PRODUCTIVITY COMMISSION

Section 1: Overview, appropriations and budget measures summary

OVERVIEW

The Productivity Commission (PC) is the Commonwealth Government's principal review and advisory body on microeconomic policy and regulation. The PC's work covers all sectors of the economy. It extends to the public and private sectors and focuses on areas of Commonwealth as well as State and Territory responsibility.

As a review and advisory body the PC does not have responsibility for implementing government programmes. It carries out research, inquiry, advising and incidental functions prescribed under the *Productivity Commission Act 1998.*

The PC contributes to well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective. It does this by undertaking:

- government commissioned projects;
- performance reporting and other services to government bodies;
- regulation review activities;
- competitive neutrality complaints activities; and
- supporting research and activities and statutory annual reporting.

APPROPRIATIONS

The total appropriations for the PC in the 2001-02 Budget are $22.6 million (see Table 1.1 on the following page).

Productivity Commission — appropriations 2001-02

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) ($'000)					Administered ($'000)				($'000)
	Revenue from Government (appropriations)			Revenue from other sources(2)	Price of outputs	Annual appropriations		Special approps	Total administered appropriations	Total appropriations
	Bill No. 1	Special approps	Total			Bill No. 1	Bill No. 2 (SPPs & NAOs)			
	(A)	(B)	(C = A+B)	(D)	(E = C+D)	(F)	(G)	(H)	(I = F+G+H)	(J=C+I)
Outcome 1 - Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective	22,605	-	(C1)(1) 22,605	424	(E1)(1) 23,029	-	-	-	-	22,605
			*98%	2%	100%					
Total	22,605	-	(K1)(1) 22,605	424	23,029	-	-	-	-	22,605
									Agency capital (equity injections and loans)	-
									Administered capital	-
									Total appropriations	22,605

(1) C1 and E1 refer to information provided in Table 2.1. K1 refers to information provided in Table 3.1.
(2) Revenue from other sources includes other revenue from government (for example, resources free of charge) and revenue from other sources (for example, sales of goods and services).
* Percentage figures indicate the percentage contribution of revenue from government (agency appropriations) to the total price of outputs, by outcome.

ADMINISTERED CAPITAL AND AGENCY EQUITY INJECTIONS AND LOANS

The PC does not have an appropriation for an equity injection or loan or an appropriation for administered capital in 2001-02.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map on the following page shows the relationship between Government outcomes and the contributing outputs for the Productivity Commission (PC). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.

Chart 6: Outcomes and output groups

Productivity Commission

Chairman: Mr Gary Banks

Overall outcome

Strong, sustainable economic growth and the improved wellbeing of Australians

Outcome 1

Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective

Total price of outputs: $23.0 million
Agency outcomes appropriation: $22.6 million

Output Group 1.1

Productivity Commission

Output 1.1.1	Output 1.1.2	Output 1.1.3	Output 1.1.4	Output 1.1.5
Government commissioned projects	Performance reporting and other services to government bodies	Regulation review activities	Competitive neutrality complaints activities	Supporting research and activities and statutory annual reporting
Total price: $9.7 million Appropriation: $9.5 million	Total price: $3.1 million Appropriation: $3.0 million	Total price: $2.1 million Appropriation: $2.0 million	Total price: $0.3 million Appropriation: $0.3 million	Total price: $7.8 million Appropriation: $7.8 million

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes in outcomes or outputs since the previous year.

OUTCOME 1 — DESCRIPTION

Well-informed policy decision-making and public understanding on matters relating to Australia's productivity and living standards, based on independent and transparent analysis from a community-wide perspective.

Measures affecting Outcome 1

There are no measures for the PC in the 2001-02 Budget.

