AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

Section 1: Overview, appropriations and budget measures summary

AGENCY OVERVIEW

The Australian Competition and Consumer Commission (ACCC) is an independent statutory authority which administers the *Trade Practices Act 1974* 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 the infrastructure services market and other markets where competition is restricted.

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

APPROPRIATIONS AND RESOURCING

The total appropriation for the ACCC in the 2004-05 Budget is $121.8 million. Table 1.1 on the following page provides this detail.

Table 1.2 details funding provided for new budget measures in 2004-05.

Australian Competition and Consumer Commission — appropriations 2004-05

Table 1.1: Appropriations and other revenue

Outcome	Agency (price of outputs) $'000					Administered $'000				$'000
	Revenues from government (appropriations)			Revenue from other sources[3]	Price of outputs[2]	Annual appropriations		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	97,807	-	97,807	460	98,267	-	-	-	-	97,807
			100%	0%	100%					
Total	97,807	-	(K1)[1] 97,807	460	98,267	-	-	-	-	97,807
								Agency capital (equity injections and loans)	(K3)[1]	23,959
								Administered capital		-
								Total appropriations		121,766

1. C1 and E1 refer to information provided in Table 2.1, Total resources for Outcome 1. K1 refers to information provided in Table 3.1, Budgeted Agency Statement of Financial Performance. K3 refers to information provided in Table 3.4, Agency Capital Budget Statement.
2. Refer to Table 3.1, Budgeted Agency Statement of Financial Performance for application of agency revenue.
3. Revenue from other sources includes other revenues from government (for example, resources free of charge) and revenue from other sources (for example, goods and services). Non-appropriated agency revenues are detailed in Table 1.3.

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

MEASURES — AUSTRALIAN COMPETITION AND CONSUMER COMMISSION SUMMARY

Table 1.2: Summary of measures disclosed in the 2004-05 Budget

Measure	Outcome	Output Groups affected	2004-05 appropriations budget $'000			2005-06 appropriations forward estimate $'000			2006-07 appropriations forward estimate $'000			2007-08 appropriations forward estimate $'000		
			Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total	Admin expenses	Agency outputs	Total
Australian Competition and Consumer Commission - strengthening capacity to foster competitive, fair and informed Australian markets	1	1.1	-	24,000	24,000	-	8,400	8,400	-	7,100	7,100	-	7,200	7,200
Australian Competition and Consumer Commission - strengthening capacity to foster competitive, fair and informed Australian markets *(Related capital)*	1	1.1	-	-	-	-	-	-	-	-	-	-	-	-
Australain Energy Regulator	1	1.1	-	6,470	6,470	-	-	-	-	-	-	-	-	-
Australain Energy Regulator *(Related capital)*	1	1.1	-	1,959	1,959	-	-	-	-	-	-	-	-	-

AGENCY AND ADMINISTERED REVENUES

Table 1.3: Agency and administered revenues

	2003-04 estimated revenue $'000	2004-05 estimated revenue $'000
ESTIMATED AGENCY REVENUES		
Non-appropriation agency revenues		
Goods and services	400	400
Other	60	60
Total non-appropriation agency revenues	460	460
Appropriation revenue	74,148	97,807
Total estimated agency revenues	74,608	98,267
ESTIMATED ADMINISTERED REVENUES		
Non-appropriation administered revenues		
Fines and costs	24,567	10,000
Total non-appropriation administered revenues	24,567	10,000
Total estimated agency and administered revenues	99,175	108,267

Note: one per cent of revenues are due to cost recovery arrangements.

Revenues include goods and services (that is, seminars/speakers fees, sale of publications, photocopy revenue and sale of non-current assets).

MOVEMENT OF ADMINISTERED FUNDS FROM 2003-04 TO 2004-05

Table 1.4: Movement of administered funds from 2003-04 to 2004-05

Movement of funding between years	$ 14.6 million

The reduction for 2004-05 reflects a one-off fine of $14.6 million (revenue) expected to be received in 2003-04 which was a penalty ordered as part of the ACCC action against a transformer cartel.

