

# AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

|  |           |
|--|-----------|
| <b>Section 1: Agency overview.....</b>                                       | <b>83</b> |
| <b>Section 2: Agency resources for 2005-06.....</b>                          | <b>84</b> |
| 2.1: Appropriations and other resources.....                                 | 84        |
| 2.2: 2005-06 Budget measures.....  | 86        |
| 2.3: Other receipts available to be used .....                               | 88        |
| 2.4: Movement of administered funds from 2004-05 to 2005-06 .....            | 88        |
| 2.5: Special appropriations.....   | 88        |
| 2.6: Special accounts .....  | 89        |
| 2.7: Administered capital and departmental equity injections and loans ..... | 89        |
| <b>Section 3: Agency outcomes .....</b>                                      | <b>90</b> |
| 3.1: Summary of outcomes, outputs and administered items.....                | 90        |
| 3.2: Outcomes — departmental and administered .....                          | 91        |
| 3.3: Outcomes resourcing.....  | 92        |
| 3.4: Measures affecting outcomes .....                                       | 93        |
| <b>Section 4: Other reporting requirements.....</b>                          | <b>96</b> |
| 4.1: Purchaser-provider arrangements .....                                   | 96        |
| 4.2: Cost recovery arrangements.....   | 96        |
| 4.3: Australian Government Indigenous Expenditure .....                      | 96        |
| <b>Section 5: Budgeted financial statements.....</b>                         | <b>97</b> |
| 5.1: Analysis of budgeted financial statements.....                          | 97        |
| 5.2: Budgeted financial statements tables .....                              | 100       |
| 5.3: Notes to the financial statements .....                                 | 109       |



# AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

## Section 1: 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:

- promotes effective competition and informed markets;
- encourages fair trading and protect consumers; and
- regulates the infrastructure service markets 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.

**Table 1.1: Agency outcomes and output groups**

| Outcome  | Description  | Output groups  |
|--|--|--|
| <b>Outcome 1</b>   |  |  |
| To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets | To bring about greater competitiveness in every sector of the economy. | Output Group 1.1<br>Australian Competition and Consumer Commission |

## Section 2: Agency resources for 2005-06

### **2.1: APPROPRIATIONS AND OTHER RESOURCES**

The total appropriation for the Australian Competition and Consumer Commission (ACCC) in the 2005-06 Budget is \$86.5 million.

Table 2.1 shows the total resources from all origins for 2005-06, including appropriations. The table summarises how revenue will be applied by outcome, administered and departmental classification.

**Table 2.1: Appropriations and other revenue 2005-06<sup>1</sup> ('000)**

| Outcome  | Appropriations |              |                |                           |                | Revenue from other sources <sup>3</sup> |                | Total resources <sup>5</sup> |
|--|----------------|--------------|----------------|---------------------------|----------------|---|----------------|------------------------------|
|  | \$'000         | \$'000       | \$'000         | \$'000                    | % <sup>4</sup> | \$'000                                  | % <sup>4</sup> | \$'000                       |
|  | Bill No. 1     | Bill No. 2   | Special approp | Total approp <sup>2</sup> |                |   |                |                              |
| <b>Outcome 1</b>   |                |              |                |                           |                |   |                |                              |
| To enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets |                |              |                |                           |                |   |                |                              |
| Departmental   | 85,481         | -            | -              | 85,481                    | 99%            | 460                                     | 1%             | 85,941                       |
| <b>Total agency</b>  | <b>85,481</b>  | <b>-</b>     | <b>-</b>       | <b>85,481</b>             |                | <b>460</b>                              |                | <b>85,941</b>                |
| Departmental capital (equity injections)   | -              | 1,000        | -              | 1,000                     | 100%           | -                                       | -              | 1,000                        |
| Previous year's outputs  | -              | -            | -              | -                         | -              | -                                       | -              | -                            |
| <b>Total resources</b>   | <b>85,481</b>  | <b>1,000</b> | <b>-</b>       | <b>86,481</b>             |                | <b>460</b>                              |                | <b>86,941</b>                |

1 This table has been redesigned to correspond with *Budget Paper No. 4, Agency Resourcing 2005-06*.

2 Total appropriations = Bill No. 1 + Bill No. 2 + Special appropriations.

3 Revenue from other sources includes *Financial Management and Accountability Act 1997* (FMA) s.31 revenues, that are available to be expensed, special accounts (non-appropriation revenues) and resources received free of charge.

4 Percentage figures indicate the percentage contribution of Revenue from Government (Departmental Appropriations) to the total price of outputs, by outcome, and the percentage contribution of Revenue from other sources (Departmental) to the total price of outputs, by outcome.

5 Total resources = Total appropriations + Revenue from other sources.

Note: Refer to Budgeted departmental statement of financial performance for application of agency revenue.

## **2.2: 2005-06 BUDGET MEASURES**

Budget measures relating to the ACCC as explained in *Budget Paper No. 2, Budget Measures 2005-06* are summarised in Table 2.2. The table also identifies the relevant outcome and outputs associated with each measure.