OUTCOME 1 — RESOURCING

Table 2.1: Total resources for Outcome 1

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000
Agency appropriations		
Output Group 1.1 Productivity Commission		
Output 1.1.1 Government commissioned projects	9,300	9,500
Output 1.1.2 Performance reporting and other services to government bodies	2,900	3,000
Output 1.1.3 Regulation review activities	2,000	2,000
Output 1.1.4 Competitive neutrality complaints activities	300	300
Output 1.1.5 Supporting research and activities and statutory annual reporting	7,648	7,805
Total revenue from government (appropriations)	22,148	(C1)(1) 22,605
Contributing to price of agency outputs	98%	98%
Revenue from other sources		
Sale of goods and services	195	207
Interest	200	177
Other	40	40
Total revenue from other sources	435	424
Total price from agency outputs (Total revenue from government and from other sources)	22,583	(E1)(1) 23,029
Total estimated resourcing for Outcome 1 (Total price of outputs and administered expenses)	22,583	23,029

	2000-01	2001-02
Average staffing level (number)	200	195

(1) C1 and E1 — see Table 1.1.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The PC's five outputs derive from its statutory functions. The quantum and scope of the work under each output is largely determined externally (for example, government commissioned projects, regulation impact statement assessments, competitive neutrality complaints investigations). In view of this, the PC requires the flexibility to vary resources amongst its various outputs.

The effectiveness with which the PC's outputs contribute to achievement of the outcome is difficult to assess. The PC is but one source of policy advice on matters relating to Australia's productivity and living standards and many issues are complex and long term. The PC aims to demonstrate its effectiveness by reporting annually on the relevance, quality, timeliness and cost-effectiveness of its outputs.

An elaboration of the activities covered by each of the outputs is as follows:

Output 1: Government commissioned projects

Public inquiries (for example, telecommunications competition and regulation, access to essential infrastructure, cost recovery by government agencies), case studies (such as private sector contribution to biodiversity) and other commissioned work (such as international pharmaceutical price differences).

Output 2: Performance reporting and other services to government bodies

Government services performance reports, performance monitoring and related research on government trading enterprises, as well as international benchmarking of economic infrastructure.

Output 3: Regulation review activities

Assessments of regulation impact statements, a range of associated activities such as annual reporting, research, advice and education.

Output 4: Competitive neutrality complaints activities

Investigations of competitive neutrality complaints and associated activities such as research, advice and education.

Output 5: Supporting research and activities and statutory annual reporting

Statutory annual reporting, research and working papers and associated activities such as submissions, conferences and speeches.

Table 2.2: Performance information for Outcome 1

Performance information for agency outputs	
Output Group 1.1 — Productivity Commission	
Output 1.1.1 — Government commissioned projects	Capacity to undertake projects to a cost of $9.7 million.
	Projects of a high standard, useful to government, undertaken in accordance with required processes and on time.
Output 1.1.2 — Performance reporting and other services to government bodies	Capacity to provide reports and services to a cost of $3.1 million.
	Reports of a high standard, useful to government and completed on time.
Output 1.1.3 — Regulation review activities	Capacity to undertake Regulation Impact Statement assessments and associated activities to a cost of $2.1 million.
	Regulation Impact Statement assessments and associated activities of a high standard, advice useful to government and on time.
Output 1.1.4 — Competitive neutrality complaints activities	Capacity to undertake activities to a cost of $0.3 million.
	Competitive neutrality complaints successfully resolved within 90 days; associated activities of a high standard and useful to government.
Output 1.1.5 — Supporting research and activities and statutory annual reporting	Capacity to undertake annual reporting, research projects and associated activities to a cost of $7.8 million.
	Reports, projects and associated activities of a high standard, useful to government, raising community awareness and on time.

Evaluations

Evaluation of actual levels of achievement will be shown in the PC's 2001-02 Annual Report. The framework for evaluation is described in the 1999-2000 Annual Report, and will be updated in the 2000-01 Annual Report.

