AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Section 1: Overview, appropriations and budget measures summary

OVERVIEW

The Australian Competition and Consumer Commission (ACCC) is an independent statutory authority which administers the *Trade Practices Act 1974* and the *Prices Surveillance Act 1983* and performs functions under other Commonwealth legislation and State and Territory Competition Policy Reform Acts.

The ACCC seeks to:

- promote effective competition and informed markets;
- encourage fair trading and protect consumers; and
- regulate infrastructure services markets and other markets where competition is restricted.

The ACCC also collects administered revenue on behalf of the Government and this includes authorisation fees, fines and costs.

APPROPRIATIONS

The total appropriation for the ACCC in the 2002-03 Budget is $61.8 million. Table 1.1 on the following page provides this detail.

Australian Competition and Consumer Commission — appropriations 2002-03

Table 1.1: Appropriations and other revenue ($'000)

Outcome	Agency (price of outputs) ($'000)					Administered ($'000)				($'000)
	Revenue from government (appropriations)			Revenue from other sources[3]	Price of outputs[2]	Annual appropriations ($'000)		Special appropriations	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)
			(C1)[1]		(E1)[1]					
Outcome 1 — To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets	61,800	-	61,800	956	62,756	-	-	-	-	61,800
			99%	1%	100%					
Total	61,800	- (K1)[1]	61,800	956	62,756	-	-	-	-	61,800
Agency capital (equity injections and loans)										-
Administered capital										-
Total appropriations										61,800

1. References C1 and E1 refer to information provided in Table 2.1. K1 refers to information provided in Table 3.1, Budgeted Statement of Financial Performance.
2. Refer to Budgeted Statement of Financial Performance in Table 3.1 for application of agency revenue.
3. 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). Non-appropriated agency revenues are detailed in Appendix 1.

Note: Percentage figures indicate the percentage contribution of revenue from government (agency appropriations) to the total price of outputs, by outcome.

EQUITY INJECTIONS AND LOANS

The ACCC does not have an appropriation for an equity injection or loan in the 2002-03 Budget.

Section 2: Outcomes and outputs information

OUTCOMES AND OUTPUT GROUPS

The map below shows the relationship between Government outcomes and the contributing outputs for the Australian Competition and Consumer Commission (ACCC). Financial detail for Outcome 1 by output appears in Table 2.1 while non-financial information for Outcome 1 appears in Table 2.2.

Map 2: Outcomes and output groups

Australian Competition and Consumer Commission

Chairperson: Professor Allan Fels, AO

Overall outcome

Strong, sustainable economic growth and the improved wellbeing of Australians

Outcome 1

To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets

Total price of outputs: $62.8 million
Agency outcomes appropriation: $61.8 million

Output Group 1.1

Australian Competition and Consumer Commission

Output 1.1.1

Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed

Output 1.1.2

Competitive market structures and informed behaviour

CHANGES TO OUTCOMES AND OUTPUTS

The ACCC's outputs as published in the 2001-02 Treasury Portfolio Budget Statements were:

- Output 1.1.1: The proper administration and enforcement of the *Trade Practices Act 1974*, the *Prices Surveillance Act 1983* and related laws.
- Output 1.1.2: Performance of actions that promote competition and fair trading and enable well functioning markets.

The ACCC has amended the description of its two outputs. The descriptions have been amended to reflect the ACCC's Corporate plan. The ACCC's new outputs are:

- Output 1.1.1: Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed.
- Output 1.1.2: Competitive market structures and informed behaviour.

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

OUTCOME 1 — DESCRIPTION

To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets.

The ACCC's role is to administer the *Trade Practices Act 1974* and the *Prices Surveillance Act 1983* and to perform functions under other Commonwealth legislation and State and Territory Competition Policy Reform Acts.

The ACCC seeks to:

- promote effective competition and informed markets;
- encourage fair trading and protect consumers; and
- regulate infrastructure services market and other markets where competition is restricted.