**Table 2.2: Australian Competition and Consumer Commission measures**

| Measure   | Outcome | Output groups affected | Appropriations budget |              |       | Appropriations forward estimate 2006-07 |              |       | Appropriations forward estimate 2007-08 |              |       | Appropriations forward estimate 2008-09 |              |       |
|---|---------|------------------------|-----------------------|--------------|-------|---|--------------|-------|---|--------------|-------|---|--------------|-------|
|   |         |                        | 2005-06<br>\$'000     |              |       | 2006-07<br>\$'000                       |              |       | 2007-08<br>\$'000                       |              |       | 2008-09<br>\$'000                       |              |       |
|   |         |                        | Admin expenses        | Dept outputs | Total | Admin expenses                          | Dept outputs | Total | Admin expenses                          | Dept outputs | Total | Admin expenses                          | Dept outputs | Total |
| Australian Energy Regulator   | 1       | 1.1                    | -                     | 4,800        | 4,400 | -                                       | -            | -     | -                                       | -            | -     | -                                       | -            | -     |
| Australian Energy Regulator<br><i>(Related capital)</i>   | 1       | 1.1                    | -                     | 400          | 400   | -                                       | -            | -     | -                                       | -            | -     | -                                       | -            | -     |
| Efficiency dividend<br>— increase in the rate from 1 per cent to 1.25 per cent <sup>1</sup>           | 1       | 1.1                    | -                     | - 189        | - 189 | -                                       | - 389        | - 389 | -                                       | - 590        | - 590 | -                                       | - 590        | - 590 |
| <i>Trade Practices Act 1974</i> — implementation of the Dawson Amendments                             | 1       | 1.1                    | -                     | 5,300        | 5,300 | -                                       | 4,700        | 4,700 | -                                       | 4,800        | 4,800 | -                                       | 4,900        | 4,900 |
| <i>Trade Practices Act 1974</i> — implementation of the Dawson Amendments<br><i>(Related capital)</i> | 1       | 1.1                    | -                     | 600          | 600   | -                                       | -            | -     | -                                       | -            | -     | -                                       | -            | -     |

<sup>1</sup> This is a cross portfolio measure. This table shows the ACCC contribution to the measure.

Note: Further information on these measures can be found in *Budget Paper No. 2, Budget Measures 2005-06* and the Measures affecting Outcomes table on page 93. This table shows the resourcing to be provided for these measures and may differ from those in *Budget Paper No. 2, Budget Measures 2005-06* and the Measures affecting Outcomes table as these are on a Government Finance Statistics (GFS) basis.

## 2.3: OTHER RECEIPTS AVAILABLE TO BE USED

Table 2.3 provides details of other receipts available to be used and include FMA s.31 receipts, that are available to be spent, special accounts (non-appropriation receipts) and resources received free of charge.

**Table 2.3: Other revenues<sup>1</sup>**

|   | Estimated receipts<br>2004-05<br>\$'000 | Budget estimate<br>2005-06<br>\$'000 |
|---|---|--------------------------------------|
| <b>Departmental other receipts</b>                            |   |                                      |
| Goods and services  | 600                                     | 400                                  |
| Other   | 60                                      | 60                                   |
| <b>Total departmental other receipts available to be used</b> | <b>660</b>                              | <b>460</b>                           |
| <b>Administered other receipts</b>                            |   |                                      |
| Fines and costs   | 9,500                                   | 9,500                                |
| Other   | 500                                     | 500                                  |
| <b>Total administered other receipts available to be used</b> | <b>10,000</b>                           | <b>10,000</b>                        |

<sup>1</sup> This table replaces the former table 'Receipts from independent sources'.

The ACCC currently levies a variety of fees and charges under the *Trade Practices Act 1974* (TPA). Receipts from these fees and charges are identified in Table 2.3 – Other receipts. They include goods and services (that is, seminars/speakers fees, sale of publications, photocopy revenue and sale of non-current assets).

The ACCC recovers approximately one per cent of revenue from cost recovery arrangements and receives free of charge the services of the Australian National Audit Office.

## 2.4: MOVEMENT OF ADMINISTERED FUNDS FROM 2004-05 TO 2005-06

It is estimated that there will not be a major movement of funds between 2004-05 and 2005-06.

**Table 2.4: Movement of administered funds from 2004-05 to 2005-06**

This table is not applicable to the ACCC.

## 2.5: SPECIAL APPROPRIATIONS

**Table 2.5: Estimates of expenses from special appropriations**

This table is not applicable to the ACCC.



## 2.6: SPECIAL ACCOUNTS

**Table 2.6: Estimates of special account flows and balances**

|  |                  | Opening<br>balance | Receipts   | Payments   | Closing<br>balance |
|--|------------------|--------------------|------------|------------|--------------------|
|  | A <sup>(1)</sup> | 2005-06            | 2005-06    | 2005-06    | 2005-06            |
|  | B <sup>(1)</sup> | 2004-05            | 2004-05    | 2004-05    | 2004-05            |
|  | Outcome          | \$'000             | \$'000     | \$'000     | \$'000             |
| Other Trust Account                                    | 1                | 124                | 200        | 300        | 24                 |
|  |                  | 124                | 200        | 200        | 124                |
| Services for other government<br>and non-agency bodies | 1                | -                  | -          | -          | -                  |
|  |                  | -                  | -          | -          | -                  |
| <b>Total special accounts</b>                          |                  |                    |            |            |                    |
| <b>2005-06 Budget estimate</b>                         |                  | <b>124</b>         | <b>200</b> | <b>300</b> | <b>24</b>          |
| Total special accounts<br>2004-05 estimated actual     |                  | 124                | 200        | 200        | 124                |

1 The opening balance for 2005-06 (reference A) is the same as the closing balance for 2004-05 (reference B).

Special Public Monies are held by the ACCC in a Trustee capacity. The Trust monies are a result of court orders of which payments to the beneficiaries are pending. These monies are temporarily held for the benefit of a person or entity other than the Australian Government. This special account is departmental in nature and is governed by Section 20 of the FMA.

