

SECTION 4 — PROGRAMME RESOURCES

PROGRAMME 1 — TREASURY

PROGRAMME 1 — TREASURY

Objective

To improve living standards of the Australian community through high, sustainable economic and employment growth with low inflation and efficient and sustainable use of resources.

Table 4.1: Reconciliation of Appropriations to the Programme and Summary of Underlying Outlays

	1997-98 Budget \$'000	1997-98 Revised (i) Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	49,566	63,677	61,111	52,268	-14
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	911	911	1,118	991	-11
	50,477	64,588	62,229	53,259	-14
2. Other Services	1,072,225	1,247,518	963,907	163,276	-83
Total Appropriation Bill No. 1	1,122,702	1,312,106	1,026,136	216,535	-79
<i>Appropriation Bill No. 2</i>					
Division 977 - Payments to or for the States, the Northern Territory and the Australian Capital Territory					
	34,500	130,600	130,600	25,000	-81
Total Appropriation Bill No. 2	34,500	130,600	130,600	25,000	-81
TOTAL ANNUAL APPROPRIATIONS	1,157,202	1,442,706	1,156,736	241,535	-79
TOTAL SPECIAL APPROPRIATIONS	30,387,076	na	40,918,600	39,864,078	-3
TOTAL APPROPRIATIONS	31,544,278	na	42,075,336	40,105,613	-5
Less annotated appropriations	911	na	1,118	991	-11
Less other adjustments	6,293,942	na	17,475,408	15,531,211	-11
TOTAL UNDERLYING OUTLAYS	25,249,425	na	24,598,810	24,573,411	-0
Staff years	509	na	482	491	2

- (i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).
- (ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.
- (iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Sub-Programme 1.1 — Domestic Economy

Objective

To assess current and prospective economic conditions and develop advice on macroeconomic policy settings.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	4,607	4,484	4,484	4,314	-4
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	6	7	7	15	114
	4,613	4,491	4,491	4,329	-4
Total Appropriation Bill No. 1	4,613	4,491	4,491	4,329	-4
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	4,613	4,491	4,491	4,329	-4
TOTAL SPECIAL APPROPRIATIONS	-	-	-	-	-
TOTAL APPROPRIATIONS	4,613	4,491	4,491	4,329	-4
Less Annotated Appropriations	6	na	7	15	114
TOTAL ADJUSTMENTS	6	na	7	15	114
TOTAL UNDERLYING OUTLAYS	4,607	na	4,484	4,314	-4
Staff years	55	na	55	54	-2

- (i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).
(ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.
(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 14 to 19 of the 1996-97 Annual Report of the Department of the Treasury. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

Over the coming year, an important part of the Sub-Programme's activities will be the preparation of economic forecasts upon which macroeconomic policy advice is formulated. This will require detailed, ongoing assessment of current economic conditions, with a particular emphasis on the implications of unfolding international developments on domestic activity. The provision of policy advice on monetary policy, wages and labour market issues and broader macroeconomic policy issues will remain an integral part of the Sub-Programme's activities.

Strategies

Ongoing strategies to achieve the objectives of the Sub-Programme in the coming year include:

- monitoring and analysing economic conditions, trends and prospects;
- monitoring and analysing financial market developments;
- coordinating and overseeing the preparation of economic forecasts;
- maintaining and developing Treasury's macroeconomic model, which is used to assist the forecasting process and to conduct policy and sensitivity analysis;
- maintaining liaison with external contacts within international fora, other governments, the Reserve Bank of Australia (RBA), financial markets, companies, employer groups, unions and research institutes;
- undertaking policy-relevant research and analysis to improve the quality of policy advice and to contribute to the public debate and understanding of macroeconomic and labour market issues; and
- internal review and evaluation of processes and outcomes.

Performance Indicators

Performance indicators for the Sub-Programme's performance include:

- the accuracy, timeliness and overall quality of the economic forecasts, the perceived quality of policy advice and its contribution to achieving outcomes; and
- the range and effectiveness of external contacts, and the quality and impact of the contribution made to the public debate and understanding of economic developments and macroeconomic and labour market issues.

Information sources to assist the judgement of performance include: the actual performance of the economy and comparative assessments by international organisations; feedback from the Treasury Portfolio Ministers, their offices and the Government in general; and internal reviews and feedback from external organisations, such as private economic consultancies, the media and other government departments and agencies.

Sub-Programme 1.2 — International Economy

Objective

To promote Australia's international economic interests, including its economic links with the Asian region, and to assess the implications of international economic developments for the Australian economy.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	6,852	7,017	7,017	7,045	0
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	145	141	141	121	-14
	6,997	7,158	7,158	7,166	0
2. Other Services					
06. International Finance Corporation - Capital Subscription	6,860	6,893	6,893	7,350	7
07. International Bank for Reconstruction and Development - Capital Subscription	4,132	4,365	4,304	4,427	3
08. Contributions to the International Monetary Fund - Enhanced Structural Adjustment Facility	2,500	2,500	2,500	2,500	0
	13,492	13,758	13,697	14,277	4
Total Appropriation Bill No. 1	20,489	20,916	20,855	21,443	3
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	20,489	20,916	20,855	21,443	3

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays (continued)

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
Special Appropriations					
<i>Asian Development Bank (Additional Subscription) Act 1995</i>	2,195	na	2,358	2,352	-0
<i>International Monetary Agreements Act 1947</i>	39,392	na	1,177,303	522,695	-56
<i>Multilateral Investment Guarantee Agency Act 1997</i>	-	na	2,648	-	-100
TOTAL SPECIAL APPROPRIATIONS	41,587	na	1,182,309	525,047	-56
TOTAL APPROPRIATIONS	62,076	20,916	1,203,164	546,490	-55
Less annotated appropriations	145	na	141	121	-14
Less other adjustments	55,079	na	1,196,006	539,324	-55
TOTAL ADJUSTMENTS	55,224	na	1,196,147	539,445	-55
TOTAL UNDERLYING OUTLAYS	6,852	na	7,017	7,045	0
Staff years	39	na	39	39	0

(i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).

(ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.

(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

1998-99 Budget Measures affecting Portfolio Underlying Outlays

The Sub-Programme has been allocated an additional \$505 million in 1998-99 to help support the economic adjustment programmes associated with the International Monetary Fund (IMF). For further information refer to page 180 in Section 5.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 20 to 25 of the 1996-97 Annual Report of the Department of the Treasury. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

Regional Financial Crisis

During 1997-98, much of the Sub-Programme's work was dominated by the Asian financial crisis. During 1998-99, Treasury will continue to monitor and provide advice

on developments in the Asian Region. In particular, Treasury will provide the Government with advice on financing packages sponsored by the IMF. Treasury will also take opportunities to keep the community informed about developments in the region. Advice and information will be provided by the Sub-Programme to Ministers and the Parliament on any loans or currency swaps that are made under the *International Monetary Agreements Act 1947*.

It is expected that issues relating to the Asian financial crisis will be discussed during 1998-99 in various regional and international fora (for example, Asia Pacific Economic Cooperation (APEC), IMF, World Bank (WB), Asian Development Bank (ADB) and the European Bank for Reconstruction and Development (EBRD)). Treasury will provide advice and support for these meetings, which are likely to be attended by Ministers and senior officers.