SPECIAL ACCOUNTS

Table 1.6: Estimates of special account flows and balances

	A[1]	**2004-05**	**2004-05**	**2004-05**	**2004-05**
	B[1]	2003-04	2003-04	2003-04	2003-04
		opening balance	receipts	payments	closing balance
		$'000	$'000	$'000	$'000
SPECIAL ACCOUNTS					
Other Trust Account[2]		**375**	**-**	**7**	**368**
		382	-	7	375
Electricity regulation[3]		**-**	**10,769**	**10,369**	**400**
		-	-	-	-
Total special accounts		**375**	**10,769**	**10,376**	**768**

1. The opening balance for 2004-05 (reference A) is the same as the closing balance for 2003-04 (reference B).
2. This special account is departmental in nature and is governed by section 20 of the *Financial Management and Accountability Act 1997*.
3. It is intended that the special account for the proposed Australian Energy Regulator will be governed by separate enabling legislation.

The Special Public Monies are held by the ACCC in a Trustee capacity. The Trust monies are a result of a court order of which payment to the beneficiary is pending. These monies are temporarily held for the benefit of a person or entity other than the Commonwealth.

A special account is proposed for the operations of the proposed Australian Energy Regulator. The establishment of the Australian Energy Regulator is subject to new legislation.

AGENCY EQUITY INJECTIONS AND LOANS

The ACCC will receive an equity injection of $23.9 million in the 2004-05 Budget. An amount of $22.0 million is to fund the deficit in ACCC's cash balance as a result of past operating losses and to increase the litigation contingency fund to its originally intended level. The balance of $1.9 million is the establishment capital costs of the proposed Australian Energy Regulator.

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: Mr Graeme Samuel

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: $98.3 million
Agency outcomes appropriation: $97.8 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

Output cost attribution

The ACCC uses a process of cost allocation to estimate the costs of each output in Table 2.1.

The cost of each output is comprised of direct and indirect costs. Direct costs are assigned to outputs according to detailed cost profiles. Indirect costs that comprise corporate and overhead items such as information technology, accommodation and human resource management are allocated to outputs based on a consumption (cost driver) basis.

CHANGES TO OUTCOMES AND OUTPUTS

There are no proposed changes to the outcome or outputs.

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 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 the infrastructure services market and other markets where competition is restricted.

Measures affecting Outcome 1

Australian Competition and Consumer Commission — strengthening capacity to foster competitive, fair and informed Australian markets

The Government will provide $46.7 million over four years and a $22 million equity injection in 2004-05 to enable the Australian Competition and Consumer Commission to effectively deal with an increased number of matters and maintain its levels of service delivery to the community.

The provision of an equity injection is a financial transaction within the general government sector and consequently has no direct impact on the fiscal balance.

Australian Energy Regulator

The Government will provide $8.4 million in 2004-05 (including $1.9 million capital funding) to fund the establishment of the Australian Energy Regulator. The total cost of the Regulator in 2004-05 is expected to be $10.7 million, of which $2.3 million represents a transfer from existing funding of the Australian Competition and Consumer Commission.

The Regulator, expected to be established by 1 July 2004, will have initial responsibility for the economic regulation of wholesale electricity and transmission networks and key rule enforcement functions. The Regulator will exercise powers under an agreed new national energy legislative framework, and undertake the sector-specific regulatory functions previously exercised by the Australian Competition and Consumer Commission and the National Electricity Code Administrator.

The responsibilities of the Regulator are to be extended to include gas transmission by 30 June 2005 and distribution and retailing (other than retail pricing) by 2006, following development of an agreed national framework.

The Regulator will be a constituent part of the Australian Competition and Consumer Commission but will also operate as a separate legal entity.

The cost of the establishment and operation of the Regulator will be recovered from industry once an appropriate mechanism is established.

Future funding for the Regulator will be considered in the context of the 2005-06 Budget.

OUTCOME 1 — RESOURCING

Table 2.1 shows how the 2004-05 appropriations translate to total resourcing for Outcome 1, including revenues from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total resources for Outcome 1

	2003-04 estimated actual $'000		2004-05 budget estimate $'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	48,382		59,597
Output 1.1.2 - Competitive market structures and informed behaviour	25,766		38,210
Total revenues from government (appropriations)	74,148	(C1)[1]	97,807
Contributing to price of agency outputs	99%		100%
Revenue from other sources			
Goods and services	400		400
Other	60		60
Total revenue from other sources	460		460
Total price from agency outputs (Total revenues from government and from other sources)	74,608	(E1)[1]	98,267
Estimated payments from special account balances[2]			
Other Trust Monies	7		7
Electricity regulation	-		10,369
Total agency special account outflows	7		10,376
Total estimated resourcing for Outcome 1 (Total price of outputs appropriations)	74,608		98,267

	2003-04	2004-05
Average staffing level (number)	447	475

1. C1 and E1 show the links back to Table 1.1.
2. Further details on special accounts appear in Table 1.6.

OUTCOME 1 — CONTRIBUTION OF OUTPUTS

The ACCC's outputs of compliance with laws and competitive market structures reflect the Australian 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 Australian 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 the 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. Publicise litigation and education activities. 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.