Competitive tendering and contracting

The PC is reviewing its information technology function in accordance with government policy, and has scheduled reviews of its other corporate services functions and agency banking arrangements.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Productivity Commission (PC)'s 2001-02 Annual Report and form the basis for the input into the Whole of Government Accounts. The financial statements should be read in conjunction with the accompanying notes.

The financial statements are prepared consistent with Goods and Services Tax (GST) accounting requirements, as outlined by the Urgent Issues Group (UIG) of the Australian Accounting Standards Board. The UIG consensus requires that expenses and assets be accounted for net of recoverable GST, revenues be accounted for net of GST payable and that cash flows and accounts payable and receivable are reported gross. Appropriations are thus net of recoverable GST amounts.

AGENCY STATEMENTS

Budgeted agency statement of financial performance

This statement provides a picture of the expected financial results for the PC by identifying full accrual expenses and revenues, which highlights whether the PC is operating at a sustainable level.

Budgeted agency statement of financial position

This statement shows the financial position of the PC. It enables decision makers to track the management of the PC's assets and liabilities.

Budgeted agency statement of cash flows

This statement identifies expected cash flows from operating activities, investing activities and financing activities.

Agency capital budget statement

This statement shows all proposed capital expenditure funded through the Budget as appropriations or from internal sources.

Agency non-financial assets — summary of movement

This statement shows the movement in the PC's non-financial assets over the Budget year 2001-02.

Table 3.1: Budgeted agency statement of financial performance
for the period ended 30 June

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
Revenues from ordinary activities		(K1)(1)			
Revenue from government	22,148	22,605	22,660	22,804	23,018
Sale of goods and services	195	207	215	223	232
Interest	200	177	225	270	312
Other	40	40	40	40	40
Total revenues from ordinary activities	22,583	23,029	23,140	23,337	23,602
Expenses from ordinary activities (excluding borrowing cost expense)					
Employees	16,590	16,900	17,000	17,200	17,400
Suppliers	5,193	5,233	5,266	5,335	5,400
Depreciation and amortisation	800	870	848	776	776
Total expenses from ordinary activities (excluding borrowing cost expense)	22,583	23,003	23,114	23,311	23,576
Borrowing cost expense	-	-	-	-	-
Net surplus or deficit from ordinary activities	-	26	26	26	26
Gain or loss on extraordinary items	-	-	-	-	-
Net surplus or deficit	-	26	26	26	26
Capital use charge	-	26	26	26	26
Net surplus or deficit after capital use charge	-	-	-	-	-

(1) K1 — see Table 1.1.

Table 3.2: Budgeted agency statement of financial position
as at 30 June

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
ASSETS					
Financial assets					
Cash	204	231	203	299	295
Receivables	50	50	50	50	50
Investments	3,100	4,000	5,000	5,800	6,700
Other	155	155	155	155	155
Total financial assets	3,509	4,436	5,408	6,304	7,200
Non-financial assets					
Infrastucture, plant and equipment	2,568	2,115	1,611	1,095	589
Intangibles	172	88	-	-	-
Total non-financial assets	2,740	2,203	1,611	1,095	589
Total assets	6,249	6,639	7,019	7,399	7,789
LIABILITIES					
Debt					
Other	30	20	10	-	-
Total debt	30	20	10	-	-
Provisions and payables					
Employees	5,756	6,156	6,546	6,936	7,326
Suppliers	250	250	250	250	250
Total provisions and payables	6,006	6,406	6,796	7,186	7,576
Total liabilities	6,036	6,426	6,806	7,186	7,576
EQUITY					
Capital	1,686	1,686	1,686	1,686	1,686
Reserves	96	96	96	96	96
Accumulated surpluses or deficits	-1,569	-1,569	-1,569	-1,569	-1,569
Total equity	213	213	213	213	213
Current liabilities	3,099	3,159	3,209	3,259	3,319
Non-current liabilities	2,937	3,267	3,597	3,927	4,257
Current assets	3,509	4,436	5,408	6,304	7,200
Non-current assets	2,740	2,203	1,611	1,095	589