## 2.7: ADMINISTERED CAPITAL AND DEPARTMENTAL EQUITY INJECTIONS AND LOANS

The ACCC will receive a departmental equity injection of \$1.0 million in the 2005-06 Budget. An amount of \$0.6 million is for capital costs associated with the implementation of the Dawson Amendments to the TPA. The balance of \$0.4 million is for capital costs associated with the Australian Energy Regulator for 2005-06.

## Section 3: Agency outcomes

This section explains how the resources identified in Section 2 will be used to deliver outputs and administered items that contribute to the outcome for the Australian Competition and Consumer Commission (ACCC).

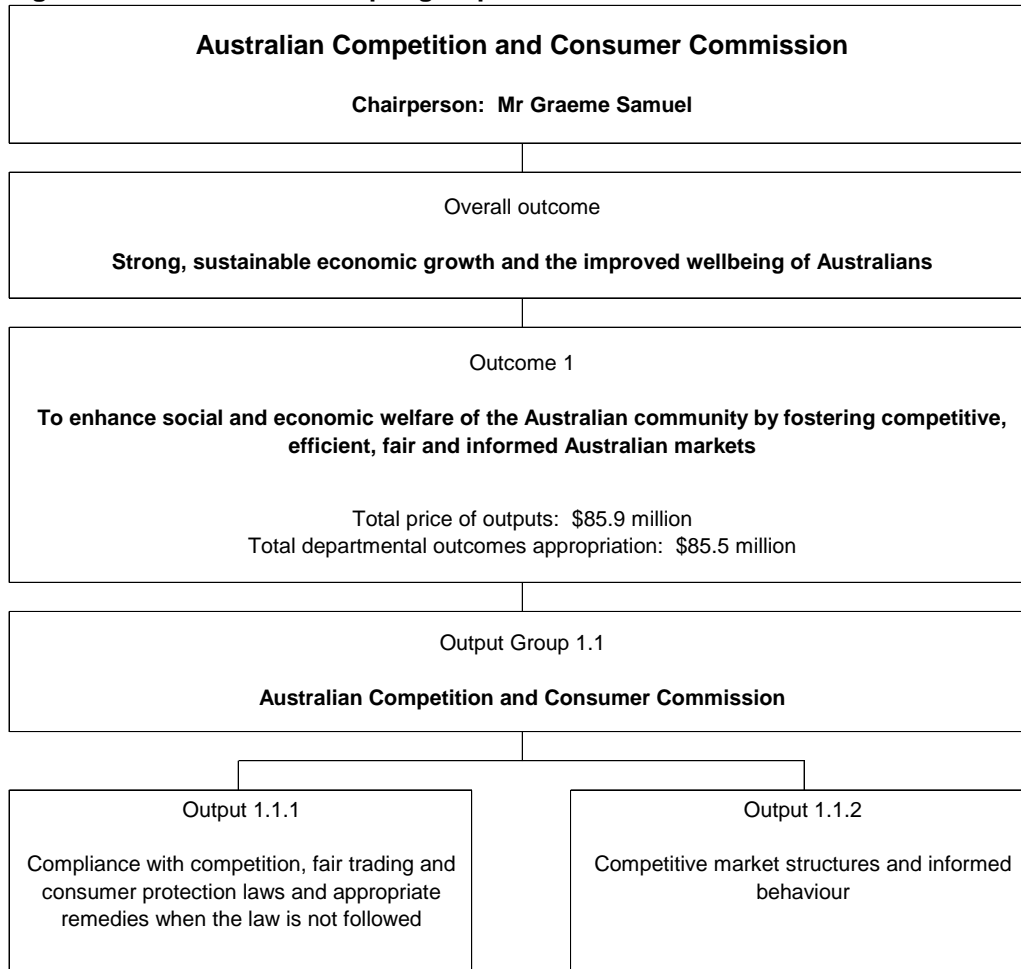
### **3.1: SUMMARY OF OUTCOMES, OUTPUTS AND ADMINISTERED ITEMS**

The ACCC uses a process of cost allocation to estimate the costs of each output in Table 3.1.

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.

The relationship between activities of the ACCC and the outcome is summarised in Figure 4.

**Figure 4: Outcomes and output groups and administered items**



### 3.2: OUTCOMES — DEPARTMENTAL AND ADMINISTERED

The ACCC has only one outcome, namely, ‘to enhance social and economic welfare of the Australian community by fostering competitive, efficient, fair and informed Australian markets’. The total appropriation for this outcome for 2005-06 is \$85.5 million.

**Figure 5: Departmental appropriations by outcome, 2005-06**

This figure is not applicable to the ACCC.

**Figure 6: Administered appropriations by outcome, 2005-06**

This figure is not applicable to the ACCC.

### 3.3: OUTCOMES RESOURCING

#### Outcome 1 description

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

#### Outcome 1 resourcing

Table 3.1 shows how the 2005-06 Budget appropriations translate to total resourcing for Outcome 1, including administered expenses, revenue from government (appropriation), revenue from other sources (Departmental) and the total price of outputs.

