of financial performance	37
SD 4.2(b)	Statement of financial position	38
SD 4.2(b)	Statement of cash flows during the year	39
Other disclosures in notes to the financial statements		
FRD 11	Disclosure of ex-gratia payments	N/A
FRD 21	Responsible person and executive officer disclosures	53–54
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Legislation		
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<i>Whistleblowers Protection Act 2001</i>		70
<i>Victorian Industry Participation Policy Act 2003</i>		69

*Throughout

Transport Accident Commission

222 Exhibition Street Melbourne
Victoria Australia 3000

GPO Box 2751 Melbourne 3001
Telephone 1300 654 329
www.tac.vic.gov.au