Table 2.2: Performance information for Outcome 1 (continued)

Performance information for agency outputs (continued)	
Output 1.1.2 - Competitive market structures and informed behaviour	Assess the competition effects of mergers, acquisitions or asset sales. Encourage competition in markets that depend on monopoly services. 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. 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) 2003-04 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 contain estimates prepared in accordance with the requirements of the Australian Government's financial budgeting and reporting framework, including the principles of Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration.

ANALYSIS OF BUDGETED FINANCIAL STATEMENTS

An analysis of the ACCC's budgeted financial statements is provided below.

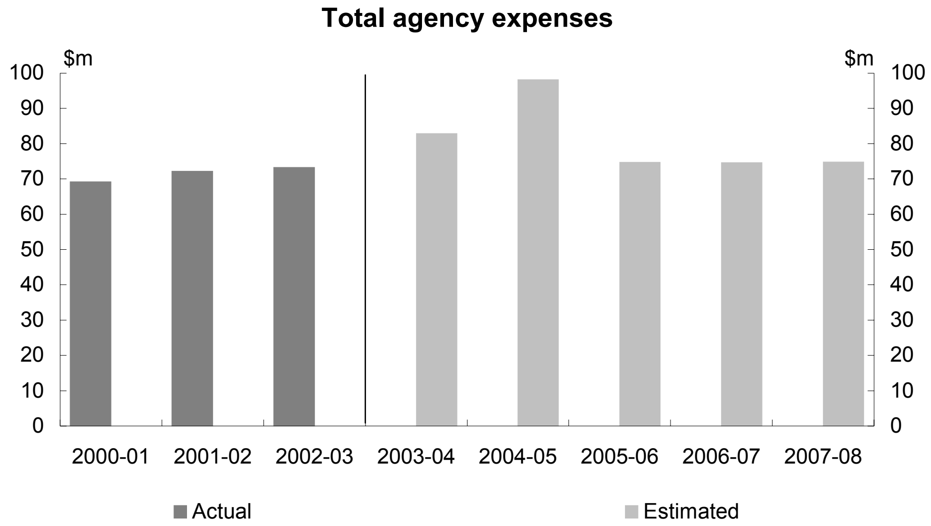
Statement of Financial Performance

The ACCC is budgeting for a breakeven operating result in 2004-05. The estimated operating result for 2003-04 is an approved operating loss of $8.4 million. The 2003-04 operating loss is attributed to the increasing costs of litigation incurred throughout the year.

Total revenue for 2004-05 is estimated to be $98.3 million, an increase of $23.7 million on the 2003-04 estimated actual revenue. The increase is as a result of:

- additional funding of $23.9 million to maintain existing levels of activity
- less one off funding provided in 2003-04 of $6.8 million to meet additional cost pressures
- additional funding of $6.5 million for the establishment and operational costs of the proposed Australian Energy Regulator.

The trend for agency expenses is shown in the following graph.



Total expenses for 2004-05 are estimated to be $98.2 million, an increase of $15.2 million. The main increases are as a result of:

- Increased employee expenses of $5.2 million, including wage and superannuation cost increases and salaries for the establishment and operational costs of the proposed Australian Energy Regulator;

- A net increase of $6.5 million from 2003-04 to cover the increasing costs of pursuing litigation; and

- Supplier expenses of $3.5 million for the establishment and operational costs of the proposed Australian Energy Regulator.

Statement of Financial Position

The ACCC's budgeted 2004-05 net asset position will be $11.1 million, an increase of $23.9 million from 2003-04. This capital funding comprises:

- The amount of $12 million to restore the Commission's balance sheet position following operating losses over the last two financial years;

- $10 million to restore the Litigation Contingency Fund to its originally intended level, to meet other party costs when required in later years; and

- $1.9 million to cover capital establishment costs for the proposed Australian Energy Regulator.

Administered Revenues and Expenses

The budget estimate of $10.0 million for administered revenue reflects an estimate of the ongoing level of fines and costs awarded to the ACCC. The 2003-04 estimated actual revenue included one off revenue of $14.6 million from a penalty ordered as part of the ACCC action against a transformer cartel.

