



# **Competitive Neutrality Complaint Investigation**

**Final Report**

**Paddlesteamer boat cruises provided by  
Port of Echuca Authority**

**Shire of Campaspe Council**

**28 June 2007**

**Victorian Competition and Efficiency Commission**

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## Key points

- The Victorian Government requires significant government business activities to comply with its competitive neutrality policy. An important aspect of this policy is the requirement that government entities engaged in business activities consider competitive neutrality issues, put in place appropriate measures to address these issues, and document their analysis. The VCEC is responsible for promoting compliance with this policy and investigating complaints alleging non-compliance by government businesses.
- The Port of Echuca Authority is a Committee appointed by the Shire of Campaspe in accordance with Section 86 of the Local Government Act 1989. The Authority has identified six business activities that it operates including a Council owned paddlesteamer boat cruise activity that operates three boats along the Murray River leaving from and returning to Echuca Wharf within the historic Port of Echuca tourist precinct.
- The Authority boat operation competes with Murray River Paddle Steamer Pty Ltd (MRPS) that also operates three boats taking tourists for short cruises along the Murray River. The owners of MRPS lodged a competitive neutrality complaint with the VCEC following the Authority combining its boat cruise operation with its Echuca Wharf Museum to offer visitors a new product in December 2006. The Authority at the same time adopted new pricing that the complainant believed breached the Victorian Government's Competitive Neutrality (CN) Policy.
- There are two issues of concern; one is that the pricing of the new product offered by the Authority is not fully cost reflective. The second concern is that a customer wanting a boat cruise has the advantage of gaining subsidised entry to the Echuca Wharf Museum should they select the Authority boat. Customers of MRPS do not have the benefit of having access to the Echuca Wharf Museum at a similar cost.
- The Council advised the VCEC that the paddlesteamer boat operation is the only business of the Authority operation which it considered had commercial competition and has been subject to CN costing analysis on an annual basis since 2000-2001. The VCEC assessed the Authority's CN costing analysis for 2005-06 and found that the Authority had undertaken to identify CN advantages and disadvantages, calculate the net cost adjustments and adopt a pricing structure that was fully cost reflective. However, the Council did not provide a CN assessment of the new pricing and product.
- The VCEC has found that the Council and Authority, as a consequence of overlooking CN implications at the time of undertaking their assessment of the combined boat cruise/museum product and pricing, has lead to a pricing structure that appears non-compliant with CN policy.
- The VCEC has made recommendations in this report to assist the Campaspe Shire Council to achieve compliance with CN policy.

# 1 Complaint overview

The Victorian Competition and Efficiency Commission (VCEC) has undertaken a competitive neutrality investigation concerning the operation of the paddlesteamer boat cruise activity by the Port of Echuca Authority, which was established by the Campaspe Shire Council. The paddlesteamer boat cruise activity is a government business activity. The Port of Echuca Authority charges a fee for the paddlesteamer boat cruise.

The Competitive Neutrality Policy states:

It is the role of the Complaints Unit to determine the extent to which an agency's actions comply or do not comply with competitive neutrality policy. (Government of Victoria 2000, p. 12)

The VCEC found that Campaspe Shire Council had not adequately taken account of CN considerations when revising its pricing for the paddlesteamer cruise operation and therefore has not complied with the Victorian Government's Competitive Neutrality Policy.

The investigation report contains recommendations for Campaspe Shire Council that will assist the Port of Echuca Authority to comply with the competitive neutrality policy.

The VCEC proposes to request from Council written advice as to progress on implementation of the report recommendations three months after the release of this report.

# 2 Scope of complaint

On 17 January 2007 the Victorian Competition and Efficiency Commission received a competitive neutrality complaint from a private operator of a paddlesteamer boat cruise business, Murray River Paddle Steamer Pty Ltd (MRPS).