**Table 3.1: Total resources for Outcome 1 (\$'000)**

|   | Estimated<br>actual<br>2004-05<br>\$'000 | Budget<br>estimate<br>2005-06<br>\$'000 |
|---|--|---|
| <b>Departmental appropriations</b>  |  |   |
| 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 | 60,043                                   | 52,143                                  |
| Output 1.1.2 - Competitive market structures and informed behaviour   | 38,388                                   | 33,338                                  |
| <b>Total revenue from government (appropriations)<br/>Contributing to price of departmental outputs</b>                                     | <b>98,431</b>                            | <b>85,481</b>                           |
| <b>Revenue from other sources</b>   |  |   |
| Goods and services  | 600                                      | 400                                     |
| Other   | 60                                       | 60                                      |
| <b>Total revenue from other sources</b>   | <b>660</b>                               | <b>460</b>                              |
| <b>Total price from departmental outputs</b><br>(Total revenue from government and from other sources)                                      | <b>99,091</b>                            | <b>85,941</b>                           |
| <b>Special Accounts (estimated payments from Special Account balances)<sup>1</sup></b>  |  |   |
| Other Trust Account - <i>Financial Management and Accountability Act 1997</i>   | 200                                      | 300                                     |
| <b>Total departmental Special Account outflows</b>  | <b>200</b>                               | <b>300</b>                              |
| <b>Total estimated resourcing for Outcome 1</b><br>(Total price of outputs)   | <b>99,091</b>                            | <b>85,941</b>                           |
|   | 2004-05                                  | 2005-06                                 |
| <b>Average staffing level (number)</b>  | <b>481</b>                               | <b>511</b>                              |

<sup>1</sup> Special Account outflows are shown in the payments column of the Special Account table in Table 2.6. The estimated payments from special account balances are provided by way of note only and do not form part of the total estimated resourcing.

### 3.4: MEASURES AFFECTING OUTCOMES

#### Measures affecting Outcome 1

|   | 2005-06<br>\$'000 | 2006-07<br>\$'000 | 2007-08<br>\$'000 | 2008-09<br>\$'000 |
|---|-------------------|-------------------|-------------------|-------------------|
| Australian Energy Regulator <sup>1</sup>  | 4,400             | -                 | -                 | -                 |
| Australian Energy Regulator<br>(Related capital)  | 400               | -                 | -                 | -                 |
| Efficiency dividend — increase in the rate from<br>1 per cent to 1.25 per cent <sup>2</sup> | - 189             | - 389             | - 590             | - 590             |
| Trade Practices Act 1974 — implementation of<br>the Dawson Amendments                       | 5,300             | 4,600             | 4,700             | 4,800             |
| Trade Practices Act 1974 — implementation of<br>the Dawson Amendments<br>(Related capital)  | 600               | -                 | -                 | -                 |

1 This measure involves funding of \$4.8 million to the ACCC in 2005-06. Also refer to Table 2.2 on page 87.

2 This is a cross portfolio measure. This table shows the ACCC contribution to the measure.

Details of these measures are included in *Budget Paper No. 2, Budget Measures 2005-06*.

#### 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 3.2: Performance information for Outcome 1**

| <b>Performance information for administered items including third party outputs</b>   |   |
|---|---|
| Outputs 1.1.1 and 1.1.2   | <b>Quality</b>  |
| Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed.               | Collection of statutory fees and judgement debts<br>\$10 million  |
| Competitive market structures and informed behaviour  |   |
| <b>Performance information for individual outputs</b>   |   |
| <b>Output group 1.1: Australian Competition and Consumer Commission</b>   |   |
| Output 1.1.1 - Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed | <b>Quality</b>  |
|   | 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.   |
|   | Develop industry specific codes of conduct.   |
|   | Publicise merger and authorisation decisions, arbitrations, undertakings and access arrangements and monitoring activities and inquiry findings.  |

**Table 3.2: Performance information for Outcome 1 (continued)**

| <b>Performance information for agency outputs (continued)</b>   |   |
|---|---|
| Output 1.1.1 - Compliance with competition, fair trading and consumer protection laws and appropriate remedies when the law is not followed | <p>Assist parliamentary inquiries and government agencies to develop policies and processes that are consistent with the competition, fair trading and consumer protection laws.</p> <p>Liaise with other regulators, business and consumer associations, speak to the public, participate in meetings and conferences, nationally and internationally.</p> <p>Help overseas trading partners to develop and implement effective competition regimes to benefit Australian industry.</p> <p><b>Price: \$52.4 million</b></p>  |
| Output 1.1.2 - Competitive market structures and informed behaviour   | <p><b>Quality</b></p> <p>Assess the competition effects of mergers, acquisitions or asset sales.</p> <p>Encourage competition in markets that depend on monopoly services.</p> <p>Ensure that access regulation provides incentives for efficient business investment and use of infrastructure.</p> <p>Ensure that businesses using monopoly services pay prices that reflect efficient costs.</p> <p>Adjudicate authorisation applications (where anti-competitive behaviour is claimed to deliver public benefits).</p> <p>Monitor prices to assess the impact of market conditions on price levels of goods and services.</p> <p><b>Price: \$33.5 million</b></p> |

### Evaluations for Outcome 1

Output performance indicators (shown in Table 3.2 Performance information for Outcome 1) will be used to measure evaluation activity for this outcome. The results of the evaluation will be shown in the ACCC Annual Report.

Feedback will be sought from key clients on a regular basis on the effectiveness in achieving the outcome.

## Section 4: Other reporting requirements

### 4.1: PURCHASER-PROVIDER ARRANGEMENTS

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

### 4.2: COST RECOVERY ARRANGEMENTS

The ACCC currently levies a variety of fees and charges under the *Trade Practices Act 1974*. Revenue from these fees and charges is identified in Table 2.3 – ‘Other revenue’ in Section 2.

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 revenue generated by the ACCC is refunded back to government via the Consolidated Revenue Fund.

The ACCC undertook a review of its cost recovery arrangements in March 2004 in accordance with the Australian Government’s five year review schedule for existing arrangements. A summary of the review was contained in the *Portfolio Budget Statements 2004-05* for the Treasury Portfolio on pages 101 to 103.