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 capital budget statement

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

Agency non-financial assets — summary of movement

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

NOTE OF ADMINISTERED ACTIVITY

Details of transactions administered by the agency on behalf of the Australian Government 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 Australian Government. It also discloses administered revenues from government and transfers to the Official Public Account.

Note of budgeted administered financial position

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

Note of budgeted administered cash flows

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

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

	2003-04 estimated actual $'000		2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
REVENUES						
Revenues from ordinary activities						
Revenue from government	74,148	(K1)[1]	97,807	74,383	74,255	74,426
Goods and services	400		400	400	400	400
Other	60		60	60	60	60
Total revenues from ordinary activities	74,608		98,267	74,843	74,715	74,886
EXPENSES						
Expenses from ordinary activities (excluding borrowing costs expense)						
Employees	38,200		43,409	42,021	42,853	43,720
Suppliers	42,569		52,370	30,528	29,607	28,911
Depreciation and amortisation	2,145		2,382	2,201	2,183	2,183
Total expenses from ordinary activities (excluding borrowing costs expense)	82,914		98,161	74,750	74,643	74,814
Borrowing costs expense	94		106	93	72	72
Operating surplus or (deficit) from ordinary activities	(8,400)		-	-	-	-

1. K1 shows the link back to Table 1.1.

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

	2003-04 estimated actual $'000	2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
ASSETS					
Financial assets					
Cash	1,166	2,654	2,091	1,056	1,355
Receivables	795	22,795	23,795	24,795	25,795
Total financial assets	1,961	25,449	25,886	25,851	27,150
Non-financial assets					
Land and buildings	1,639	2,270	3,698	5,926	5,554
Infrastructure, plant and equipment	2,050	1,855	957	930	970
Inventories	87	87	87	87	87
Intangibles	945	1,200	1,233	1,066	1,099
Other	646	646	768	768	768
Total non-financial assets	5,367	6,058	6,743	8,777	8,478
Total assets	7,328	31,507	32,629	34,628	35,628
LIABILITIES					
Interest bearing liabilities					
Leases	562	562	562	562	562
Total interest bearing liabilities	562	562	562	562	562
Provisions					
Employees	10,142	10,820	11,320	11,920	12,520
Total provisions	10,142	10,820	11,320	11,920	12,520
Payables					
Suppliers	9,139	8,542	9,164	10,563	10,963
Other	329	468	468	468	468
Total payables	9,468	9,010	9,632	11,031	11,431
Total liabilities	20,172	20,392	21,514	23,513	24,513
EQUITY					
Parent entity interest					
Contributed equity	3,156	27,115	27,115	27,115	27,115
Reserves	1,052	1,052	1,052	1,052	1,052
Retained surpluses or accumulated deficits	(17,052)	(17,052)	(17,052)	(17,052)	(17,052)
Total parent entity interest	(12,844)	11,115	11,115	11,115	11,115
Total equity	(12,844)	11,115	11,115	11,115	11,115
Current assets	2,607	26,095	26,654	26,619	27,918
Non-current assets	4,721	5,412	5,975	8,009	7,710
Current liabilities	15,101	14,982	15,854	17,553	18,253
Non-current liabilities	5,071	5,410	5,660	5,960	6,260

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

	2003-04 estimated actual $'000	2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
OPERATING ACTIVITIES					
Cash received					
Appropriations	74,148	97,807	74,383	74,255	74,426
Goods and services	427	400	400	400	400
Other	7,439	60	60	60	60
Total cash received	82,014	98,267	74,843	74,715	74,886
Cash used					
Cash to Official Public Account	-	22,000	1,000	1,000	1,000
Employees	37,260	41,041	39,664	41,092	41,949
Suppliers	44,809	54,085	31,452	28,935	29,249
Borrowing costs	94	106	93	72	72
Total cash used	82,163	117,232	72,209	71,099	72,270
Net cash from or (used by) operating activities	(149)	(18,965)	2,634	3,616	2,616
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment	431	3,073	2,764	4,218	1,884
Other	33	-	-	-	-
Total cash used	464	3,073	2,764	4,218	1,884
Net cash from or (used by) investing activities	(464)	(3,073)	(2,764)	(4,218)	(1,884)
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	56	23,959			
Total cash received	56	23,959	-	-	-
Cash used					
Repayments of debt	463	433	433	433	433
Total cash used	463	433	433	433	433
Net cash from or (used by) financing activities	(407)	23,526	(433)	(433)	(433)
Net increase/(decrease) in cash held	(1,020)	1,488	(563)	(1,035)	299
Cash at the beginning of the reporting period	2,186	1,166	2,654	2,091	1,056
Cash at the end of the reporting period	1,166	2,654	2,091	1,056	1,355