MRPS directed its complaint at the Port of Echuca Authority (the Authority), a Committee appointed by the Shire of Campaspe in accordance with Section 86 of the Local Government Act 1989. The complainant asserted that the Campaspe Shire Council, through the Authority's operation of the Council owned paddlesteamer boat cruise activity, is not complying with the Victorian Government's Competitive Neutrality Policy.

The complaint relates to the adoption in December 2006 of a new pricing structure and product mix involving the Authority's paddlesteamer boat cruise activity. The Authority discontinued its 'boat cruise only' product from its boat related range of products, which was directly comparable to the product offered by the complainant, while retaining its combined 'boat cruise/museum' product.<sup>1</sup> At the same time the Authority reduced the price (for adults and seniors) for its combined boat cruise/museum product. The Authority also retained the museum, with unaltered pricing, as a separate product for people not wishing to go on a river boat cruise. Effectively the price of the cruise component of the combined boat cruise/museum product offered by the Authority appeared to be reduced.

The complainant advised the VCEC:

Our conclusion is that the prices charged by the Port of Echuca Authority do not accurately reflect the full cost of providing the product/s offered. (MRPS 2007)

For competitive neutrality purposes the Authority is required to determine and apply a full cost reflective pricing structure to its significant business activities.

The VCEC accepted the complaint and has investigated the concerns raised by the complainant.

The complainant also raised a concern relating to directional signage to the paddlesteam precinct, displayed by the Council, that the VCEC also considered.

Following its investigation of this complaint the VCEC has found that the Council had not adequately considered CN in its pricing review of the paddlesteam cruise activity and therefore was not compliant with CN policy. The VCEC has subsequently made recommendations to assist the Council to implement CN policy.

### **3 Competitive neutrality policy**

The Victorian Government released the Competitive Neutrality Policy Victoria in October 2000. The policy integrates rigorous financial principles with a strong public interest test and transparency in decision-making. The objective of CN is to remove unfair competitive advantages that result solely from government ownership of a business activity.

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<sup>1</sup> The museum product includes entry to the historic Echuca Wharf and museum with interpretive displays. Use of the term museum in this report is consistent with that used by the Council and Port of Echuca Authority. The museum might be better known by visitors to Echuca as 'Echuca Wharf' or 'Port of Echuca'.

In Victoria, it is the responsibility of government agencies and local governments to determine if their business activities fall within the scope of CN policy. If the policy does apply, then the government agency or local government body is required to put in place CN measures, including full cost reflective pricing, for its business activities if it is in the public interest to do so.

Where CN measures may jeopardise other public policy objectives, options for achieving all policy objectives, including CN pricing, must be explored through a fully documented public interest test process.

The VCEC has no authority to investigate other concerns of complainants, for example those in relation to the Trade Practices Act, which is under Commonwealth jurisdiction.<sup>2</sup>

In addition, the VCEC has no mandate to investigate, consider or recommend compensation. Competitive neutrality policy compliance is about achieving competitive neutrality or justifying departure from competitive neutrality and the VCEC makes recommendations to achieve this end only. VCEC reports are not intended to form the basis of or contribute to compensation claims.

## 4 Background

The relationship between the Campaspe Shire Council and the Port of Echuca Authority is outlined in the Authority's Charter:

The Port of Echuca Authority is a Committee appointed by the Shire of Campaspe in accordance with Section 86 of the Local Government Act 1989.

Under delegation the Authority has total control over the daily operations of the Port area in a managerial role.

It is expected to operate within its budget and make business decisions to ensure the future development and viability of Port of Echuca as a major tourist attraction of Echuca.

The Shire of Campaspe retains all rights to control over Port of Echuca in relation to its legal responsibilities, but empowers Port of Echuca Authority to undertake Port of Echuca management without constraints from the Council in carrying out that function within the stated delegations. (Port of Echuca Authority 2006, p. 5)

The Port of Echuca Authority operates within the legal parameters that apply to local government but operates independently of the Council. The Council has

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<sup>2</sup> *Competition Policy Reform (Victoria) Act 1995*, see for example Division 4 – Offences.

stated that part of its vision is to develop the Campaspe economy including its education facilities, industries and agriculture, and tourist facilities.