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.

### 4.3: AUSTRALIAN GOVERNMENT INDIGENOUS EXPENDITURE

#### Table 4.1: Australian Government Indigenous Expenditure

This table is not applicable to the ACCC.



## **Section 5: Budgeted financial statements**

The budgeted financial statements contain the estimates prepared in accordance with the requirements of the government's financial budgeting and reporting framework, including the principles of the Australian Accounting Standards and Statements of Accounting Concepts, as well as specific guidelines issued by the Department of Finance and Administration. They show the planned financial performance for the 2005-06 Budget year and each of the forward years from 2006-07 to 2008-09. The statements also include the estimated actual for 2004-05 for comparative purposes.

### **5.1: ANALYSIS OF BUDGETED FINANCIAL STATEMENTS**

An analysis of the Australian Competition and Consumer Commission's (ACCC) budgeted financial statements is provided below.

#### **Budgeted departmental statement of financial performance**

The ACCC is estimating an operating surplus of \$9.3 million in 2004-05 arising from:

- Deferral of establishment costs of the Australian Energy Regulator to 2005-06 from funding provided in 2004-05 (\$3.3 million);
- Funds not required in 2004-05 which were provided for expected extraordinary litigation costs which have not yet eventuated (\$6.0 million).

The ACCC is budgeting for a breakeven operating result in 2005-06.

#### **Operating Revenues**

Total revenue for 2005-06 is estimated to be \$85.9 million, a decrease of \$13.0 million on the 2004-05 estimated actual revenue. The decrease resulted from the following movements taking place since the 2004-05 additional estimates:

- Cessation of one off funding provided in 2004-05 of \$15.2 million to meet extraordinary litigation costs;
- Reduction of additional funding of \$0.4 million granted in 2004-05 to cover the increasing costs of pursuing litigation;
- Cessation of funding provided for monitoring medical indemnity insurance premiums – \$0.5 million;
- Reduction of \$0.4 million in funding for the implementation of the Wilkinson report;

### *Budgeted financial statements – ACCC*

- Reduction of \$0.1 million in funding for the ACCC's Comcover insurance premium;
- New funding of \$5.3 million for the implementation of the Dawson Amendments to the *Trade Practices Act 1974*; and
- New funding of \$4.8 million to fund the Australian Energy Regulator for a further year compared to \$6.5 million received in 2004-05.

### **Operating Expenses**

Total expenses are estimated to be \$85.9 million. This is a decrease of \$3.9 million from the 2004-05 estimated actual arising largely from:

- additional expenditure relating to the implementation of the Dawson Amendments to the *Trade Practices Act 1974*;
- increased expenditure relating to the establishment of the Australian Energy Regulator;
- reduced expenditure relating to the cessation or reduction of funding mentioned in the operating revenues paragraph above; and
- a budgeted decrease in litigation costs.

Any extraordinary litigation costs arising in 2005-06 will be funded from the Litigation Contingency Fund.

### **Budgeted departmental statement of financial position**

#### **Equity**

In 2005-06 the ACCC's equity position will be in surplus in the amount of \$22.7 million. This is an increase of \$1.0 million resulting from a capital equity injection of \$1.0 million.

#### **Financial Assets**

In 2004-05 the ACCC received an amount of \$22 million to address accumulated past year losses (\$12 million) and to establish a Litigation Contingency Fund (\$10 million). The Litigation Contingency Fund for 2005-06 will be supplemented by \$6 million resulting from funds not required in 2004-05 for extraordinary litigation costs which have not yet eventuated. This amount has been transferred to the Official Public Account, and shown as Receivables, until required.

#### **Non Financial Assets**

In 2005-06 the ACCC will be maintaining its commitment to long term improvement, investing \$4.771 million in capital.

A significant proportion of the ACCC's capital investment is directed towards the fitout of the Melbourne office, and the purchase of equipment and computer software for the new measures shown at Table 2.2.

**Liabilities**

The ACCC's liabilities are mainly employee entitlements. There is no significant movement in total liabilities from 2004-05.

## 5.2: BUDGETED FINANCIAL STATEMENTS TABLES

**Table 5.1: Budgeted departmental statement of financial performance for the period ended 30 June**

|  | Estimated<br>actual<br>2004-05<br>\$'000 | Budget<br>estimate<br>2005-06<br>\$'000 | Forward<br>estimate<br>2006-07<br>\$'000 | Forward<br>estimate<br>2007-08<br>\$'000 | Forward<br>estimate<br>2008-09<br>\$'000 |
|--|--|---|--|--|--|
| <b>REVENUE</b>   |  |   |  |  |  |
| <b>Revenues from ordinary activities</b>   |  |   |  |  |  |
| Revenues from Government   | 98,431                                   | 85,481                                  | 79,923                                   | 80,087                                   | 81,055                                   |
| Goods and services   | 600                                      | 400                                     | 400                                      | 400                                      | 400                                      |
| Other  | 60                                       | 60                                      | 60                                       | 60                                       | 60                                       |
| <b>Revenues from ordinary activities</b>   | <b>99,091</b>                            | <b>85,941</b>                           | <b>80,383</b>                            | <b>80,547</b>                            | <b>81,515</b>                            |
| <b>EXPENSE</b>   |  |   |  |  |  |
| <b>Expenses from ordinary activities<br/>(excluding borrowing costs<br/>expense)</b> |  |   |  |  |  |
| Employees  | 42,069                                   | 48,061                                  | 44,942                                   | 45,766                                   | 46,336                                   |
| Suppliers  | 45,390                                   | 35,279                                  | 33,158                                   | 32,498                                   | 32,896                                   |
| Depreciation and amortisation  | 2,382                                    | 2,601                                   | 2,283                                    | 2,283                                    | 2,283                                    |
| <b>Expenses from ordinary activities<br/>(excluding borrowing costs<br/>expense)</b> | <b>89,841</b>                            | <b>85,941</b>                           | <b>80,383</b>                            | <b>80,547</b>                            | <b>81,515</b>                            |
| Borrowing costs expense  | -  | -                                       | -  | -  | -  |
| <b>Operating surplus or deficit<br/>from ordinary activities</b>                     | <b>9,250</b>                             | <b>-</b>                                | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>                                 |
| <b>Net surplus or deficit</b>  | <b>9,250</b>                             | <b>-</b>                                | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>                                 |
| <b>Net surplus or deficit attributable<br/>to the Australian Government</b>          | <b>9,250</b>                             | <b>-</b>                                | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>                                 |

