



**GE Australia**

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# ***General Electric Australia - Public Compliance Commitment***

***2 June 2000***

## ***Commitment to comply***

General Electric (“GE”) worldwide is active in ensuring compliance to the laws and regulations of the jurisdictions in which the businesses operate. Our compliance with the price exploitation guidelines (“**Guidelines**”) issued by the Australian Competition and Consumer Commission (“**Commission**”) represents another platform in our broad compliance program within Australia.

This Public Compliance Commitment records our commitment across all our Australian businesses to:

- comply with the *Trade Practices Act 1974*, in particular Part VB of the Act;
- not engage in price exploitation in relation to the New Tax System;
- comply with the price exploitation guidelines as expanded in the commitment;
- pass on to consumers any net cost benefits realised as a result of the New Tax System changes;
- advertise and display the GST-inclusive or GST-exclusive price (as relevant for customer category) in a way that is not misleading or deceptive; and
- ensure there is an effective compliance program in place.

## ***Cost changes***

Our businesses expect to receive some cost reductions from the removal of Wholesale Sales Tax and reduction of other indirect taxes. The extent of cost savings will vary across our businesses from minimal in the financial services areas to more significant and material savings where Wholesale Sales Tax is prevalent.

For some of our businesses there will be direct cost savings from no longer having to pay taxes to be removed by the New Tax System on some of their purchases and indirectly from reduced costs of suppliers who benefit from those tax changes.

We have implemented a methodology, including economic modelling and external advice, to estimate the cost savings that may result from the New Tax System changes. We will initially base our pricing on those anticipated cost savings balanced against net additional compliance costs. Future prices will be set to reflect actual cost savings. We have implemented an on-going review process to this end.

We are committed to monitoring identifiable cost changes that result from the New Tax System and ensuring that any net cost reduction is passed on to consumers in the form of lower prices or smaller price rises. Where there has been a net realised cost increase we will ensure price rises — or that price falls are not smaller — based on the cost change are not greater than the net realised cost increase.

We will report to the Commission every six months on the actual cost savings

achieved and the price effect thereof. We will also provide information to the Commission in support of any claim for net incremental implementation and compliance costs.

We will ensure reports and information provided are independently verified to the extent possible and will be sufficiently detailed to satisfy the Commission that our prices reflect actual cost savings achieved and are justifiable.

Each business has approached the pricing exercise in a manner appropriate to their business, however a general description of our methodology is as follows:

- supplier communication to ascertain anticipated savings
- modelling with Econtech to estimate anticipated savings
- detailed GST pricing exercise
- GST pricing sign-off by Business Leader
- production of a pricing folder
- on-going review of actual savings and new tax changes

### ***Supplier program***

Our company has implemented a program to encourage suppliers to pass on to us cost savings they achieve as a result of the New Tax System changes and we will pursue those anticipated savings that have been identified.

In general the important elements of the program are:

- developing selection criteria for defining major suppliers
- letters to major suppliers
- follow up communication
- renegotiations with suppliers
- reconciliation of anticipated savings with actual savings.

### ***Implementation and compliance costs***

In assessing the net effect of the New Tax System on costs we will include only those implementation and compliance costs incurred and directly attributable to the introduction of the New Tax System and offset any compliance cost reductions from the removal of the previous tax system. We will spread these costs over three years for repricing purposes.

In general the program consists of

- measuring actual incremental implementation and compliance costs of the corporate wide Program Office (contract review, project management, expert advices, modelling, external advisors, travel, training, systems specifications and changes).
- measuring business specific costs (temporary staff, Project Managers, software upgrades, training, travel, system enhancements)
- capital expenditure costs (where necessary).

### ***Impact of New Tax System changes***

The GE Program Office has been implementing the New Tax System across twenty-eight businesses, varying greatly in size and products. Consequently the impact of the New Tax System varies accordingly.

Our businesses fit primarily into three categories

- Taxable
- Input Taxed
- Mixed taxable and input taxed

There is also some GST free products.

Few of our businesses have historically purchased supplies that attract Wholesale Sales Tax and similarly, in general, our industrial and financial service customers have not been exposed to Wholesales Sales Tax on GE products.