Domestic Economic Policy

Reporting by overseas posts and analysis conducted during the year will maintain a close focus on international economic developments, paying particular attention to financial market and economic developments in East Asia and their global implications. Reporting will also focus on overseas experience of relevance more generally to domestic economic policy formulation. Reporting and analysis of developments in the United States, Europe and Asia will continue to be of high value, particularly in terms of assessing the global macroeconomic impact of the Asian financial crisis. Reporting on European experiences will be highly relevant in relation to assessing the progress and likely impact of Economic and Monetary Union (EMU) in Europe, and on microeconomic and structural issues in general. In respect of macro-economic and microeconomic issues, the work and discussion taking place in the Organisation for Economic Co-operation and Development (OECD) will continue to be of major interest.

In 1998-99, Treasury is expected to participate in consultation undertaken by the OECD towards the preparation of its annual review of the Australian economy.

Asia Pacific Economic Cooperation (APEC)

Treasury's main interest in APEC is to promote sustainable economic development in the region through the adoption of improved economic policies. Treasury pursues this through involvement in the APEC Finance Ministers' Meeting process, the Investment Experts Group (IEG) and the Economic Committee.

The APEC Finance Ministers' Meeting process is important for developing cooperation and supporting economic growth and financial stability in the region. In the wake of the Asian financial crisis, the Finance Ministers' process will consider the efficacy of the current international financial architecture in dealing with and preventing financial crises. It will further refine and develop a range of voluntary principles and collaborative initiatives aimed at promoting financial and capital market development. It will also pursue further initiatives to address these issues.

Treasury will contribute to the development of these proposals through its contributions at meetings of officials, and by committing resources to projects where appropriate.

Treasury will contribute to the work of the IEG in 1998-99, including to the development of a package of options to enhance the environment for investment, from which member economies can choose when considering improvements to their investment regimes. The IEG is also sponsoring technical assistance and training programs and conducts policy discussion fora, which exchange ideas on ways to enhance investment flows and discuss the investment regimes of APEC members.

Treasury will also organise the fourth APEC Investment Symposium that will be hosted by Malaysia in September 1998. Treasury has developed a number of themes for discussion, including the implications of the financial crisis for investment and investment policy, and is organising the speakers for the Symposium.

The APEC Economic Committee undertakes analysis of economic trends and issues in support of APEC's policy activities on trade and investment liberalisation and facilitation, and economic and technical cooperation. Treasury leads the Australian delegation in the Economic Committee and will work to improve the quality of the Committee's work by contributing to Committee meetings, providing written comments and providing data and other material for the Committee's publications.

South Pacific Forum Economic Ministers' Meeting (FEMM)

The Treasurer chaired the inaugural FEMM in Cairns in July 1997, attended by Ministers from all sixteen members of the South Pacific Forum. Ministers agreed on an action plan covering economic, public sector, investment and trade reform. The Action Plan aims to promote private sector development that is essential to achieving sustainable economic development in the region.

Treasury will follow up its involvement in the inaugural FEMM by developing policy and contributing to Australia's response to the FEMM Action Plan, in advance of the Treasurer's attendance at the 1998 FEMM to be held in Fiji in July 1998. Treasury will monitor economic developments in the region and pursue opportunities to promote economic reform.

Relations with Asia

Treasury's representatives in Tokyo, Beijing and Indonesia will continue to be active in maintaining and further developing relations with Treasury's counterparts in Japan, Korea, China, Hong Kong — China, Chinese Taipei, Indonesia, Singapore, Malaysia, Thailand and the Philippines. Treasury's overseas representatives will continue to contribute significantly to Treasury's understanding of economic conditions in these economies and of the major economic policy challenges they face. In particular, these contacts will aid our understanding of events that have unfolded in Asian financial markets over the past year.

Visits to Australia by official delegations and visits by Treasury officers to the East Asian region have contributed to an improved understanding by Treasury of Asian economies and have encouraged greater cooperation between Treasury and its counterparts in East Asia. During 1998-99, Treasury, together with its overseas representatives, will organise programs for visits by several official delegations from East Asia.

International Financial Institutions (IFIs)

Treasury will provide advice on a wide range of policy issues to Australia's Executive Directors at the IMF, the WB, the ADB, and the EBRD. This advice will be prepared in consultation with other government agencies and benefit from regular consultations with Non Government Organisations (NGOs) on matters relating to the operation of the development banks and development issues generally.

Treasury will also provide briefing material for Australian delegations attending various IFI meetings throughout the year and organise visits to Australia by senior staff of IFIs.

Treasury will prepare annual reports on Australia's relations with the IMF, the World Bank and the ADB. These reports, which will be tabled in Parliament, contribute to the public debate on Australia's relations with these organisations and improved understanding of their operations.

Treasury will provide advice to the Treasurer on Australia's financial relations with Papua New Guinea (PNG) during the year, in particular Australia's Government-to-Government loan to PNG. The loan was provided in support of Papua New Guinea's stabilisation and structural adjustment programmes in conjunction with the World Bank and the IMF.

Strategies

Strategies to achieve the objectives of the Sub-Programme include:

- monitoring and analysing the implications for Australia of economic developments and economic policy thinking overseas, with particular emphasis on Australia's major trading partners;
- contributing to international discussion of economic policies, especially on matters of particular concern to Australia as an open, developed economy in the Asian region;
- contributing to open and stable international trading and financial systems, and sustainable economic development, through quality and timely policy advice and interaction with other governments;
- promoting contacts and discussion with counterpart organisations overseas, especially in Asia, and increasing Australian understanding of Asian economies and economic institutions;
- advancing Australia's interests in the IMF, the WB, the ADB, and the EBRD, and ensuring that Australia's responsibilities as a member of these organisations are met;
- promoting understanding in Australia of the activities of these organisations and the knowledge they generate of economic developments and policy experience in member countries;
- participating in APEC, with particular emphasis on finance and investment issues; and

- participating in the economic work of the South Pacific Forum.

Performance Indicators

Performance indicators for this Sub-Programme include:

- the quality and impact of the contribution made to economic policy formulation and forecasting of the Australian economy; and
- the quality and impact of the contribution made to international discussion of economic policy issues, including the policies of international financial institutions and APEC.

Sub-Programme 1.3 — Structural

Objective

To promote a more efficient and sustainable use of resources and improved structural competitiveness and productivity in the Australian economy.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	3,054	2,787	2,787	2,658	-5
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	3	3	3	3	0
	3,057	2,790	2,790	2,661	-5
Total Appropriation Bill No. 1	3,057	2,790	2,790	2,661	-5
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	3,057	2,790	2,790	2,661	-5
TOTAL SPECIAL APPROPRIATIONS	-	-	-	-	-
TOTAL APPROPRIATIONS	3,057	2,790	2,790	2,661	-5
Less annotated appropriations	3	na	3	3	0
Less other adjustments (iv)	0	na	2,445	45,137	1,746
TOTAL ADJUSTMENTS	3	na	2,448	45,140	1,744
TOTAL UNDERLYING OUTLAYS	3,054	na	342	-42,479	-12,521
Staff years	41	na	35	35	0

(i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).

(ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.

(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

(iv) The adjustment relates to “competitive neutrality payments” recorded in FIRM.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 26 to 31 of the 1996-97 Annual Report of the Department of the Treasury. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

Treasury will continue to oversee the implementation of national competition policy. Following commencement of Part IIIA of the *Trade Practices Act 1974*, Treasury has an ongoing involvement in the development and implementation of industry access regimes. Treasury will also continue to assist in preparing legislation for amendments to the *Trade Practices Act 1974*, and contribute to international discussion about the application of competition policy through bodies such as APEC, the OECD and the World Trade Organisation (WTO). In addition, Treasury will provide advice and assistance to other parts of government in relation to how competition issues should be addressed in other policy environments.