The tourist facilities, built on the heritage and environmental strengths of the area, are recognised both within Australia and internationally as one of the top five tourist destinations in Victoria. (Shire of Campaspe 2006, p. 1)

The tourist facilities referred to is the Echuca Wharf and heritage landmarks within and around the wharf area otherwise known as the Port of Echuca. The Port of Echuca Authority is the body that assists Council to meet its vision which is reflected in the Port of Echuca Authority's own aims and objectives:

Development of Port of Echuca as a nationally significant tourism destination and a strategic tourism gateway to Victoria and in particular:

- To manage a sensitive operational heritage port precinct in a financially sound and self sufficient manner which ensures a proper balance between heritage preservation and commercial sustainability
- To maximise attendance within Port of Echuca to enable the greatest number of persons to gain an insight into the Murray River steamer trade of the last century, an important part of Australia's history.
- To maintain and further restore Port of Echuca and its paddlesteamers for the benefit of current and future generations. (Port of Echuca Authority 2006, p. 6)

The Campaspe Shire Council has identified tourism as being important to economic development opportunities and has stated that it will facilitate the expansion and diversification of its tourism base. (Shire of Campaspe 2006, p. 44)

The tourist paddlesteamer boat activity, where boats carry passengers on short trips on the Murray River leaving from and returning to the Port of Echuca precinct, has been long established in Echuca. MRPS and the Authority each operate three boats. The Authority operates the paddlesteamers the Pevensy (100 passenger capacity, 1991 commenced commercial operation), the Alexander Arbuthnot (47, 1991) and the Adelaide (49, 2003). The boats berth at the historical Echuca Wharf, which is a historic red gum structure. The one hour river cruise is the mainstay of the boat operations with some growth in charter operations for weddings and other functions.

MRPS operate three boats, the Pride of the Murray (99, 1979-80), the Canberra (99, 1966) and the Emmylou (49, 1982). The boats berth at the Riverboat Dock located beside the historic Hopwood Gardens, named after Echuca's founder Henry Hopwood, a short way from the historic Echuca Wharf along the Murray River.

The MRPS boats are freely and readily accessible to the general public from the Hopwood Gardens while the Authority's boats at the Echuca Wharf are accessible to visitors only by walking through the Authority's museum. The Authority had until recently offered visitors a choice of product, a boat cruise, entry to the museum, or combination boat cruise/museum. The complainant believed that the pricing structure that Council had adopted prior to the new structure in December 2006 to broadly reflect the cost of the products offered by the Authority. The price for the Authority boat cruise alone appeared to be comparable to the MRPS price structure for its boat cruise operation.

In December 2006 the Authority adopted a new price and product mix that included discontinuing the boat cruise and lowering the single adult and seniors price for the combination boat cruise/museum product. The change has altered the nature of the competition and subsequently lead the complainant to believe that the Authority's combined boat cruise/museum product is no longer cost reflective and therefore non-compliant with CN policy.

## **5 Does competitive neutrality policy apply?**

The threshold issue in any competitive neutrality complaint investigation is establishing whether the government activity subject to the complaint is a significant business as defined by the CN policy.

The complaint was made against the Port of Echuca Authority 'paddlesteamer operation' which is one of six categories of activities operated by the Authority. The Port of Echuca activities are:

- Boats (paddlesteamer) operation
- Museum
- Centre of the River Trades
- Property management
- Retail
- Public affairs.

### **5.1 Is the boat operation in scope?**

The VCEC asked the Council whether it had assessed any of the Authority's activities as being a significant business in a competitive neutrality context. The Council advised:

Whilst the Port of Echuca is a significant business the "Boats" category is the only business which has commercial competition. As such the operation of the "Boats" has been subject to competitive neutrality costing analysis on an annual basis since 2000/2001. (Shire of Campaspe 2007)



The Council has a duty of care to operate the Port of Echuca in accord with sound financial management principles (Shire of Campaspe, pers comm. 31 May 2007). The Port of Echuca is significant in terms of its scale of operation for the Council. The Council considers the boats operation to be subject to CN policy as it is both a commercial business and competes with a private provider, and accordingly has made cost adjustments for this activity. The VCEC agrees with the Council's assessment that the Authority's boats operation (the business subject to complaint) is a significant business and within the scope of the Government's CN policy.