**Table 5.2: Budgeted departmental statement of financial position as at 30 June**

|   | Estimated<br>actual<br>2004-05<br>\$'000 | Budget<br>estimate<br>2005-06<br>\$'000 | Forward<br>estimate<br>2006-07<br>\$'000 | Forward<br>estimate<br>2007-08<br>\$'000 | Forward<br>estimate<br>2008-09<br>\$'000 |
|---|--|---|--|--|--|
| <b>ASSETS</b>                                 |  |   |  |  |  |
| <b>Financial assets</b>                       |  |   |  |  |  |
| Cash  | 660                                      | 660                                     | 660                                      | 660                                      | 660                                      |
| Receivables                                   | 33,620                                   | 32,950                                  | 33,450                                   | 33,950                                   | 34,450                                   |
| <b>Total financial assets</b>                 | <b>34,280</b>                            | <b>33,610</b>                           | <b>34,110</b>                            | <b>34,610</b>                            | <b>35,110</b>                            |
| <b>Non-financial assets</b>                   |  |   |  |  |  |
| Land and buildings                            | 1,178                                    | 2,536                                   | 1,894                                    | 1,252                                    | 610                                      |
| Infrastructure, plant and equipment           | 2,072                                    | 3,107                                   | 3,972                                    | 4,705                                    | 5,501                                    |
| Inventories                                   | 95                                       | 95                                      | 95                                       | 95                                       | 95                                       |
| Intangibles                                   | 691                                      | 468                                     | 245                                      | 154                                      | -  |
| Other non-financial assets                    | 700                                      | 700                                     | 700                                      | 700                                      | 700                                      |
| <b>Total non-financial assets</b>             | <b>4,736</b>                             | <b>6,906</b>                            | <b>6,906</b>                             | <b>6,906</b>                             | <b>6,906</b>                             |
| <b>Total assets</b>                           | <b>39,016</b>                            | <b>40,516</b>                           | <b>41,016</b>                            | <b>41,516</b>                            | <b>42,016</b>                            |
| <b>LIABILITIES</b>                            |  |   |  |  |  |
| <b>Provisions</b>                             |  |   |  |  |  |
| Employees                                     | 10,200                                   | 10,700                                  | 11,200                                   | 11,700                                   | 12,200                                   |
| <b>Total provisions</b>                       | <b>10,200</b>                            | <b>10,700</b>                           | <b>11,200</b>                            | <b>11,700</b>                            | <b>12,200</b>                            |
| <b>Payables</b>                               |  |   |  |  |  |
| Suppliers                                     | 6,689                                    | 6,689                                   | 6,689                                    | 6,689                                    | 6,689                                    |
| Other payables                                | 400                                      | 400                                     | 400                                      | 400                                      | 400                                      |
| <b>Total payables</b>                         | <b>7,089</b>                             | <b>7,089</b>                            | <b>7,089</b>                             | <b>7,089</b>                             | <b>7,089</b>                             |
| <b>Total liabilities</b>                      | <b>17,289</b>                            | <b>17,789</b>                           | <b>18,289</b>                            | <b>18,789</b>                            | <b>19,289</b>                            |
| <b>EQUITY*</b>                                |  |   |  |  |  |
| <b>Parent entity interest</b>                 |  |   |  |  |  |
| Contributed equity                            | 27,115                                   | 28,115                                  | 28,115                                   | 28,115                                   | 28,115                                   |
| Reserves                                      | 1,052                                    | 1,052                                   | 1,052                                    | 1,052                                    | 1,052                                    |
| Retained surpluses or<br>accumulated deficits | - 6,440                                  | - 6,440                                 | - 6,440                                  | - 6,440                                  | - 6,440                                  |
| <b>Total parent entity interest</b>           | <b>21,727</b>                            | <b>22,727</b>                           | <b>22,727</b>                            | <b>22,727</b>                            | <b>22,727</b>                            |
| <b>Total equity</b>                           | <b>21,727</b>                            | <b>22,727</b>                           | <b>22,727</b>                            | <b>22,727</b>                            | <b>22,727</b>                            |
| <b>Current assets</b>                         | <b>34,980</b>                            | <b>34,310</b>                           | <b>34,810</b>                            | <b>35,310</b>                            | <b>35,810</b>                            |
| <b>Non-current assets</b>                     | <b>4,036</b>                             | <b>6,206</b>                            | <b>6,206</b>                             | <b>6,206</b>                             | <b>6,206</b>                             |
| <b>Current liabilities</b>                    | <b>12,189</b>                            | <b>12,439</b>                           | <b>12,689</b>                            | <b>12,939</b>                            | <b>13,189</b>                            |
| <b>Non-current liabilities</b>                | <b>5,100</b>                             | <b>5,350</b>                            | <b>5,600</b>                             | <b>5,850</b>                             | <b>6,100</b>                             |

\* 'Equity' is the residual interest in assets after deduction of liabilities.