The Productivity Commission (PC) formally came into operation on 16 April 1998. Treasury has an ongoing role in ensuring the PC has an appropriate work programme (including the provision of terms of reference for individual inquiries) and that reports are dealt with on an appropriate basis.

Progressive implementation of the competition policy reforms, as well as the Government's focus on structural reform generally, has reinforced the Treasury's role in considering resource allocation questions from an economy-wide perspective and has brought many of the issues it deals with to greater public awareness.

Strategies

Strategies to achieve a more efficient and sustainable use of resources and improved structural competitiveness and productivity in the economy include:

- identifying emerging issues and undertaking forward-looking analysis of options;
- providing sound and timely policy advice to the Government on a broad range of industry, resource allocation, environment, competition policy and institutional issues;
- contributing to policy development on these issues, both directly and through liaison with Commonwealth and State Departments, industry and other relevant agencies;
- implementing policy decisions taken by Government; and
- contributing to public debate and analysis of these issues.

Specifically, Treasury will continue its role of coordinating the implementation of national competition policy. This will include:

- implementing competitive neutrality policies;
- overseeing the conduct and implementation of legislative reviews;
- determining the National Competition Council's ongoing work programme, in consultation with the States and Territories;
- advising the Government on the National Competition Council's recommendations on payment to the States and Territories of the National Competition Policy Payments; and
- ongoing involvement in the development and implementation of key industry access regimes.

Treasury will also continue to participate in progressing structural reforms in key infrastructure industries in the economy, including gas, electricity, water, aviation, rail, postal services and telecommunications.

Performance Indicators

Performance information and indicators for this Sub-Programme include:

- influence on policy outcomes through Cabinet and other processes, including legislative changes;
- external assessment of the quality and impact of the Sub-Programmes briefings, policy work and responses to requests;
- feedback stemming from interdepartmental and other policy development processes; and
- internal assessments of the quality, timeliness and strategic focus of advice provided to the Government.

The range, quality and influence of publications, submissions to inquiries, as well as other contributions to public debate and understanding of structural issues, are further performance indicators for this Sub-Programme.

Sub-Programme 1.4 — Taxation

Objective

To develop taxation policies which contribute to the reform of the Australian taxation system in terms of efficiency, equity and administrative simplicity.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	4,640	17,982	17,229	10,099	-41
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	4	4	57	8	-86
	4,644	17,986	17,286	10,107	-42
2. Other Services					
09. Ex gratia payment to approved charitable organisations or trust funds in memory of the Princess of Wales	-	550	-	793	-
Total Appropriation Bill No. 1	4,644	18,536	17,286	10,900	-37
<i>Appropriation Bill No. 2</i>					
Division 977 - Payments to or for the States, the Northern Territory, and the Australian Capital Territory					
03. Payments to state Government in lieu of stamp duty on Airport Sales	-	96,100	96,100	-	-100
Total Appropriation Bill No. 2	-	96,100	96,100	-	-100
TOTAL ANNUAL APPROPRIATIONS	4,644	114,636	113,386	10,900	-90
TOTAL SPECIAL APPROPRIATIONS	-	-	-	-	-
TOTAL APPROPRIATIONS	4,644	114,636	113,386	10,900	-90

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays (continued)

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
Less annotated appropriations	4	na	57	8	-86
Less other adjustments	-	na	96,100	-	-100
TOTAL ADJUSTMENTS	4	na	96,157	8	-100
TOTAL UNDERLYING OUTLAYS	4,640	na	17,229	10,892	-37
Staff years	60	na	75	77	3

- (i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).
(ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.
(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Sub-Programme Variation

The following table shows changes of more than 5 per cent in the underlying outlays of the Sub-Programme in 1998-99.

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99

	Amount of Variation (+ or -) \$'000	Total \$'000
1997-98 Estimated Underlying Outlays (i)		17,229
Budget Measures		
Development of Tax Reform Programme (see also page 181)	4,200	
Decrease in funding for community education and information programme on the taxation system	-10,000	
Running Costs		
Net effect of price indexation, efficiency dividend, carryovers and internal transfers.	-1,330	
Programme Costs		
Funding for payment to charitable organisations associated with the Princess of Wales	793	
Total Variations		-6,337
1998-99 Budget Underlying Outlays (ii)		10,892

- (i) The 1997-98 figure appears in column 3 in Table 4.2 above.
(ii) The 1998-99 Budget figure appears in column 4 in Table 4.2 above.

1998-99 Budget Measures affecting Portfolio Underlying Outlays

The Sub-Programme has been allocated an additional \$4.2 million in 1998-99 to service the continuing work of the Government's Taxation Task Force. For further information refer to page 181 in Section 5.

The Sub-Programme is also responsible for administering ex gratia payments to approved charitable organisations or trust funds in memory of the Princess of Wales. For further information refer to page 181 in Section 5.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 32 to 40 of the 1996-97 Annual Report of the Department of the Treasury. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

Functions and resources under this Sub-Programme have traditionally gone to the Taxation Policy Division (TPD). In addition, in late 1996-97, a small group of senior officers were brought together in a separate Tax Reform Group (TRG). The focus of this Group was to develop options, and to provide policy advice, on the tax reform process. In doing this the TRG worked closely with TPD and, with the convergence of the tax policy and tax reform agendas, TRG and TPD were merged into a single Taxation Policy Group (TPG) in April 1998.

As part of the tax reform process, the Prime Minister announced in August 1997 the setting up of a Taxation Task Force (with members from Treasury, Department of the Prime Minister and Cabinet, the Australian Taxation Office, the Treasurer's Office and the Cabinet Policy Unit). The Taxation Task Force advises the Government on tax reform; it is serviced by the TPG.

Strategies

The principal focus of the Sub-Programme in 1998-99 will be developing and refining proposals for tax reform which effectively improve economic welfare, and attain Government objectives. Advice and other briefing will be prepared for the Government and Taxation Task Force on these proposals, as well as on proposals developed outside the Sub-Programme.

Resources under the Sub-Programme will need to be allocated to policy advice and briefing with respect to the existing tax system, and to the transition from the existing tax system to a reformed system.

Other efforts will be directed at the preparation of budget revenue forecasts; the compiling of costings of proposed changes to the taxation system (including, in compliance with the Charter of Budget Honesty, of costings sought during any election period); the preparation of revenue estimates for the Commonwealth on an accrual accounting basis; compliance with other requirements of the Sub-Programme by the

Government, including preparation of the Tax Expenditures Statement; compliance with other requirements of the Sub-Programme by the Parliament, including the processing of requests under the *Freedom of Information Act 1982*; and suitable assistance being provided to Portfolio Ministers with the preparation of responses to correspondence.

The meeting of performance targets will be achieved by:

- the maintenance and development of a staff of highly skilled taxation policy advisers (with relevant economic, accounting, commercial and/or legal training) and a team of highly skilled administrative staff and the maintenance of an effective relationship with external agencies;
- the appropriate allocation of available resources to the highest priority tasks;
- the efficient use of resources. An important aspect of this in 1998-99 will be the settling down of the newly-formed Taxation Policy Group (TPG). While the setting up of the TRG in 1996-97 was a suitable response to the need to develop a comprehensive tax reform package, progress in the development of the package meant that a TPD/TRG merger was appropriate so as to minimise duplication and ensure policy coordination;
- attendance at relevant seminars and courses, so as to strengthen the policy advising skills of officers. This will continue to be backed by the holding of in-house seminars on matters closely related to tax reform, including with guest speakers;
- participation in discussion and debate with industry bodies and other relevant parties; and
- continued close liaison with the Taxation Task Force.