Measures affecting Outcome 1

There are no measures for the ACCC in the 2002-03 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2002-03 appropriations translate to total resourcing for Outcome 1, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1 ($'000)

	Estimated actual 2001-02 $'000		Budget estimate 2002-03 $'000
Agency appropriations			
Output Group 1.1 - Australian Competition and Consumer Commission			
Output 1.1.1 - Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed	55,044		40,788
Output 1.1.2 - Competitive market structures and informed behaviour	28,356		21,012
Total revenue from government (appropriations)	83,400	(C1)[(1)]	61,800
Contributing to price of agency outputs	99%		98%
Revenue from other sources			
Sales of goods and services	650		400
Interest	456		506
Resources received free of charge	50		50
Total revenue from other sources	1,156		956
Total price from agency outputs			
(Total revenue from government and from other sources)	84,556	(E1)[(1)]	62,756
Total estimated resourcing for Outcome 1			
(Total price of outputs and administered appropriations)	84,556		62,756

	2001-02	2002-03
Average staffing level (number)	480	460

(1) C1 and E1 show the links back to Table 1.1.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The ACCC's outputs of compliance with laws and competitive market structures reflect the Government's decision to foster competitive, efficient, fair and informed Australian markets.

The outputs reflect the activity that the ACCC undertakes to fulfil its role and functions. The Government seeks to enhance the social and economic welfare of Australians, which the ACCC seeks to contribute by:

- promoting effective competition and informed markets;
- encouraging fair trading and protecting consumers; and
- regulating infrastructure services market and other markets where competition is restricted.

The ACCC commits to meet these goals through effective and timely outcomes in the public interest, and to communicating its actions and results to the community at large.

PERFORMANCE INFORMATION FOR OUTCOME 1

Table 2.2: Performance information for Outcome 1

Performance information for administered items (including third party outputs)	
Output Group 1.1 - Australian Competition and Consumer Commission	
Outputs 1.1.1 and 1.1.2 - Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed. Competitive market structures and informed behaviour	Collection of Statutory fees and judgement debts.
Performance information for agency outputs	
Output Group 1.1 - Australian Competition and Consumer Commission	
Output 1.1.1 - Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed	Respond quickly to allegations of breaches of competition, fair trading and consumer legislation. Seek appropriate remedies when there is a breach of the law. Enforce mandatory product safety and information standards. Develop new consumer protection and investigative initiatives for e-commerce. Liaise with and inform business and consumers about the law so that they can, in turn, inform their members and customers. Issue publications and media releases, speak to the public, conduct public meetings and conferences and use the latest technology to reach businesses and consumers throughout Australia. Work with other competition, fair trading and consumer protection agencies in Australia and overseas.
Output 1.1.2 - Competitive market structures and informed markets	Assess the competition effects of mergers, acquisitions or asset sales. Ensure that access regulation provides incentives for efficient business investment and use of infrastructure. Ensure that businesses using monopoly services pay prices that reflect efficient costs.

Table 2.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
	Adjudicate authorisation applications (where anti-competitive behaviour is claimed to deliver public benefits).
	Develop industry specific codes of conduct.
	Publicise merger and authorisation decisions, arbitrations, undertakings and access arrangements and monitoring activities and inquiry findings.
	Assist parliamentary inquiries and government agencies to develop policies and processes that are consistent with the competition, fair trading and consumer protection laws.
	Liaise with other regulators, business and consumer associations, speak to the public, participate in meetings and conferences, nationally and internationally.
	Help overseas trading partners to develop and implement effective competition regimes to benefit Australian industry.
	Monitor prices to assess the impact of market conditions on price levels of goods and services.

EVALUATIONS

Stakeholder views will be sought on the effectiveness of the ACCC's actions.

Section 3: Budgeted financial statements

The budgeted financial statements will form the basis of the financial statements that will appear in the Australian Competition and Consumer Commission's (ACCC) 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 abridged notes.

The budgeted financial statements have been prepared in accordance with the Goods and Services Tax (GST) accounting guidelines of 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 be reported gross. Appropriations are thus net of recoverable GST amounts.