Table 3.4: Agency Capital Budget Statement

	2003-04 estimated actual $'000		2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
CAPITAL APPROPRIATIONS						
Total equity injections	56	(K3)[1]	23,959	-	-	-
Total	56		23,959	-	-	-
Represented by						
Purchase of non-current assets	56		1,959	-	-	-
Other	-		22,000	-	-	-
Total	56		23,959	-	-	-
PURCHASE OF NON-CURRENT ASSETS						
Funded by capital appropriations	56		1,959	-	-	-
Funded internally by agency resources	408		1,114	2,764	4,218	1,884
Total	464		3,073	2,764	4,218	1,884

1. K3 shows the link back to Table 1.1.

Table 3.5: Agency Non-financial Assets — Summary of Movement (Budget year 2004-05)

	Land	Buildings	Specialist military equipment	Other infrastructure plant and equipment	Heritage and cultural assets	Computer software	Other intangibles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at the start of year	-	1,639	-	2,050	-	945	-	4,634
Additions	-	1,273	-	1,014	-	786	-	3,073
Disposals	-	-	-	-	-	-	-	-
Net revaluation increments/decrements	-	-	-	-	-	-	-	-
Recoverable amount write-downs	-	-	-	-	-	-	-	-
Depreciation/amortisation expense	-	(642)	-	(1,209)	-	(531)	-	(2,382)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of year	-	2,270	-	1,855	-	1,200	-	5,325
Represented by								
Self funded	-	50	-	464	-	600	-	1,114
Appropriations	-	1,223	-	550	-	186	-	1,959
Total represented by	-	1,273	-	1,014	-	786	-	3,073

Table 3.6: Note of Budgeted Financial Performance Administered on behalf of Government *for the period ended 30 June*

	2003-04 estimated actual $'000	2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
REVENUES					
Taxation					
Other taxes, fees and fines	24,567	10,000	10,000	10,000	10,000
Total taxation	24,567	10,000	10,000	10,000	10,000
Total revenues administered on behalf of Government	24,567	10,000	10,000	10,000	10,000

Table 3.7: Note of Budgeted Financial Position Administered on behalf of Government *as at 30 June*

	2003-04 estimated actual $'000	2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
ASSETS					
Financial assets					
Receivables	3,704	3,704	3,704	3,704	3,704
Total financial assets	3,704	3,704	3,704	3,704	3,704
Total assets administered on behalf of Government	3,704	3,704	3,704	3,704	3,704
Current assets	3,704	3,704	3,704	3,704	3,704
Non-current assets	-	-	-	-	-

Table 3.8: Note of Budgeted Administered Cash Flows
for the period ended 30 June

	2003-04 estimated actual $'000	2004-05 budget estimate $'000	2005-06 forward estimate $'000	2006-07 forward estimate $'000	2007-08 forward estimate $'000
OPERATING ACTIVITIES					
Cash received					
Other taxes, fees and fines	24,844	9,990	9,990	9,990	9,990
Other	10	10	10	10	10
Total cash received	24,854	10,000	10,000	10,000	10,000
Cash used					
Cash to Official Public Account	24,864	10,000	10,000	10,000	10,000
Total cash used	24,864	10,000	10,000	10,000	10,000
Net cash from or (used by) operating activities	(10)	-	-	-	-
Net increase/(decrease) in cash held	(10)	-	-	-	-
Cash at beginning of reporting period	10	-	-	-	-
Cash at end of reporting period	-	-	-	-	-

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.

Budgeted agency financial statements

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 the ACCC outputs.

Administered items are those items which are controlled by the Australian Government and managed or oversighted by the ACCC on behalf of the Australian 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.

Revenues from government

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

Agency appropriations

Since 1 July 1999, the Australian Government 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 (that is, seminars/speakers fees, sale of publications, photocopy revenue and sale of non-current assets) is recognised upon the delivery of goods/services 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 information technology assets on 1 July 1999. This arrangement ceases on 30 June 2004. The sale and lease back of the information technology assets has been specifically treated as a finance lease.

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

Property, infrastructure, plant and equipment are carried at valuation. The ACCC revalue all its assets in three year cycles. Revaluations have been undertaken up to 30 June 2002 on a deprival basis. These revaluations being for the cycle which finishes on 30 June 2005.

Future revaluations by the ACCC are to be undertaken at fair value.