In preparing high quality, relevant and timely advice for the Government and the Taxation Task Force, the TPG will consult with a wide variety of stakeholders — including government agencies, the States and Territories, industry, community organisations and lobby groups. This will include:

- via frequent face-to-face meetings, and attendance at stakeholders' conferences and seminars;
- participation in the Tax Liaison Group. The aim of this Group is to bring together representatives of industry and the Australian Taxation Office (ATO) to discuss taxation matters;
- liaison work with the newly formed Financial Sector Advisory Council on taxation issues affecting the competitiveness of the financial sector;
- regular meetings of the Tax Policy Panel (a forum comprising senior Treasury and ATO officers and representatives of the offices of the Portfolio Ministers) at which major tax policy issues are discussed; and

- regular meetings of the Revenue Analysis Group, a forum within which Treasury officers and officers from the ATO's Revenue Analysis Branch discuss issues relating to revenue forecasting and costing of tax policy measures.

In order to maintain a sound analytical basis on which to formulate policy advice, the programme will continue to undertake policy research and analysis on taxation issues. The Division's Price Revenue Incidence Simulation Model (PRISMOD) model will comprise an important element in policy development by providing revenue estimates, as well as price and distributional effects, of various tax reform options.

Performance indicators

The performance of the Sub-Programme will be assessed by indicators including:

- satisfaction of Treasury Ministers and the Government in general that policy advice is relevant, timely and of high quality;
- feedback from the Taxation Task Force regarding the quality, relevance and timeliness of advice on reform options;
- briefings meeting departmental standards of comprehensiveness and consistency with broader economic and social objectives, analytical rigour, defensibility, presentation and effectiveness;
- briefings influencing tax reform outcomes;
- feedback from the private sector and other external agencies. Also of relevance will be the range and effectiveness of external contacts and the impact of the contribution made to community debate on taxation reform; and
- conclusions of internal evaluation sessions for particular projects/processes.

Sub-Programme 1.5 — Fiscal

Objectives

To develop fiscal policies, including arrangements for the distribution of resources between the Commonwealth and other levels of government, which are consistent with sustainable public finances and macroeconomic objectives.

To administer efficiently the provision of general revenue assistance and revenue replacement payments to other levels of government.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	3,093	2,728	2,380	2,721	14
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	4	4	14	14	0
	3,097	2,732	2,394	2,735	14
Total Appropriation Bill No. 1	3,097	2,732	2,394	2,735	14
<i>Appropriation Bill No. 2</i>					
Division 977 - Payments to or for the States, the Northern Territory, and the Australian Capital Territory					
01. Australian Capital Territory - Special revenue assistance	34,500	34,500	34,500	25,000	-28
Total Appropriation Bill No. 2	34,500	34,500	34,500	25,000	-28
TOTAL ANNUAL APPROPRIATIONS	37,597	37,232	36,894	27,735	-25
Special Appropriations					
<i>States Grants (General Purposes) Act 1994</i>	16,168,875	na	21,674,917	23,237,843	7
TOTAL SPECIAL APPROPRIATIONS	16,168,875	na	21,674,917	23,237,843	7
TOTAL APPROPRIATIONS	16,206,472	na	21,711,811	23,265,578	7

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays (continued)

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
Less annotated appropriations	4	na	14	14	0
Less other adjustments					
Revenue replacement payments	-	na	5,104,066	6,480,002	27
Fiscal contributions by State Governments	-	na	406,580	-	-100
TOTAL ADJUSTMENTS	4	na	5,510,660	6,480,016	18
TOTAL UNDERLYING OUTLAYS	16,206,468	na	16,201,151	16,785,562	4
Staff years	38	na	29	34	17

(i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).

(ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.

(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Sub-Programme Variation

The following table shows changes in the underlying outlays of the Sub-Programme in 1998-99.

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99

	Amount of Variation (+ or -) \$'000	Total \$'000
1997-98 Estimated Underlying Outlays (i)		16,201,151
Running Costs		
Net effect of price indexation, efficiency dividend, carryovers and internal transfers	341	
Programme Costs		
Reduction in special revenue assistance for the Australian Capital Territory	-9,500	
Net effect of estimated payments and revenue under the <i>States Grants (General Purpose) Act 1994</i> (ii)	186,990	
Reduction in fiscal payments into the Consolidated Revenue Fund of contributions by States. See additional text below and Table 4.4 for further information	406,580	
Total Variations		584,411
1998-99 Budget Underlying Outlays (iii)		16,785,562

(i) The 1997-98 figure appears in column 3 in Table 4.2 above.

(ii) Increase in estimated payments under the *States Grants (General Purpose) Act 1994* (\$1,563 million) net of increase in revenue replacement payments (\$1,376 million).

(iii) The 1998-99 Budget figure appears in column 4 in Table 4.2 above.

The programme costs and adjustments shown in Tables 4.2 and 4.3 include variations in payments to the States and Territories under Sub-Programme 1.5 and State fiscal contributions. Table 4.4 provides further information on payments to the States and Territories and State fiscal contributions.

Table 4.4: Payments to the States and Territories under Sub-Programme 1.5 and Components of State Fiscal Contributions

	1997-98 Estimated Actual \$'000	1998-99 Budget \$'000	Variation \$'000 %	
Entitlement under the <i>States Grants (General Purpose) Act 1994</i>	21,745,248	23,551,252	1,806,004	8
<i>less:</i> State fiscal contributions to be deducted from general revenue assistance	70,331	313,409		
<i>Equals:</i> Special appropriation for <i>States Grants (General Purposes) Act</i> (Table 4.2)	21,674,917	23,237,843	1,562,926	7
<i>less:</i> State fiscal contributions to be paid directly to the Commonwealth (receipts shown in Table 4.2)	406,580	-		
<i>plus:</i> Appropriation under Division 977 in Tables 4.2 and 4.3 (ACT special revenue assistance)	34,500	25,000		
<i>Equals:</i> Net Payments to States under sub-programme 1.5	21,302,837	23,262,843	1,960,006	9
<i>less:</i> State fiscal contributions to be deducted from specific purpose payments (CSHA funding)	149,680	-		
<i>Equals:</i> Payments to States under sub-programme 1.5 less total State fiscal contribution	21,153,157	23,262,843	2,109,686	10

The estimated increase in entitlement under the *States Grants (General Purposes) Act 1994* of \$1,806 million in 1998-99 reflects a number of factors, primarily an increase in revenue replacement payments (up \$1,376 million to \$6,480 million). These payments form part of the safety net arrangements which were implemented by the Commonwealth at the unanimous request of the States and Territories following the High Court ruling on 5 August 1997 which cast into doubt the constitutional validity of State business franchise fees (*Ha and Lim v. New South Wales* and *Walter Hammond & Associates Pty Ltd v New South Wales*). The safety net arrangements have a neutral net impact on the Commonwealth's fiscal position, as the total amount of revenue replacement payments will equate with the amount of revenue raised by Commonwealth surcharges applied on behalf of the States on tobacco, petroleum and alcohol products (less administrative costs). As the safety net arrangements came into effect part way through 1997-98, the large increase in revenue replacement payments in 1998-99 mainly reflects the expected full year operation of these arrangements.