For the purposes of CN policy, factors to be taken into account in determining whether an activity (in this case the boat operation) is a business include whether:

- *The activities of the entity result in the sale of a good or service.* The Port of Echuca Authority sell tickets for paddlesteamer cruises along the Murray River leaving from and returning to the Port of Echuca precinct.
- *The costs of providing the goods or services by the entity are predominately met by users.* The ticket pricing structure is intended to fully fund the paddlesteamer cruise activity.
- *There is an actual or potential competitor.* There is a competitor to the Port of Echuca Authority paddlesteamer cruise activity.
- *The managers of the activity have a degree of independence in relation to the production or supply of the good or service and the price at which it is provided* (Government of Victoria 2000, The Treasury 2004). The key parameters of the business, including its prices, are not regulated by government.

In terms of the tests outlined above the VCEC finds that the Authority's boat operation is a business activity for the purposes of CN policy.

For the purposes of CN policy, factors which might be taken into account in determining whether a business (in this case the boat operation) is significant include:

- *The size of the relevant business activity in relation to the size of the relevant market.* Both the Authority and the complainant operate three boats. The Council advised that two boats are largely static displays and operate only during peak times. The Authority and MRPS share the short river cruise market on the Murray River where leaving from and returning to the Port of Echuca in a duopoly market (refer to table 5.1).
- *The influence or competitive impact of the business activity in the relevant market* (Government of Victoria 2000, p. 5). Price variation of one cruise operator in a duopoly market will impact on the other cruise operator.

Table 5.1 **Echuca paddlesteamer cruise market – 2005-06**

	<i>Passengers carried</i>	<i>Percentage of passengers carried</i>	<i>Boat trips</i>	<i>Percentage of boat trips</i>
Authority	57 500	38.8	1 893	33.2
MRPS	90 700	61.2	3 805	66.8
Total	148 200	100	5 698	100

*Source:* Port of Echuca Authority 2006, p 9; MRPS email correspondence 3 May 2007

The VCEC has found that the Port of Echuca Authority ‘boat operation’ is a significant business activity having regard to its presence in the market, and therefore is within the scope of the Victorian Government’s CN policy.

## 5.2 Is the museum in scope?

The VCEC also considered whether the museum is a significant business for the purposes of CN. The VCEC used the same business assessment as applied to the boat operation to determine whether the museum is a business:

- *The activities of the entity result in the sale of a good or service.* The museum, otherwise referred to as the Echuca Wharf is accessed by visitors upon purchase of tickets for entry.
- *The costs of providing the goods or services by the entity are predominantly met by users.* The ticket pricing is designed to recover day to day operating costs. However, substantial government funding has been provided to restore and develop the historic Echuca Wharf Museum. The VCEC was advised by the Council that it will be applying for additional government funding for future restoration and maintenance of the wharf. Due to the substantial government funding required to restore the historic wharf and further funds to develop the museum, including the interpretive centre, the VCEC has assessed that the costs of providing and maintaining the Echuca Wharf museum facility (that includes a commercial rate of return on assets) are not met by users.
- *There is an actual or potential competitor.* There are no comparable museums that incorporate a unique historic in-land wharf as a feature attraction in the Echuca region. However, substitution between different products, services and facilities by businesses need not be between identical facilities to conclude that businesses are competing in the same market. Notwithstanding the unique nature of the museum, as the Authority has acknowledged, the tourism market is competitive and the museum (as part

of the Port of Echuca) competes with other museums such as the Holden Museum and other tourism activities. (Port of Echuca Authority 2006, p.5) Moreover other tourist business operators may benefit from the greater tourist activity generated by visitor interest in the Echuca Wharf Museum operation,

- *The managers of the activity have a degree of independence in relation to the production or supply of the good or service and the price at which it is provided* (Government of Victoria 2000, The Treasury 2004). The key parameters of the business, including its prices, are not regulated by government.