### ***Customer information***

GE's philosophy is to work closely with our customers in order to deliver quality products and services. This philosophy has continued in the GST program and customers have been assisted with advice in order to be compliant themselves. Such advice has been in the form of seminars, questions directed to a Call Centre and factual brochures.

### ***Consumer information***

GE will continue its commitment to ensuring we do not mislead or deceive our customers in the pricing claims we make about the goods and services we sell. The larger consumer businesses deal with queries through the relevant call centres.

This is being achieved through the following:

- staff training in the Guidelines
- involvement of Sales and Legal departments in sign off on external communications
- involvement of Sales and Legal departments in sign off on internal communications directed to customers

### ***Complaints handling***

GE has established a complaint handling system to enable customers to raise issues directly with the company.

Every GE business has nominated a person to be dedicated to the resolution of GST complaints. In general complaints will be handled by the nominated complaint person.

## ***Price display***

GE's customers comprise both businesses and consumers, depending on the industry and business. GE is committed to displaying the GST-inclusive price for consumers in a manner that is not misleading or deceptive. However, GE will follow the Commission's guidance on using GST-exclusive prices for business customers in a manner that is also not misleading or deceptive. We are committed to ensuring our customers are aware fully of the basis of all our GST pricing information.

GE businesses will issue Tax Invoices that are compliant with the regulations and most have opted to invoice with separate line items as follows:

- Price
- GST amount
- Total amount due.

This approach has been adopted as a result of customer feedback and for ease of keying and accounting.

## ***Pricing policies***

The basis for price changes in response to the New Tax System changes is generally explained as follows:

- Monitoring of prices for a basket of goods relevant to the industry.
- Monitoring of supplier pricing.
- Economic modelling.
- Formal central pricing process.
- Independent verification.
- Review of pricing when new tax changes are implemented.
- Review of any additional compliance costs.

## ***Compliance program***

GE has a comprehensive compliance and customer management program that is to be extended to cover the New Tax System.

The key features of that compliance program are:

- GST Monitor Program
  - with a dedicated program leader and resources
  - to ensure training in the Guidelines forms part of normal compliance training for staff
  - regular review of GST pricing
  - ensure businesses monitor actual savings from suppliers
- A Compliance Department whose Leader sits on the Senior Management Team
- A quarterly commitment sign-off to follow the Guidelines by all Business Leaders

- We have a comprehensive complaint handling program that addresses consumer issues.
- We have a comprehensive Employee Reward & Recognition Program that will highlight and reward employees who contribute significantly to the successful implementation of the New Tax System.
- We have employed a dedicated Subject Matter Expert who will be responsible for on-going tax and pricing guidance.

### ***Reporting and information provision***

Our company will inform the Commission before making any significant price changes related to the New Tax System changes. We will provide relevant information supporting the basis for those price changes.

We will report to the Commission every six months on the actual cost savings achieved. We will provide information to the Commission in support of any claim for net incremental implementation and compliance costs.

We will ensure reports and information provided are independently verified and will be sufficiently detailed to satisfy the Commission that our prices reflect actual cost savings achieved.

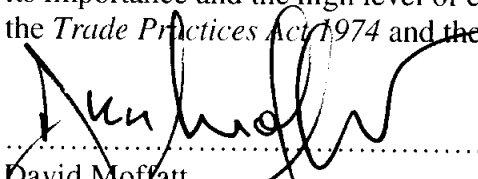
### ***Liaison with the Commission***

Our liaison with the Commission will be undertaken by Chris Vanderkley –Director of Taxation- Asia Pacific. Chris is also the senior executive in Australia responsible for the implementation of GST.

Chris is responsible for liaising with the Commission to ensure significant complaints made, and issues arising, are dealt with expeditiously and with the full cooperation of our organisation. Chris will also be responsible for providing information to, and being the first point of contact for, the Commission on this commitment.

### ***Chief Executive Officer signoff***

This commitment is signed hereunder by the Chief Executive Officer as evidence of its importance and the high level of commitment of the company to compliance with the *Trade Practices Act 1974* and the Guidelines.

  
 .....  
 David Moffatt  
 Chief Executive Officer  
 General Electric Australia & New Zealand

*2 June 2000*  
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 Date