The increased entitlement under the *States Grants (General Purposes) Act 1994* in 1998-99 also incorporates real per capita indexation of the pool of financial assistance grants (up \$488 million to \$16,854 million) and real indexation of National Competition Payments (up \$4 million to \$217 million). These factors are partly offset by the discontinuation of the direct payment of special revenue assistance to New South Wales and Victoria as part of the Medicare Guarantee arrangements (a reduction of \$62 million).

Table 4.4 provides information on the methods of payment of the States' 1997-98 fiscal contributions. Western Australia and Tasmania made payments by way of deductions from the weekly payments of general revenue assistance (\$70 million). New South Wales, Victoria and South Australia (in part) made direct weekly payments (\$407 million). Queensland, South Australia (in part), the Australian Capital Territory and the Northern Territory made payments through reductions in specific purpose payments (\$150 million).

The States may also make their 1998-99 fiscal contributions by way of deductions from general revenue assistance, direct payments or reductions in the Commonwealth's contribution to a specific purpose payment. As this was not determined at the time this statement was prepared, in tables 4.2, 4.3 and 4.4 the total amount of the 1998-99 fiscal contribution is offset against general revenue assistance.

1998-99 Budget Measures affecting Portfolio Underlying Outlays

Extension of Real Per Capita Guarantee for Financial Assistance Grants (FAGs) to the States and Territories

The Commonwealth will maintain FAGs paid to the States in real per capita terms in 1998-99 and has extended the real per capita guarantee for FAGs to 2000-01. The cost of the extension of the guarantee is estimated to be \$191 million in 2000-01 and \$196 million in 2001-02. For further information refer to page 182 in Section 5.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 41 to 47 of the 1996-97 Annual Report of the Department of the Treasury. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

Strategies

The strategies which will contribute to achieving the objectives of the Sub-Programme in 1998-99, include the following.

- The assessment of, and the provision of information on, the fiscal outlook.
- The preparation of advice on fiscal policy — including medium-term strategies, priorities and options, the efficiency of the public sector and Commonwealth/State relations, budgetary developments in the State/Territory sector and borrowings by all levels of government.
- The provision of advice which seeks to balance various considerations in the setting of fiscal policy, including impacts on aggregate demand, public saving, inter-generational equity and future flexibility.

- Participation in programme policy reviews.
- The enhancement of transparency, accountability and public scrutiny of public sector finances through implementation of the Charter of Budget Honesty, Loan Council and uniform fiscal reporting arrangements, and the publication of Commonwealth budget documentation.
- The provision of financial resources to other levels of government ensuring that appropriate administrative arrangements are in place and that all accountability requirements are met.
- Contributing to public debate and understanding of the Government's fiscal consolidation strategy and its implications, and of public sector finances more generally, including by undertaking policy relevant research and analysis.

Performance Indicators

- The quality, timeliness and relevance of fiscal policy advice taking into account:
 - the contribution to policy outcomes; and
 - feedback from the Department's executive, the Government and external sources.
- The efficiency and effectiveness of arrangements to meet operational requirements, including the making of payments to other levels of government, as measured by feedback from other governments and by internal and external audit.

Sub-Programme 1.6 — Debt Management

Objective

To raise, manage and retire Commonwealth debt at the lowest possible long-term cost, consistent with an acceptable degree of risk exposure.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	1,440	1,485	1,483	1,436	-3
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	1	1	3	3	0
2. Other Services	1,441	1,486	1,486	1,439	-3
02. Loan management expenses	3,390	3,390	3,390	3,153	-7
03. Overseas bond issues - Payments in respect of lapsed coupons	10	20	20	10	-50
04. Australian National Railways Commission - Debt acquisition	1,035,100	1,209,100	926,100	118,100	-87
	1,038,500	1,212,510	929,510	121,263	-87
Total Appropriation Bill No. 1	1,039,941	1,213,996	930,996	122,702	-87
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	1,039,941	1,213,996	930,996	122,702	-87

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays (continued)

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
Special Appropriations					
<i>Airports (Transitional) Act 1996 - Former debts of the Federal Airports Corporation - Interest</i>	48,800	na	51,100	51,900	2
<i>Commonwealth Inscribed Stock Act 1911, Loans Securities Act 1919, Loans Redemption and Conversion Act 1921</i>	9,183,550	na	8,818,540	8,243,025	-7
<i>Commonwealth Inscribed Stock Act 1911, Loans Securities Act 1919, Loans Redemption and Conversion Act 1921 - Other debt charges</i>	-	na	4,885,000	-	-100
<i>Commonwealth Inscribed Stock Act 1911, Treasury Bills Act 1914 - Payment of Special Bond premiums on redemption</i>	5	na	5	5	0
<i>Financial Agreement Act 1994 - Assistance for debt redemption</i>	62,300	na	62,300	28,100	-55
<i>Financial Agreement Act 1994 - Commonwealth Contribution to Debt Retirement Reserve Trust Account on State and Northern Territory Debt</i>	10,410	na	10,395	8,270	-20
<i>Financial Agreement Act 1994 - Interest on Debt Retirement Reserve Trust Account Balances</i>	829	na	400	829	107
<i>Loans Redemption and Conversion Act 1921</i>	5	na	5	5	0
<i>Loans Securities Amendment Act 1988 (Swaps) - Interest</i>	775,000	na	928,000	1,400,000	51
<i>Loans Securities Amendment Act 1988 (Swaps) - Principal</i>	4,000,000	na	3,200,000	5,998,000	87
<i>Moomba - Sydney Pipeline System Sale Act 1994</i>	18,945	na	18,945	19,070	1
<i>Qantas Sale Act 1992 - Qantas debt servicing</i>	61,770	na	71,684	336,984	370
TOTAL SPECIAL APPROPRIATIONS	14,161,614	na	18,046,374	16,086,188	-11
TOTAL APPROPRIATIONS	15,201,555	1,213,996	18,977,370	16,208,890	-15

Table 4.2: How the Sub-Programme is Resourced: Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays (continued)

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
Less annotated appropriations	1	na	3	3	0
Less other adjustments	6,203,768	na	10,625,531	8,422,653	-21
TOTAL ADJUSTMENTS	6,203,769	na	10,625,534	8,422,656	-21
TOTAL UNDERLYING OUTLAYS	8,997,786	na	8,351,836	7,786,234	-7
Staff years	22	na	21	20	-5

(i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).

(ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.

(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome).

Sub-Programme Variation

The following table shows changes affecting the underlying outlays of the Sub-Programme in 1998-99.