**Table 5.3: Budgeted departmental statement of cash flows for the period ended 30 June**

|  | Estimated<br>actual<br>2004-05<br>\$'000 | Budget<br>estimate<br>2005-06<br>\$'000 | Forward<br>estimate<br>2006-07<br>\$'000 | Forward<br>estimate<br>2007-08<br>\$'000 | Forward<br>estimate<br>2008-09<br>\$'000 |
|--|--|---|--|--|--|
| <b>OPERATING ACTIVITIES</b>                          |  |   |  |  |  |
| <b>Cash received</b>                                 |  |   |  |  |  |
| Goods and services                                   | 600                                      | 400                                     | 400                                      | 400                                      | 400                                      |
| Appropriations                                       | 98,431                                   | 85,481                                  | 79,923                                   | 80,087                                   | 81,055                                   |
| Other  | 94                                       | -                                       | -  | -  | -  |
| <b>Total cash received</b>                           | <b>99,125</b>                            | <b>85,881</b>                           | <b>80,323</b>                            | <b>80,487</b>                            | <b>81,455</b>                            |
| <b>Cash used</b>                                     |  |   |  |  |  |
| Employees  | 41,569                                   | 47,561                                  | 44,442                                   | 45,266                                   | 45,836                                   |
| Suppliers  | 45,424                                   | 35,219                                  | 33,098                                   | 32,438                                   | 32,836                                   |
| <b>Total cash used</b>                               | <b>86,993</b>                            | <b>82,780</b>                           | <b>77,540</b>                            | <b>77,704</b>                            | <b>78,672</b>                            |
| <b>Net cash from or used by operating activities</b> | <b>12,132</b>                            | <b>3,101</b>                            | <b>2,783</b>                             | <b>2,783</b>                             | <b>2,783</b>                             |
| <b>INVESTING ACTIVITIES</b>                          |  |   |  |  |  |
| <b>Cash used</b>                                     |  |   |  |  |  |
| Purchase of property, plant and equipment            | 2,700                                    | 4,771                                   | 2,283                                    | 2,283                                    | 2,283                                    |
| <b>Total cash used</b>                               | <b>2,700</b>                             | <b>4,771</b>                            | <b>2,283</b>                             | <b>2,283</b>                             | <b>2,283</b>                             |
| <b>Net cash from or used by investing activities</b> | <b>- 2,700</b>                           | <b>- 4,771</b>                          | <b>- 2,283</b>                           | <b>- 2,283</b>                           | <b>- 2,283</b>                           |
| <b>FINANCING ACTIVITIES</b>                          |  |   |  |  |  |
| <b>Cash received</b>                                 |  |   |  |  |  |
| Appropriations - contributed equity                  | 23,959                                   | 1,000                                   | -  | -  | -  |
| Other  | -  | 1,170                                   | -  | -  | -  |
| <b>Total cash received</b>                           | <b>23,959</b>                            | <b>2,170</b>                            | <b>-</b>                                 | <b>-</b>                                 | <b>-</b>                                 |
| <b>Cash used</b>                                     |  |   |  |  |  |
| Other  | 32,920                                   | 500                                     | 500                                      | 500                                      | 500                                      |
| <b>Total cash used</b>                               | <b>32,920</b>                            | <b>500</b>                              | <b>500</b>                               | <b>500</b>                               | <b>500</b>                               |
| <b>Net cash from or used by financing activities</b> | <b>- 8,961</b>                           | <b>1,670</b>                            | <b>- 500</b>                             | <b>- 500</b>                             | <b>- 500</b>                             |
| <b>Net increase or decrease in cash held</b>         |  |   |  |  |  |
|  | 471                                      | -                                       | -  | -  | -  |
| Cash at the beginning of the reporting period        | 189                                      | 660                                     | 660                                      | 660                                      | 660                                      |
| Cash at the end of the reporting period              | 660                                      | 660                                     | 660                                      | 660                                      | 660                                      |

**Table 5.4: Departmental capital budget statement**

|   | Estimated<br>actual<br>2004-05<br>\$'000 | Budget<br>estimate<br>2005-06<br>\$'000 | Forward<br>estimate<br>2006-07<br>\$'000 | Forward<br>estimate<br>2007-08<br>\$'000 | Forward<br>estimate<br>2008-09<br>\$'000 |
|---|--|---|--|--|--|
| <b>CAPITAL APPROPRIATIONS</b>           |  |   |  |  |  |
| Total equity injections                 | 23,959                                   | 1,000                                   | -  | -  | -  |
| Total loans                             | -  | -                                       | -  | -  | -  |
| <b>Total capital appropriations</b>     | <b>23,959</b>                            | <b>1,000</b>                            | -  | -  | -  |
| <b>Represented by:</b>                  |  |   |  |  |  |
| Purchase of non-financial assets        | 1,959                                    | 1,000                                   | -  | -  | -  |
| Other                                   | 22,000                                   | -                                       | -  | -  | -  |
| <b>Total represented by</b>             | <b>23,959</b>                            | <b>1,000</b>                            | -  | -  | -  |
| <b>PURCHASE OF NON-FINANCIAL ASSETS</b> |  |   |  |  |  |
| Funded by capital appropriation         | 789                                      | 1,000                                   | -  | -  | -  |
| Funded internally by                    |  |   |  |  |  |
| Departmental resources                  | 1,911                                    | 3,771                                   | 2,283                                    | 2,283                                    | 2,283                                    |
| <b>Total</b>                            | <b>2,700</b>                             | <b>4,771</b>                            | <b>2,283</b>                             | <b>2,283</b>                             | <b>2,283</b>                             |

Note: Purchase of non-financial assets is shown as \$1.959 million, the amount the Government funded as an equity injection in 2004-05. It is estimated that only \$0.789 million will be spent on capital items in 2004-05, the balance is to be carried over into 2005-06.

