

Policy on Competitive Neutrality and Pricing

Abstract

The purpose of this policy is to ensure that the prices charged for UTS commercial activities reflects the full costs of those activities, in accordance with the principles of competitive neutrality.

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	Policy takes effect	01/03/2011
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	Policy amendment takes effect	05/02/2015
Approved by November	Council Meeting 10/7, 24 November 2010 Resolution COU/10-7.107	
	Latest amendment: Director, Governance Support Unit (see change history for details)	
Implementation Officer	Commercial Director	
Relevant to	All staff	
Related documents	Council Directives for UTS Commercial Activities NSW Treasury Policy Statement on the Application of Competitive Neutrality January 2002 (PDF) NSW Treasury Guidelines for Pricing of User Charges June 2001 (PDF)	
Legislation	Competitive and Consumer Act 2010 (Cwlth)	
File number	UR10/1084	
Superseded documents	None	

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1. Purpose

In 1995, the Council of Australian Governments implemented the recommendations of the report entitled *National Competition Policy*. One aspect of that agreement which has implications for UTS is the application of the principles and practices of competitive neutrality.

The Australian government's policy of competitive neutrality (CN) applies to commercial activities carried out by publicly funded institutions, including universities.

Key aspects of the policy relate to administrative transparency, accountability and contestability as well as efficient allocation and utilisation of public resources. Complaints about failure to comply with competitive neutrality principles may be referred by the Premier to the Independent Pricing and Regulatory Tribunal of New South Wales

2. Scope

This policy applies to all commercial activities, as defined by the Council Directives for UTS Commercial Activities.

3. Definitions

None relevant within this policy.

4. Policy principles

The principles of competitive neutrality require that UTS commercial activities charge a competitive amount for their services, rather than a reduced price based on cost advantages that arise from being part of a large, government-funded institution. These cost advantages emerge from a range of sources, such as the University's tax-free status and shared infrastructure and resources funding, which typically underwrite the indirect costs of projects.

5. Policy statements

5.1. Full cost recovery

5.1.1 Direct costs

Direct costs are those costs that are directly attributable to the project, and may include:

- Salaries and on-costs of project staff, including the principal investigator/consultant (on-costs include superannuation contributions, payroll tax, worker's compensation insurance, annual leave loading and provisions for long service leave. On-costs are approximately 26% of

base salary, though this may vary depending on the superannuation scheme)

- Stipends of research assistants
- Specialised computing and data base charges
- Materials and supplies
- Equipment and components
- Brokerage and freight
- Large volume communication (telephone, fax, courier, postage)
- Photocopying, report production,
- External consulting services
- Workshop, laboratory and other scientific services
- Travel and living expenses

5.1.2 Indirect costs

Indirect costs (overhead or infrastructure costs) are the costs to the institution that cannot be easily allocated to single projects.

- The indirect costs for which commercial activities must charge are:
- Provision and maintenance of buildings and physical infrastructure
- university-wide information resources and technology
- basic telecommunications
- insurance and legal services
- financial management services
- security
- non-faculty administrative services

If all the costs associated with commercial activities are not recovered from that activity, some other part of the University is providing a subsidy. It is inappropriate and short-sighted of UTS to subsidise commercial activities undertaken on behalf of external agencies and clients.

5.2 Pricing

The cost of a commercial activity is the sum of the full direct and indirect costs.

The price of the activity to the client should be at least the full cost, unless a conscious decision is made by the University that the activity should be subsidised on strategic, competitive or community benefit grounds.

5.3. Subsidising commercial activities

Under certain circumstances, government permits that government-funded organisations may supply particular goods and services, including research, at or below cost on public policy grounds, including where certain activities are undertaken for community benefit and are therefore not required to be commercially profitable or competitively neutral.

The NSW Government's Policy Statement on the Application of Competitive Neutrality also recognises that to price in the short term at less than full cost imbues government businesses with the same flexibility as their private sector counterparts in engaging in loss leader activities, but stipulates that engagement in such activities should be restricted to special market circumstances and should not contravene the Trade Practices Act (Cth). Accordingly, in exceptional circumstances it may be appropriate to provide a price reduction for a commercial activity, for example to take account of intellectual property or other benefits that will accrue to the University, or where on entry to a new market, it is judged to be in the University's interest.

Any University subsidy of commercial activities undertaken on the basis of demonstrable strategic or competitive interest or community benefit must be transparent, and the source of funding approved and reported. In signing off on the proposal for such activities, the delegated authority is required specifically to approve the subsidy on demonstrable strategic, competitive or community benefit grounds.

5.4. Approval

Approval of University commercial activities is dependent on the appropriate costing of all aspects of the activity and provision for the full recovery of any UTS costs associated with the activity. Any departure from full cost recovery and competitively neutral pricing should only occur in accordance with this policy and must have prior approval.

6. Roles and responsibilities

Accountable Officer: the Deputy Vice-Chancellor (Resources) has primary oversight of the operation of this Policy and may issue guidelines to support its implementation.

Implementation Officer: the Commercial Director is the primary point of contact for advice on implementing and administering the policy.

Provost, Deputy Vice-Chancellors, Deans and Directors: are responsible for overseeing the operation of this policy within their areas of responsibility under the Council Directives for UTS Commercial Activities.

7. Acknowledgements

None relevant to this policy.

8. Version control and change history

Effective date	Version	Approved by, resolution no. (date)	Amendment
01/03/2011	1	Council, COU/10-7.107 (24/11/2010)	Approved as 'Policy on Competitive Neutrality and Pricing'.
05/02/2015	1.1	Director, Governance Support Unit (GSU) (11/12/2014)	Changes (approved under Delegation 3.17) to implement 2014 Senior Executive restructure.