On the basis of the information provided, the VCEC considers that the museum is not a business activity in a CN context because the costs associated with the restoration, development and operation are not predominantly met by users. Consequently the operation of the museum is outside the scope of competitive neutrality.

Moreover, if the museum were to be considered a significant business and subject to CN, the Council would need to undertake a public interest test to justify its departure from applying CN costing and pricing principles to this activity. The Council may be able to argue that there are public interest factors that would be compromised should full cost reflective pricing principles be applied. One such factor might be the educative role that the museum and wharf play in conveying to visitors, including school tours, the importance of the river and paddlesteamers in facilitating trade and developing the region during Australia's pioneering days.

This finding is consistent with the Council position in relation to the museum and reasons why the Authority did not undertake a CN costing exercise and calculate and use CN adjustments to help determine a full cost reflective pricing structure.

However, the finding that the museum is not a business activity subject to CN does have CN implications where the Authority has mixed the boat operation, which is a subject to CN, with the museum that is not subject to CN, to offer a combined product.

The VCEC did not undertake significant business test assessment of other Port of Echuca Authority business categories as these were not subject or directly relevant to the complaint.

## **6 Costing and pricing issues**

In its response to the allegations made against it, Campaspe Shire Council advised the VCEC that it had applied CN costing analysis on an annual basis

since 2000-01. The application of CN costing analysis had in turn enabled the Authority to develop and adopt a pricing structure that it believed was cost reflective inclusive of any net CN cost advantage. Consequently, the VCEC investigation sought to determine whether or not the Authority had correctly applied full cost reflective pricing to its boat operation.

The Council provided the VCEC with a copy of the Authority's 2005-06 CN costing spreadsheet to show that it had achieved a profit after allowing for notional net CN cost adjustments. The costing exercise also demonstrated that the Council had applied CN principles by:

- identifying CN advantages and disadvantages,
- calculating CN cost adjustments, and
- determining a pricing structure reflective of full costs (inclusive of the notional net CN cost adjustment).

The investigation found that the Authority had included cost adjustments to account for:

- a rate of return on capital on boat assets
- bank charges
- audit fees.

The Authority also made an adjustment for the disadvantage of having to pay the boat staff according to the awards applicable to local government, which is a CN disadvantage to the Council boat operation.

In the course of its investigation VCEC and Council representatives met to discuss a range of possible costs that might not have been identified by Council when it undertook its costing exercise. As a result of discussions at this meeting the Council re-assessed the costs and provided the VCEC a revised spreadsheet of its CN costing exercise that included a further adjustment for pay-roll tax. Inclusion of this adjustment made no material difference to the CN outcome.

The VCEC was generally satisfied with the Council methodology used to assess CN costs and determine pricing of the Authority's boat operation for 2005-06. However, as previously discussed, the Authority had offered visitors a choice between 'boat cruise' products and a combined boat cruise/museum product. Where Council might have given greater consideration to CN is in relation to pricing for this combined boat cruise/museum product, since the price of the combined 'boat cruise/museum' is less than the total of the price of the 'boat cruise' and 'museum' as two single products added together.

The issue of concern relevant to CN is that the Authority has combined what is, by the Council's own definition, a commercial product that is subject to CN costing and pricing analysis (the boat cruise) with a product that is and has not been subject to CN costing and pricing analysis (the museum). The combined

product is available to the Authority to offer visitors to Echuca and has not been available to the complainant's business.

In its Annual Report 2005-06, the Port of Echuca Authority states the aim of the segmentation of its six activities.