AGENCY FINANCIAL STATEMENTS

Budgeted agency statement of financial performance

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

Budgeted agency statement of financial position

This statement shows the financial position of the ACCC. It enables decision makers to track the management of the ACCC'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 non-financial assets — summary of movement

This statement shows the movement in the ACCC's non-financial assets over the Budget year 2002-03.

NOTES OF ADMINISTERED ACTIVITY

Details of transactions administered by the agency on behalf of the Commonwealth are to be shown in the following notes to the financial statements.

Note of budgeted administered financial performance

This note identifies the main revenues and expenses administered on behalf of the Government. It also discloses administered revenues from government and transfers to the Public Account.

Note of budgeted administered financial position

This note shows the assets and liabilities administered on behalf of the Government.

Note of budgeted administered cash flows

This note shows cash flows administered on behalf of the Government.

Table 3.1: Budgeted Agency Statement of Financial Performance
for the period ended 30 June

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
Revenues from ordinary activities					
Revenue from government	83,400	(K1)[(1)] 61,800	57,700	57,900	57,321
Sales of goods and services	650	400	400	400	400
Interest	456	506	571	632	697
Other	50	50	50	50	50
Total revenues from ordinary activities	84,556	62,756	58,721	58,982	58,468
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	29,663	27,697	29,338	31,039	30,819
Suppliers	47,645	32,077	26,514	25,572	25,391
Depreciation and amortisation	1,211	1,243	1,332	1,377	1,377
Net loss on sales of assets	266	-	-	-	-
Interest	70	70	70	70	70
Total expenses from ordinary activities (excluding borrowing costs expense)	78,855	61,087	57,254	58,058	57,657
Borrowing costs expense	-	-	-	-	-
Net surplus or deficit from ordinary activities	5,701	1,669	1,467	924	811
Gain or loss on extraordinary items	-	-	-	-	-
Net surplus or deficit	5,701	1,669	1,467	924	811
Capital use charge	-	-	-	-	-
Net surplus or deficit after capital use charge	5,701	1,669	1,467	924	811

(1) K1 — shows the link back to Table 1.1.

Table 3.2: Budgeted Agency Statement of Financial Position
as at 30 June

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
ASSETS					
Financial assets					
Cash	47	(754)	(1,808)	(2,985)	(3,729)
Receivables	235	235	235	235	235
Investments	5,203	6,482	7,812	9,204	10,659
Total financial assets	5,485	5,963	6,239	6,454	7,165
Non-financial assets					
Land and buildings	2,962	3,472	3,965	5,043	5,043
Infrastucture, plant and equipment	1,120	836	1,994	1,654	1,654
Inventories	95	95	95	95	95
Intangibles	901	930	960	991	991
Other	2,328	2,328	2,328	2,328	2,328
Total non-financial assets	7,406	7,661	9,342	10,111	10,111
Total assets	12,891	13,624	15,581	16,565	17,276
LIABILITIES					
Debt					
Leases	1,260	1,260	1,498	1,498	1,498
Total debt	1,260	1,260	1,498	1,498	1,498
Provisions and payables					
Employees	8,182	7,543	7,959	8,397	8,312
Suppliers	6,970	6,673	6,509	6,131	6,116
Total provisions and payables	15,152	14,216	14,468	14,528	14,428
Total liabilities	16,412	15,476	15,966	16,026	15,926
EQUITY					
Capital	3,100	3,100	3,100	3,100	3,100
Reserves	768	768	768	768	768
Accumulated surpluses or deficits	(7,389)	(5,720)	(4,253)	(3,329)	(2,518)
Total equity	(3,521)	(1,852)	(385)	539	1,350
Current liabilities	13,516	12,707	12,877	12,849	12,766
Non-current liabilities	2,896	2,769	3,089	3,177	3,160
Current assets	5,485	5,963	6,239	6,454	7,165
Non-current assets	7,406	7,661	9,342	10,111	10,111