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 that 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

Section 4: Purchaser/provider and cost recovery arrangements

PURCHASER/PROVIDER ARRANGEMENTS

The Australian Competition and Consumer Commission (ACCC) does not have any purchaser/provider arrangements.

COST RECOVERY ARRANGEMENTS

The ACCC has undertaken a review of its cost recovery arrangements in accordance with the Australian Government's five year review schedule for existing arrangements.

Current Cost Recovery Arrangements

The ACCC currently levies a variety of fees and charges under the *Trade Practices Act 1974* (TPA). Revenue from these fees and charges is identified in Table 1.3 — Receipts from Independent Sources.

It should be noted that with the exception of those revenues generated from discretionary services, where it has been agreed that these revenues can be retained by the ACCC in recognition of the costs associated with the provision of these services, all other revenues generated by the ACCC are refunded back to government via the Consolidated Revenue fund.

Details of compliance with the cost recovery policy

The ACCC has undertaken a review of its cost recovery arrangements. This review has been conducted in accordance with the *Commonwealth Cost Recovery Guidelines for Information and Regulatory Agencies* (the Guidelines) prepared by the Department of Finance and Administration.

As specified in the Guidelines the ACCC has worked through a two stage process involving: 1) a Policy Review; and 2) Design and Implementation process.

Overall the ACCC considers that the public interest is best served by the fees and charges for ACCC regulatory activities remaining around their current levels. This is mainly because the ACCC's functions have a strong public benefit dimension and any significant fee increase runs the risk of undermining the effectiveness of the TPA by creating increased barriers to the ACCC's services.

The overarching objective of the ACCC is to enhance social and economic welfare of the Australian community. It does this through promoting effective competition and informed markets, encouraging fair trading and consumer protection, and regulating national infrastructure service markets and other markets where competition is restricted.

The total amount of revenue generated from the recovery of costs in 2002-03 was $0.4 million as administered revenue and $0.4 million as departmental revenue. Similar amounts of revenue are expected for 2003-04. In addition, the fees are only appropriate for a small proportion of the ACCC's activities and cover only a small proportion of its total costs — a total budget in the order of $70.0 million. As such, any changes to its fees are unlikely to have material consequences for its budgetary requirements.

Notwithstanding the above, this review does conclude that there may be a case for introducing charges for:

- the assessment of access undertakings and industry codes in certain circumstances (under Part IIIA and Part XIC of the TPA);
- applications for exemption from standard access obligations (Part XIC of the TPA); and
- the assessment of merger proposals against the test specified under section 50 of the TPA.

The level of fees recommended for these services would possibly be based on the ACCC's fees for authorisation.

The intent of levying a fee would not be to achieve full cost recovery but to manage demand for these services; consistent with other fees currently levied. In effect, partial cost recovery is proposed in instances where there are identifiable beneficiaries of ACCC services (for example those receiving an adjudication function: authorisation, notification, etc) because to charge full cost recovery would run counter to the ACCC achieving its policy objectives. Existing fee levels are considered an adequate and effective balance between managing demand while still ensuring that those parties receiving some private benefit from ACCC services pay a notional amount towards the costs incurred. In this way the fees are also considered efficient.

An important qualification to the above recommendation is that fees for access undertakings should only be introduced if fees are introduced for declaration applications to the National Competition Council; and either:

- fees are introduced for access arrangements lodged under the National Gas Code; or

- Part IIIA of the TPA is amended such that firms cannot lodge access undertakings where the service is subject to a certified access regime.

Note that legislation may need to be enacted by each participating jurisdiction in order for a fee to be levied in respect to gas access arrangements.

The ACCC also considers that an industry levy should continue to apply to recover the costs of its specific regulatory responsibilities in the telecommunications industry, and that a levy should also apply for its specific regulatory role in the postal industry.

In relation to the regulation of the gas and electricity industries, the ACCC supports the introduction of industry levies to recover its costs, but notes that there are significant legal impediments to the Australian Government imposing such levies.

Other ACCC services generally fall into the categories of information products: copying of documents, publication of reports and provision of speakers. The basic product set is established in budget discussions and additional and incremental products are cost recovered in a manner consistent with the cost recovery policy.

Consultation

The ACCC has not undertaken any public consultation with the development of the Cost Recovery Impact Statement.

Review

A general review of the ACCC's cost recovery arrangements will be undertaken to coincide with a review of ACCC funding arrangements for the 2008-09 Budget process. In addition, cost recovery issues associated with the ACCC's energy regulatory functions (to move to the Australian Energy Regulator) are being examined by governments.