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99

	Amount of Variation (+ or -) \$'000	Total \$'000
1997-98 Estimated Underlying Outlays (i)		8,351,836
Running Costs		
Net effect of price indexation, efficiency dividend, carryovers and internal transfers	-50	
Programme Costs		
Reduced loan management expenses associated with Commonwealth debt largely reflect a lower level of outstanding debt on issue on which loan management expenses are payable	-237	
Reduced payments associated with the assumption of Australian National Railways (ANR) debt reflect a lower level of debt to be assumed in 1998-99 (-403,000), and lower principal (-404,000) and interest payments (-1,000) in that year	-808,000	

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99 (continued)

	Amount of Variation (+ or -) \$'000	Total \$'000
Special Appropriations		
Increase, due to exchange rate variations, in interest payable on debt assumed from the Federal Airports Corporation	800	
Decreased interest outlays payable under the <i>Commonwealth Inscribed Stock (CIS) Act 1919</i> , <i>Loans Securities (LS) Act 1919</i> , and <i>Loans Redemptions and Conversion (LR&C) Act 1921</i> , reflect the impact of the reduction in debt associated with the projected headline surpluses in 1997-98 and 1998-99	-575,515	
Reduced payments under the <i>CIS Act 1919</i> , <i>LS Act 1919</i> and the <i>LR&C Act 1921</i> for other debt charges result from the charging of repurchases of debt to the CRF in 1997-98, whereas no such payments are estimated to be charged to that fund in 1998-99	-4,885,000	
Reduced assistance for debt redemption outlays paid to the States under the <i>Financial Agreement Act 1994</i> , reflect a lower level of debt maturing on behalf of the States in 1998-99, on which the assistance is based	-34,200	
Reduced Commonwealth contributions to the Debt Retirement Reserve Trust Account (DRRTA) reflect reductions in CGS on issue for the States, on which the contributions are based	-2,125	
Reflects higher expected balances in the DRRTA in 1998-99, compared with 1997-98, on which interest is payable	429	
Increased interest payments on swaps under the <i>Loans Securities Amendment (LSA) Act 1988</i> , largely reflect an increase in the size of the Commonwealth's swap portfolio over the course of 1997-98 and an expected increase in the size of the portfolio over the course of 1998-99	472,000	
Increased principal payments on swaps under the <i>LSA Act 1988</i> , largely reflect an increase in the size of the Commonwealth's swap portfolio over the course of 1997-98 and an expected increase in the size of the portfolio over the course of 1998-99	2,798,000	
The increase reflects increased principal payments (2,000) on Pipeline Authority debt assumed by the Commonwealth under the <i>Moomba-Sydney Pipeline System Act 1994</i> , largely offset by a reduction in interest payments (-1,875) reflecting the lower level of debt remaining on issue	125	
The increase reflects increased principal payments (268,500) on QANTAS debt assumed by the Commonwealth under the <i>QANTAS Sale Act 1992</i> , partially offset by a reduction in interest payments (-3,200) reflecting a lower level of debt on issue	265,300	

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99 (continued)

	Amount of Variation (+ or -) \$'000	Total \$'000
Adjustments		
Total payments under the Sub-Programme are adjusted to derive an underlying outlays figure. The adjustments are as follows:		
Receipts Offset Within Outlays		
Decreased payments by ANR to the Commonwealth in 1998-99, reflecting a lower level of debt to be assumed in that year. The payment by ANR, exactly offsetting a Commonwealth payment to ANR included above, is made to effect the transfer of debt to the Commonwealth	403,000	
Increased interest receipts on swaps under the <i>LSA Act 1988</i> , largely reflecting an increase in the size of the Commonwealth's swap portfolio over the course of 1997-98 and an expected increase in the size of the portfolio over the course of 1998-99	-433,000	
Appropriations Classified as Revenue or Financing Transactions		
Decreased principal payments in relation to ANR debt assumed by the Commonwealth	404,000	
Increased principal payments on swaps under the <i>LSA Act 1988</i>	-2,798,000	
Increased principal payments on Pipeline Authority debt assumed by the Commonwealth	-2,000	
Increased principal payments on QANTAS debt assumed by the Commonwealth under the <i>QANTAS Sale Act 1992</i>	-268,500	
Reduced payments under the <i>CIS Act 1919</i> , <i>LS Act 1919</i> and the <i>LR&C Act 1921</i> for other debt charges	4,885,000	
Trust Account Transactions Affecting Outlays		
Reflects higher expected balances in the DRRTA in 1998-99, compared with 1997-98, on which interest is payable	-429	
Increased receipts of the Loan Consolidation and Investment Reserve reflect increased holdings of CGS on which interest is received, following repurchases	-279,400	
Appropriations from the Loan Fund Affecting Outlays		
Decreased level of Loan Fund transactions resulting in interest receipts, reflects the movement between years in Loan Fund outlays as measured by the net effect of premia on issue and discounts at redemption	292,200	
Total Variations		-565,602
1998-99 Budget Underlying Outlays (ii)		7,786,234

(i) The 1997-98 figure appears in column 3 in Table 4.2 above.

(ii) The 1998-99 Budget figure appears in column 4 in Table 4.2 above.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 48 to 53 of the 1996-97 Annual Report of the Department of the Treasury. Further information on debt management can be found in the '*Commonwealth Debt Management*' report for 1996-97. Performance information for 1997-98 will be published in the 1997-98 Treasury Annual Report to be tabled in Parliament by 31 October 1998. *Budget Statement 6 of Budget Paper No. 1* 1998-99 contains interim information on the Commonwealth's borrowing requirement for 1997-98. Full details of the Commonwealth's debt and portfolio management operations in 1997-98 will be published in the '*Commonwealth Debt Management*' report for 1997-98, which is expected to be published in September 1998.

Performance Forecasts for 1998-99

Strategies

Strategies to achieve the objective of the Sub-Programme include:

- utilisation and further development of a broad range of debt instruments and liability management techniques;
- regular contact with financial market participants in domestic and offshore markets, other sovereign borrowers and the RBA, to pursue best practice in the Government's debt funding and management decisions and to foster market familiarity with the Commonwealth's strategies in these areas;
- utilisation of specialist external advice as input into longer term strategic Portfolio management decisions;
- ensuring all legislative, administrative and accountability requirements for debt issue and redemption and the payment of debt assistance are met;
- ensuring efficient, secure and accountable procedures are in place for the processing of transactions;
- liaison with spending Departments, the DoFA, the RBA and the ATO to facilitate efficient cash management; and
- internal review and evaluation of processes and outcomes.

Performance Indicators

Performance will be measured against the following indicators:

- achievement of the Commonwealth's financing task;
- efficient execution of the Commonwealth's borrowing programme;
 - partial indicators in this regard include the range of accepted bids and the basis point spread between tender and secondary market yields at Treasury Bond, Treasury Indexed Bond, Treasury Adjustable Rate Bond and Treasury Note tenders;
- efficient management of the Commonwealth's cash balances;
 - indicators include achievement of the Ministerially-endorsed cumulative average cash balance target as at end year;
- meeting all legislative, administrative and accountability requirements for debt issue and redemption and the payment of debt assistance related to redemption of Commonwealth Government debt on issue for the States and Territories;
- efficient administration of debt redemption for the States and the Northern Territory through the Debt Retirement Reserve Trust Account; and
- timely calculation of Public Debt Interest (PDI) obligations as an input into budgetary processes.

Sub-Programme 1.7 — Investment

Objectives

To encourage foreign investment consistent with national interest considerations and through procedures that minimise the impact on commercial decision making.

Table 4.2: How the Sub-Programme is Resourced: Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	3,216	3,905	3,460	1,925	-44
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	2	2	2	2	0
	3,218	3,907	3,462	1,927	-44
Total Appropriation Bill No. 1	3,218	3,907	3,462	1,927	-44
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	3,218	3,907	3,462	1,927	-44
TOTAL SPECIAL APPROPRIATIONS	-	-	-	-	-
TOTAL APPROPRIATIONS	3,218	3,907	3,462	1,927	-44
Less annotated appropriations	2	na	2	2	0
TOTAL ADJUSTMENTS	2	na	2	2	0
TOTAL UNDERLYING OUTLAYS	3,216	na	3,460	1,925	-44
Staff years	35	na	32	23	-28

(i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).

(ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.

(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome)

Note: The Development Allowance Authority (DAA) transferred to the ATO with effect from 27 November 1997. Funding shown above includes DAA funding to that date. There is no DAA funding included for 1998-99.

Sub-Programme Variation

The following table shows changes of more than 5 per cent in the underlying outlays of the Sub-Programme in 1998-99.

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99

	Amount of Variation (+ or -) \$'000	Total \$'000
1997-98 Estimated Underlying Outlays (i)		3,460
Running Costs		
Reflects the transfer of the Development Allowance Authority to the ATO	-1,526	
Net effect of price indexation, efficiency dividend, carryovers and internal transfers	-9	
Total Variations		-1,535
1998-99 Budget Underlying Outlays (ii)		1,925

(i) The 1997-98 figure appears in column 3 in Table 4.2 above.

(ii) The 1998-99 Budget figure appears in column 4 in Table 4.2 above.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 54 to 57 of the 1996-97 Annual Report of the Department of the Treasury. Performance information for 1997-98 will be published in the Treasury's 1997-98 Annual Report to be tabled in Parliament. Further information on foreign investment policy can be found in the Annual Reports of the Foreign Investment Review Board (FIRB).

Performance Forecasts for 1998-99

Foreign Investment Policy

Most of the Department's foreign investment work is case driven with most cases handled within the Department under Ministerial delegation. Those cases which involve major national interest considerations will be decided by either the Treasurer or the Assistant Treasurer.

Strategies

Strategies to achieve the foreign investment objectives of the Sub-Programme include:

- monitoring and assessing trends in foreign investment cases in relation to possible implications for the Government's foreign investment policy;
- monitoring and assessing investment trends, in consultation with other Government Departments and State Governments;

- consulting closely with members of the FIRB in relation to the administration of the Government's foreign investment policy;
- fostering an awareness and understanding of the Government's foreign investment policy in the community and in the business sector, both in Australia and abroad;
- initiating and developing new policy proposals to ensure that the policy is responsive to changes in Australia's social and commercial environment;
- participating in international fora to promote investment liberalisation on a multilateral basis; and
- internally reviewing and evaluating processes and outcomes.

Performance Indicators

Performance indicators relating to foreign investment objectives of the Sub-Programme include:

- early identification of sensitive cases requiring Ministerial consideration;
- compliance with all statutory requirements applying to cases;
- feedback from the FIRB on the timeliness and consistency of decisions made on foreign investment proposals under delegation and recommendations for Ministerial consideration;
- relations with and feedback from foreign investors, their agents and the public in relation to the administration and understanding of foreign investment policy; and
- effective participation in international fora on foreign investment policy issues.

Sub-Programme 1.8 — Financial & Currency

Objectives

To develop policies and a framework of legislation and industry supervision that assist in increasing the efficiency, competitiveness and stability of Australia's financial system.

To provide advice and implement policies on the taxation and non-taxation issues relating to the age pension and private savings including superannuation and life and general insurance.

To provide and maintain a currency system that represents an efficient medium of exchange.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	3,803	3,849	3,468	3,478	0
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	23	23	107	96	-10
	3,826	3,872	3,575	3,574	-0
2. Other Services					
01. Compensation and legal expenses	115	115	115	-	-100
05. Housing Loans Insurance Company Limited - Payments in respect of insurance claims	20,000	20,000	20,000	26,000	30
	20,115	20,115	20,115	26,000	29
Total Appropriation Bill No. 1	23,941	23,987	23,690	29,574	25
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	23,941	23,987	23,690	29,574	25
Special Appropriations					
<i>Banking Act 1959</i> - unclaimed moneys	15,000	na	15,000	15,000	0
TOTAL SPECIAL APPROPRIATIONS	15,000	na	15,000	15,000	0
TOTAL APPROPRIATIONS	38,941	23,987	38,690	44,574	15

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays (continued)

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
Less annotated appropriations	23	na	107	96	-10
Less other adjustments	35,070	na	44,570	44,070	-1
TOTAL ADJUSTMENTS	35,093	na	44,677	44,166	-1
TOTAL UNDERLYING OUTLAYS	3,848	na	-5,987	408	-107
Staff years	43	na	40	45	13

(i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).

(ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.

(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome)

Sub-Programme Variation

The following table shows changes of more than 5 per cent in the underlying outlays of the Sub-Programme in 1998-99.

Table 4.3: Variations to Sub-Programme Underlying Outlays 1997-98 to 1998-99

	Amount of Variation (+ or -) \$'000	Total \$'000
1997-98 Estimated Underlying Outlays (i)		-5,987
Running Costs		
Net effect of price indexation, efficiency dividend, carryovers and internal transfers	10	
Programme Costs		
Reduced funding for Compensation and legal expenses	-115	
Increased payments in respect of insurance claims for the Housing Loans Insurance Company Limited	6,000	
Adjustments		
Net effect of Net Advance and payments to CRF, for the HLIC, and Premiums and Recoveries from the old HLIC book	500	
Total Variations		6,395
1998-99 Budget Underlying Outlays (ii)		408

(i) The 1997-98 figure appears in column 3 in Table 4.2 above.

(ii) The 1998-99 Budget figure appears in column 4 in Table 4.2 above.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 58 to 62 of the 1996-97 Annual Report of the Department of the Treasury. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

During 1997-98, the Sub-Programme has been responsible for the implementation of the Government's response to the recommendations of the Financial System Inquiry. Legislation to establish the new regulatory regime for the financial sector was introduced into Parliament in March 1998.

Performance Forecasts for 1998-99

During 1998-99, the Sub-Programme will continue to be responsible for the implementation of the Government's response to the Financial System Inquiry. It will administer relevant banking legislation and provide input into maintaining the currency system. The Sub-Programme will take responsibility for advising the Government on superannuation, savings and retirement incomes policy and for progressing, with the ATO and the Australian Prudential Regulation Authority (APRA), the Government's decisions in this area.

Strategies

The key strategies which will be utilised to achieve these Sub-Programme objectives include:

- maintaining close liaison with the Portfolio Ministers' offices, industry regulators (particularly the RBA, the ATO, and the APRA) and other Government departments and agencies;
- preparing policy advice on a range of financial, superannuation, banking and currency issues and implementing policy decisions taken by the Government;
- liaising, as appropriate, with State and Territory Governments, the banking and finance and superannuation industries and consumer organisations;
- providing Secretariat support for the Financial Sector Advisory Council (FSAC) and its Regional Financial Centre Task Force;
- developing and using computer models and databases for the review and development of superannuation and retirement incomes policy and related taxation and social security policy; and
- undertaking internal review and evaluation of processes and outcomes.

Performance Indicators

The performance of this Sub-Programme will be judged by indicators such as the provision of sound, comprehensive, effective and timely advice to the Treasurer and

other Portfolio Ministers, senior Departmental officers, other Government agencies and affected private sector interests. This will include:

- the preparation of necessary legislative amendments;
- effective implementation of the Government's decisions in relation to the recommendations of the Financial System Inquiry; and
- the development and implementation of the Government's superannuation and retirement income initiatives, and administration of banking and other relevant legislation.