Table 3.3: Budgeted agency statement of cash flows
for the period ended 30 June

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations for outputs	22,148	22,605	22,660	22,804	23,018
Sale of goods and services	195	207	215	223	232
Interest	200	177	225	270	312
Total cash received	22,543	22,989	23,100	23,297	23,562
Cash used					
Employees	16,190	16,500	16,600	16,800	17,000
Suppliers	5,281	5,213	5,256	5,325	5,380
Total cash used	21,471	21,713	21,856	22,125	22,380
Net cash from operating activities	1,072	1,276	1,244	1,172	1,182
INVESTING ACTIVITIES					
Cash received					
Sale of property, plant and equipment	10	10	10	10	10
Total cash received	10	10	10	10	10
Cash used					
Purchase of property, plant and equipment	1,192	333	256	260	270
Investments	1,600	900	1,000	800	900
Total cash used	2,792	1,233	1,256	1,060	1,170
Net cash from investing activities	-2,782	-1,223	-1,246	-1,050	-1,160
FINANCING ACTIVITIES					
Cash received					
Other	1,686	-	-	-	-
Total cash received	1,686	-	-	-	-
Cash used					
Capital use and dividends paid	-	26	26	26	26
Total cash used	-	26	26	26	26
Net cash from financing activities	1,686	-26	-26	-26	-26
Net increase in cash held	-24	27	-28	96	-4
Cash at beginning of reporting period	228	204	231	203	299
Cash at end of reporting period	204	231	203	299	295

Table 3.4: Agency capital budget statement

	Estimated actual 2000-01 $'000	Budget estimate 2001-02 $'000	Forward estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000
Purchase of non-current assets					
Funded by capital appropriations	-	-	-	-	-
Funded internally by agency resources	1,192	333	256	260	270
Total	1,192	333	256	260	270

Table 3.5: Agency non-financial assets — summary of movement (Budget year 2001-02)

	Land	Buildings	Total land and buildings	Specialist military equipment	Other infrastructure plant and equipment	Total infrastructure plant and equipment	Intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
GROSS VALUE								
As at 1 July 2001 (opening)	-	-	-	-	6,106	6,106	477	6,583
Additions	-	-	-	-	323	323	10	333
Disposals	-	-	-	-	-175	-175	-	-175
As at 30 June 2002 (closing)	-	-	-	-	6,254	6,254	487	6,741
ACCUMULATED DEPRECIATION								
As at 1 July 2001 (opening)	-	-	-	-	3,538	3,538	305	3,843
Disposals	-	-	-	-	-175	-175	-	-175
Charge for the reporting period	-	-	-	-	776	776	94	870
As at 30 June 2002 (closing)	-	-	-	-	4,139	4,139	399	4,538
Net book value As at 30 June 2002 (closing book value)	-	-	-	-	2,115	2,115	88	2,203
Net book value As at 1 July 2001 (opening book value)	-	-	-	-	2,568	2,568	172	2,740
TOTAL ADDITIONS								
Self funded	-	-	-	-	323	323	10	333
Total	-	-	-	-	323	323	10	333

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

These financial statements have been prepared on a full accrual basis with the PC being funded accordingly from 2000-01 onwards.

Non-financial assets consist mainly of Leasehold Improvements to the PC's leased accommodation and are being depreciated over the period of the leases. As no major capital expenditure is being proposed during the current estimating period through to year 2004-05, the written-down value is decreasing annually. Conversely the PC's financial assets are increasing through the funding of depreciation and will be available when required for future improvements.

Performance against outcomes and outputs

Performance information is included earlier under Table 2.2.

Appendix 1

Non-appropriation agency revenue

	Estimated revenue 2000-01 $'000	Estimated revenue 2001-02 $'000
Non-appropriation agency revenue		
Sale of goods and services	195	207
Interest	200	177
Other	40	40
Total non-appropriation agency revenue	435	424