The aim of this [segmentation] is to clearly identify expenditures and revenues under each category so that business trends are clearly understood and that there is no cross over or subsidisation of the commercial operations of Port of Echuca which are operating in a competitive environment. (Port of Echuca Authority 2006, p. 9)

The concern with the combined 'boat cruise/museum' product is that there will be a cross over or subsidisation of the commercial boat cruise business by the museum activity. The VCEC considers that the mix of commercial and non-commercial product has obviated the aim to avoid subsidisation of the commercial operations and creates tensions with regard to achieving CN.

Since 18 December 2006 when the Authority introduced its revised 'boat cruise/museum' product and pricing, the CN tension has become more obvious and prompted lodgement of the complaint with the VCEC.

Table 6.1 shows the Authority pricing structure before 18 December 2006. The Port of Echuca had a three product price structure:

- a river boat cruise only price (38% of the total boat and museum revenue for 2005-2006)
- Port entry (i.e. museum) only price (18%)
- Combination boat cruise and port entry (museum) price (44%).

Prices for Adult, Senior, Child and Family were offered.

**Table 6.1 Pricing structure prior to 18 December 2006**

<i>Product</i>	<i>Adult</i>	<i>Senior</i>	<i>Child</i>	<i>Family</i>
River boat cruise (1 hour duration)	\$19	\$15	\$8	\$35
Port entry (museum)	\$11.50	\$10	\$7.50	\$35
Boat cruise & port entry (museum)	\$24.50	\$20	\$13	\$65

Table 6.2 shows the new product mix and pricing structure. The Authority offers a two product price structure:

- Port entry (i.e. museum) only price
- Combination river boat cruise and port entry (museum) price

**Table 6.2 Pricing structure after 18 December 2006**

<i>Product</i>	<i>Adult</i>	<i>Senior</i>	<i>Child</i>	<i>Family</i>
River boat cruise - DISCONTINUED				
Port entry (museum)	\$11.50	\$10	\$7.50	\$35
Boat cruise & port entry (museum)	\$20	\$17	\$13	\$65

The 'boat cruise only' product has been discontinued and the price of the combined 'boat cruise/museum' product for adults has been reduced by 18 per cent to \$20 and for seniors by 15 per cent to \$17. All other prices remain unchanged.

The 'Port of Echuca Authority' river cruise is one hour in duration. The duration of the MRPS boat cruise is also one hour with an adult price range between \$15 and \$18.50 dependent on the boat (\$15 for the 'Pride of the Murray', \$17.50 for the 'Canberra' and \$18.50 [or \$22.50 for 1.5 hours] for the 'Emmylou'). The MRPS pricing is for the river boat cruise only.

The adult price for the Authority boat cruise/museum is \$20.00. As the adult ticket price for the port (museum) entry is \$11.50, visitors will perceive the cost of the boat cruise to be \$8.50, which is considerably less than the price of an Authority boat cruise taken alone under the previous price structure (\$19). This raises concern about the Authority boat cruise being subsidised by revenue generated from non-commercial activities (including the museum) operated by the Authority.

The new boat cruise/museum product offered by the Authority places MRPS at a competitive disadvantage because an adult visitor who wishes to purchase a boat cruise from MRPS (priced \$15, \$17.50 or \$18.50 dependent on the boat) and visit the Authority operated museum (priced at \$11.50) will be required to pay \$26.50, \$29 or \$30 (dependent on the choice of boat). The combined cost of a MRPS cruise and museum entry is greater than the Authority price for its boat cruise/museum product.

The Council did not undertake, and therefore was unable to provide the VCEC, a CN costing analysis of its revised boat/museum product mix, nor demonstrate that the revised pricing structure is full cost reflective. Without the Council undertaking a CN costing analysis, the VCEC is unable to conclude whether the Authority pricing structure for the boat operation is full cost reflective.

The Authority has advised the VCEC that it will conduct a competitive neutrality costing and pricing exercise after 30 June 2007. The Authority therefore did not consider the CN implications of the new pricing structure for the combined boat cruise activity/museum product prior to it being introduced. The exercise should

have been undertaken and documented when the Authority was reviewing the product mix and pricing structure.