Sub-Programme 1.9 — Business Law

Objective

To develop policies which contribute to the efficiency and competitiveness of corporations and financial markets.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	4,469	4,340	3,992	3,921	-2
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	14	14	16	16	0
	4,483	4,354	4,008	3,937	-2
Total Appropriation Bill No. 1	4,483	4,354	4,008	3,937	-2
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATIONS	4,483	4,354	4,008	3,937	-2
TOTAL SPECIAL APPROPRIATIONS	-	-	-	-	-
TOTAL APPROPRIATIONS	4,483	4,354	4,008	3,937	-2
Less annotated appropriations	14	na	16	16	0
TOTAL ADJUSTMENTS	14	na	16	16	0
TOTAL UNDERLYING OUTLAYS	4,469	na	3,992	3,921	-2
Staff years	41	na	36	38	6

(i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).

(ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.

(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome)

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 63 to 67 of the 1996-97 Annual Report of the Department of the Treasury. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

The Corporate Law Economic Reform Programme emphasises the new economic focus being brought to Australia's corporations law and financial markets developments more generally as part of the Government's drive to promote business and economic development.

It is expected that the Sub-Programme will achieve the following significant outcomes in 1998-99:

- secure passage of legislation to reform the Cheques Act and the introduction of real time gross settlement and netting for financial markets;
- introduce the Corporate Law Economic Reform Bill into Parliament implementing reform proposals in relation to accounting standards, fundraising, takeovers and directors' duties;
- establish a Financial Reporting Council and put in place new arrangements for setting accounting standards;
- introduce into Parliament legislation reforming the regulation of financial markets and the provision of financial services;
- continue implementation of the Report of the Financial System Inquiry in relation to market conduct and consumer protection;
- progress proposals contained in the Company Law Review Bill to reform the provisions of the Corporations Law dealing with company formation, share capital, accounts and audit, company meetings, company names and company deregistration and reinstatement;
- progress proposals contained in the Managed Investment Bill for the enhanced regulation of collective investment schemes;
- finalise the review of the Bills of Exchange Act 1909 as foreshadowed under the Government's Legislative Review Schedule;
- implement reforms to the system of registration and regulation of auditors and corporate insolvency practitioners; and
- review Australia's insolvency laws including voluntary administration and cross border insolvency.

Strategies

Strategies to achieve the objectives of the Sub-Programme include:

- developing and reviewing national business laws and policies relating to corporations, securities and futures industries, and cheques and bills of exchange;

- initiating and developing new policy proposals and preparing policy advice on a wide range of issues affecting business;
- identifying emerging issues and analysing policy proposals by market participants;
- maintaining liaison with the Australian Securities and Investments Commission, financial market participants, companies and investors; and
- developing an effective working relationship with other Sub-Programmes to enhance policy advising on business regulation.

Performance Indicators

Performance indicators for this Sub-Programme include:

- the quality, timeliness and relevance of policy advice to the Government;
- feedback from market participants, business representatives, company directors, shareholders and investors on the effectiveness of policies; and
- the range and effectiveness of consultations on policies.

Sub-Programme 1.10 — Corporate Direction & Support**Objective**

To coordinate the provision of policy advice and support and to coordinate management of Departmental resources.

Table 4.2: How the Sub-Programme is Resourced; Reconciliation of Appropriations to the Sub-Programme and Summary of Underlying Outlays

	1997-98 Budget (i) \$'000	1997-98 Revised Approp (ii) \$'000	1997-98 Estimated Outcome \$'000	1998-99 Budget \$'000	Variation (iii) %
ANNUAL APPROPRIATIONS					
<i>Appropriation Bill No. 1</i>					
Division 670 - Administrative					
1. Running Costs	14,393	15,100	14,811	14,671	-1
Annotated Appropriations (Section 31 of the <i>FMA Act 1997</i>)	709	712	768	713	-7
	15,102	15,812	15,579	15,384	-1
2. Other Services					
01. Compensation and legal expenses	118	585	585	943	61
Total Appropriation Bill No. 1	15,220	16,397	16,164	16,327	1
Total Appropriation Bill No. 2	-	-	-	-	-
TOTAL ANNUAL APPROPRIATION	15,220	16,397	16,164	16,327	1
TOTAL SPECIAL APPROPRIATION	-	-	-	-	-
TOTAL APPROPRIATIONS	15,220	16,397	16,164	16,327	1
Less annotated appropriations	709	na	768	713	-7
Less other adjustments	25	na	110	25	-77
TOTAL ADJUSTMENTS	734	na	878	738	-16
TOTAL UNDERLYING OUTLAYS	14,486	na	15,286	15,589	2
Staff years	135	na	120	126	5

(i) As presented in 1997-98 Budget documentation (May 1997 — adjusted, where necessary, to reflect underlying outlays).

(ii) 1997-98 Budget figures amended to include Additional Estimates, Advance to the Minister for Finance, running cost borrowings, savings and other revisions.

(iii) Variation percentage = ((1998-99 Budget less 1997-98 Estimated Outcome)/1997-98 Estimated Outcome)

1998-99 Budget Measures affecting Portfolio Underlying Outlays

The Sub-Programme has responsibility for the fitout and integrated refurbishment of the Treasury building. The measure is part of the overall capital works programme for the Commonwealth developed by the Domestic Property Group and accords with the Commonwealth Property Principles of January 1997. For further information refer to page 184 in Section 5.

Performance of the Sub-Programme in 1996-97 and 1997-98

Information on the performance of the Sub-Programme in 1996-97 is at pages 68 to 73 of the 1996-97 Annual Report of the Department of the Treasury. Performance information for 1997-98 will be published in the 1997-98 Annual Report to be tabled in Parliament by 31 October 1998.

Performance Forecasts for 1998-99

For 1998-99, particular attention will be paid to further strengthening Treasury's performance by:

- conducting a wide-ranging review of Treasury's core business, which will include an examination of processes and procedures;
- conducting a review of the provision of corporate services, with a view to identifying opportunities for improving efficiency and service delivery;
- examining strategies for accrual-based accounting and electronic commerce; and
- establishing a second enterprise agreement for the Department.

Strategies

Strategies to achieve the objectives of the Sub-Programme include:

- maintaining liaison with Treasury Ministers and their offices and other Government departments;
- gathering feedback through high level contact, both domestically and internationally, with governments, business, unions and interest groups for input into the policy advising process;
- organising Departmental resources efficiently so as to provide Portfolio Ministers with high quality, relevant and timely advice;
- fostering a consultative management culture within the Department;
- fortnightly meetings of the Executive, functioning as Executive Board for the Department, to discuss high level issues;
- fortnightly meetings of the Executive and Sub-Programme Heads to discuss policy and management issues;
- using the structure of Corporate Support Committees, each chaired by a Deputy Secretary, to manage the Department's provision of corporate services; and
- allocating Departmental resources to the reviews of core business and corporate services.

Performance Indicators

As the Executive are the peak decision makers within the Treasury, the overall perception of Treasury Portfolio Ministers of the quality of Treasury advice and administration is a relevant performance indicator. More specifically, indicators include:

- the effectiveness of communication both domestically and internationally with major economic participants, such as governments, international organisations, business, unions and interest groups;
- the level of staff morale and effectiveness of staff management and development;
- the degree of efficiency of the application of resources available to Treasury, and particularly human resources, including the quality of corporate support services; and
- the efficiency and effectiveness with which Treasury meets its statutory obligations and the Government's policy requirements.