Table 3.3: Budgeted Agency Statement of Cash Flows
for the period ended 30 June

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations for outputs	83,400	61,800	57,700	57,900	57,321
Sales of goods and services	650	400	400	400	400
Interest	456	506	571	632	697
Total cash received	84,506	62,706	58,671	58,932	58,418
Cash used					
Employees	29,635	28,336	28,923	30,601	30,904
Suppliers	47,916	32,394	26,697	25,970	25,426
Total cash used	77,551	60,730	55,620	56,571	56,330
Net cash from operating activities	6,955	1,976	3,051	2,361	2,088
INVESTING ACTIVITIES					
Cash received					
Purchases of property, plant and equipment	1,751	1,498	2,775	2,146	1,377
Investment in deposits	5,203	1,279	1,330	1,392	1,455
Total cash received	6,954	2,777	4,105	3,538	2,832
Net cash from investing activities	(6,954)	(2,777)	(4,105)	(3,538)	(2,832)
Net increase (decrease) in cash held	1	(801)	(1,054)	(1,177)	(744)
Cash at the beginning of the reporting period	46	47	(754)	(1,808)	(2,985)
Cash at the end of the reporting period	47	(754)	(1,808)	(2,985)	(3,729)

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2002-03)

	Land	Buildings	Total land and buidings	Specialist military equipment	Other infrastructure plant and equipment	Total infrastructure plant and equipment	Intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the start of year	-	2,962	2,962	-	1,120	1,120	901	4,983
Additions	-	900	900	-	259	259	339	1,498
Disposals	-	-	-	-	-	-	-	-
Revaluation increments	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Net transfers free of charge	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	(390)	(390)	-	(543)	(543)	(310)	(1,243)
Write-off of assets	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	3,472	3,472	-	836	836	930	5,238
Total additions								
Self funded	-	900	900	-	259	259	339	1,498
Appropriations	-	-	-	-	-	-	-	
Total	-	900	900	-	259	259	339	1,498

Table 3.7: Note of Budgeted Financial Performance Administered on behalf of Government *for the period ended 30 June*

	Estimated actual 2001-02 $'000	Budget estimates 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
REVENUES					
Non-taxation					
Other sources of non-taxation revenues	1,891	10,000	10,000	10,000	10,000
Total non-taxation	1,891	10,000	10,000	10,000	10,000
Total revenues administered on behalf of government	1,891	10,000	10,000	10,000	10,000
EXPENSES					
Other	200	200	200	200	200
Total expenses administered on behalf of government	200	200	200	200	200

Table 3.8: Note of Budgeted Financial Position Administered on behalf of Government *as at 30 June*

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
ASSETS					
Financial assets					
Cash	1,918	1,718	1,518	1,318	1,118
Receivables	2,000	2,000	2,000	2,000	2,000
Total financial assets	3,918	3,718	3,518	3,318	3,118
Total assets administered on behalf of government	3,918	3,718	3,518	3,318	3,318
LIABILITIES					
Provisions and payables					
Other	200	200	200	200	200
Total provisions and payables	200	200	200	200	200
Total liabilities administered on behalf of government	200	200	200	200	200
Current liabilities	200	200	200	200	200
Non-current liabilities	-	-	-	-	-
Current assets	3,918	3,718	3,518	3,318	3,118
Non-current assets	-	-	-	-	-

Table 3.9: Note of Budgeted Administered Cash Flows
for the period ended 30 June

	Estimated actual 2001-02 $'000	Budget estimate 2002-03 $'000	Forward estimate 2003-04 $'000	Forward estimate 2004-05 $'000	Forward estimate 2005-06 $'000
OPERATING ACTIVITIES					
Cash received					
Other taxes, fees and fines	1,962	9,790	9,790	9,790	9,790
Other	13	10	10	10	10
Total cash received	1,975	9,800	9,800	9,800	9,800
Net cash from operating activities	1,975	9,800	9,800	9,800	9,800
INVESTING ACTIVITIES					
Cash used					
Cash to Official Public Account	1,891	10,000	10,000	10,000	10,000
Total cash used	1,891	10,000	10,000	10,000	10,000
Net cash from investing activities	1,891	10,000	10,000	10,000	10,000
Net increase (decrease) in cash held	84	(200)	(200)	(200)	(200)
Cash at beginning of reporting period	1,834	1,918	1,718	1,518	1,318
Administered cash at end of reporting period	1,918	1,718	1,518	1,318	1,118