## **6.1 Conclusion: competitive neutrality costing and pricing**

The VCEC has found that the Council and Authority, as a consequence of overlooking CN implications at the time of undertaking their assessment of the combined boat cruise/museum product and pricing, has lead to a pricing structure that appears non-compliant with CN policy.

## **7 Recommendations**

Following its investigation of this complaint, the VCEC has concluded that the Campaspe Shire Council does not comply with the Victorian Government's Competitive Neutrality Policy in relation to the Port of Echuca Authority boat operation since introducing the new price structure in December 2006. The VCEC has made the following recommendations to assist the Council to achieve compliance.

### **Recommendation 1**

That the Council undertake a CN costing analysis of its boat operation to determine a price structure that is fully cost reflective. Any future changes to prices should include a CN costing exercise prior to being introduced.

The Council has applied CN costing analysis to the boat operation since 2000-01. However, a new CN costing exercise was not conducted for the new prices introduced on 18 December 2006.

The CN costing exercise of its boat operation should be inclusive of net adjustments for CN advantages and disadvantages. Irrespective of whether the boat operation is offered as a stand alone product or a combined product, the price of the boat operation should be fully cost reflective. Further, as the boat operation is currently combined with museum entry and offered as a single product, the Council also needs to demonstrate that it has appropriately apportioned revenues received between the boat operation and museum. This is to be undertaken so that the Authority can demonstrate that the boat operation is not being subsidised by other non-commercial Authority activities. This will allow the Council to determine whether the current pricing is fully cost reflective.

## **Recommendation 2**

The Council should either provide boat operator competitors the opportunity to offer the museum entry in their product mix at similar prices and conditions to that available to the Authority's customers, or cease to offer a bundled boat/museum entry product.

This recommendation is made because the Authority is combining the boat operation (which is subject to CN costing and pricing analysis) and museum entry (which is not subject to CN costing analysis) as a single product. As the museum operation is not a significant business activity and therefore not priced to be full cost reflective, the Council should either provide its competitor boat cruise operator (that is, MRPS) with the same opportunity to offer its customers a bundled boat cruise (MRPS boat) and museum entry product at similar prices or conditions that are available to the Authority's customers, or discontinue offering the combined boat cruise and museum entry product.

Should the Council provide MRPS the same opportunity to offer its customers a bundled boat cruise and museum entry product, the price component for entry into the museum needs to be the same for both MRPS and Authority customers. This price might continue to be set to recover the marginal cost of providing such entry to the museum. This would be consistent with achieving CN; however, the implementation details would need to be worked out by the Council and MRPS.

## **8 Other issues—directional signage**

Another issue concerning directional signage that was not part of the complaint but which the complainant believed might be CN related is summarised below.

At a meeting dated 21 March 2007 the complainant provided the VCEC with briefing notes that the complainant had prepared concerning CN and other strategic issues. The issues were not raised as part of the CN complaint. VCEC representatives met with the complainant on 10 April to discuss what issues were outside the scope of competitive neutrality and why.

The complainant expressed concern over road side directional signage citing the white and brown tourist signs along the Northern Highway (from Melbourne) indicating the *Historic Port*. The signage, while being generic and not descriptive of any particular business activity, directs visitors to the southern end of Murray Esplanade rather than toward the Riverboat Dock beside the Hopwood Gardens (at the northern end of the esplanade). The Authority's boat operation is positioned off the southern end of the Murray Esplanade and concern was expressed that the first thing visitors see upon entering Murray Esplanade is the Port of Echuca Authority ticket booth. The complainant claims that this



provides the Authority's boat operation with an advantage as potential customers may not be aware of other cruise options.

The complainant advised the VCEC that at the time of the VCEC preparing this report, the complainant had arranged meetings with the Council Chief Executive Officer to discuss the signage issue. Consequently the VCEC has not investigated this matter any further.

## **8.1 Conclusion: other issues**

The VCEC has not investigated concerns that road side directional signage may provide the Authority's boat operation a competitive advantage as the complainant has advised that they are liaising with the Council to resolve concerns.

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