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets which, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Agency and administered items

Agency assets, liabilities, revenues and expenses are those items that are controlled by the ACCC. They are used by the ACCC in producing its outputs, including:

- computers, plant and equipment used in providing goods and services;
- liabilities for employee entitlements;
- revenues from appropriations or independent sources in payment of outputs; and
- employee, supplier and depreciation expenses incurred in producing Commission outputs.

Administered items are those items which are controlled by the Government and managed or oversighted by the ACCC on behalf of the Government. These administered items managed or controlled by the ACCC include authorisation fees, fines and costs.

The purpose of the separation of agency and administered items is to enable the assessment of administrative efficiency of the agency in providing goods and services.

Revenue from government

Revenue from government are revenues relating to the core operating activities of the ACCC. Policies for accounting for revenue from government follow:

Agency appropriations

Since 1 July 1999, the Commonwealth Budget has been prepared under an accruals framework.

Appropriations to the ACCC for its agency outputs are recognised as revenue to the extent they have been received into the ACCC's bank account or are entitled to be received by the ACCC at year end.

Resources received free of charge

Services received free of charge are recognised in the statement of financial performance as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Other revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Administered revenue includes fines and costs, which are recognised as per the court judgement orders. Authorisation fees are recognised when the application is received.

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 leased non-current assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the inception of the lease and a liability recognised for the same amount. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are charged to the statement of operating performance on a basis which is representative of the pattern of benefits derived from the lease assets.

The ACCC entered into a sale and lease back of certain IT assets on 1 July 1999. This sale and lease back of the IT assets has been specifically treated as a finance lease. The consequent loss on sale of $0.8 million is being amortised over three years.

Receivables

Court costs, which are awarded, are not considered as receivables or as creditors, as the case may be, until the costs have been agreed by the concerned parties.

A provision is raised for any doubtful debts based on a review of the collectability of all outstanding accounts as at year end.

Bad debts are written off during the year in which they are identified.

Property, plant and equipment

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than $1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

Schedule 2 requires that buildings, infrastructure, plant and equipment be revalued progressively in accordance with the 'deprival' method of valuation in successive three year cycles.

The ACCC revalued all its assets (except intangibles) on 1 July 1999. The current revaluation cycle commenced in 1999-2000. The ACCC is currently having its assets revalued in accordance with its revaluation strategy. However, no revaluation adjustments have been factored into the current budget estimates.

The ACCC is implementing the requirements of Schedule 2 as follows:

- leasehold improvements were revalued as at 1 July 1999 at depreciated replacement cost;

- plant and equipment (including furniture and fittings, office equipment and computer equipment excluding software) assets, were revalued as at 1 July 1999 at deprival value; and

- intangibles (software) have not been revalued.

Depreciation and amortisation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the ACCC using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight line basis over the lesser of the estimated life of the improvements or the unexpired period of the lease.

Depreciation/amortisation rates (useful lives) and methods are reviewed at each balance date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates apply to each class of depreciable asset are as follows:

Asset class	Total useful life
Fitout	Lesser of the term of the lease or 10 years
Furniture and fittings	10 years
Office equipment	5 years
Computer hardware	3 years
Computer software	3 to 7 years

APPENDIX 1: RECEIPTS FROM INDEPENDENT SOURCES

Receipts from independent sources

	Estimated revenue 2001-02 $'000	Estimated revenue 2002-03 $'000
AGENCY REVENUE		
Non-appropriation agency revenue		
Sales of goods and services	650	400
Interest	456	506
Resources free of charge	50	50
Total non-appropriation agency revenue	1,156	956
Non-appropriation administered revenue		
Fines and costs	1,524	9,490
Authorisation fees	354	500
Other	13	10
Total non-appropriation administered revenue	1,891	10,000