**Table 5.5: Departmental property, plant, equipment and intangibles — summary of movement (Budget year 2005-06)**

|  | Land   | Investment<br>property | Buildings | Specialist<br>military<br>equipment | Other<br>infrastructure<br>plant and<br>equipment | Heritage<br>and cultural<br>assets | Computer<br>software | Other<br>intangibles | Total    |
|--|--------|------------------------|-----------|-------------------------------------|---|------------------------------------|----------------------|----------------------|----------|
|  | \$'000 | \$'000                 | \$'000    | \$'000                              | \$'000  | \$'000                             | \$'000               | \$'000               | \$'000   |
| <b>As at 1 July 2005</b>   |        |                        |           |                                     |   |                                    |                      |                      |          |
| Gross book value   | -      | -                      | 4,796     | -                                   | 5,829   | -                                  | 2,012                | -                    | 12,637   |
| Accumulated depreciation   | -      | -                      | - 3,618   | -                                   | - 3,757   | -                                  | - 1,321              | -                    | - 8,696  |
| <b>Opening net book value</b>  | -      | -                      | 1,178     | -                                   | 2,072   | -                                  | 691                  | -                    | 3,941    |
| Additions:   |        |                        |           |                                     |   |                                    |                      |                      |          |
| by purchase  | -      | -                      | 2,000     | -                                   | 2,771   | -                                  | -                    | -                    | 4,771    |
| by finance lease   | -      | -                      | -         | -                                   | -   | -                                  | -                    | -                    | -        |
| from acquisitions of entities or<br>operations (including restructuring) | -      | -                      | -         | -                                   | -   | -                                  | -                    | -                    | -        |
| Net revaluation increment/decrement                                      | -      | -                      | -         | -                                   | -   | -                                  | -                    | -                    | -        |
| Reclassifications  | -      | -                      | -         | -                                   | -   | -                                  | -                    | -                    | -        |
| Depreciation/amortisation expense  | -      | -                      | - 642     | -                                   | - 1,736   | -                                  | - 223                | -                    | - 2,601  |
| Recoverable amount write-downs   | -      | -                      | -         | -                                   | -   | -                                  | -                    | -                    | -        |
| Other movements  | -      | -                      | -         | -                                   | -   | -                                  | -                    | -                    | -        |
| Disposals:   |        |                        |           |                                     |   |                                    |                      |                      |          |
| from disposal of entities or<br>operations (including restructuring)     | -      | -                      | -         | -                                   | -   | -                                  | -                    | -                    | -        |
| other disposals  | -      | -                      | -         | -                                   | -   | -                                  | -                    | -                    | -        |
| <b>As at 30 June 2006</b>  |        |                        |           |                                     |   |                                    |                      |                      |          |
| Gross book value   | -      | -                      | 6,796     | -                                   | 8,600   | -                                  | 2,012                | -                    | 17,408   |
| Accumulated depreciation   | -      | -                      | - 4,260   | -                                   | - 5,493   | -                                  | - 1,544              | -                    | - 11,297 |
| <b>Closing net book value</b>  | -      | -                      | 2,536     | -                                   | 3,107   | -                                  | 468                  | -                    | 6,111    |



**Table 5.6: Schedule of budgeted revenues and expenses administered on behalf of Government for the period ended 30 June**

|  | Estimated<br>actual<br>2004-05<br>\$'000 | Budget<br>estimates<br>2005-06<br>\$'000 | Forward<br>estimate<br>2006-07<br>\$'000 | Forward<br>estimate<br>2007-08<br>\$'000 | Forward<br>estimate<br>2008-09<br>\$'000 |
|--|--|--|--|--|--|
| <b>REVENUES ADMINISTERED ON<br/>BEHALF OF GOVERNMENT</b>       |  |  |  |  |  |
| <b>Taxation</b>  |  |  |  |  |  |
| Other taxes, fees and fines                                    | 10,000                                   | 10,000                                   | 10,000                                   | 10,000                                   | 10,000                                   |
| <b>Total taxation</b>  | 10,000                                   | 10,000                                   | 10,000                                   | 10,000                                   | 10,000                                   |
| <b>Total revenues administered<br/>on behalf of Government</b> | 10,000                                   | 10,000                                   | 10,000                                   | 10,000                                   | 10,000                                   |

**Table 5.7: Schedule of budgeted assets and liabilities administered on behalf of Government as at 30 June**

|  | Estimated<br>actual<br>2004-05<br>\$'000 | Budget<br>estimate<br>2005-06<br>\$'000 | Forward<br>estimate<br>2006-07<br>\$'000 | Forward<br>estimate<br>2007-08<br>\$'000 | Forward<br>estimate<br>2008-09<br>\$'000 |
|--|--|---|--|--|--|
| <b>ASSETS ADMINISTERED ON<br/>BEHALF OF GOVERNMENT</b>       |  |   |  |  |  |
| <b>Financial assets</b>                                      |  |   |  |  |  |
| Receivables  | 4,000                                    | 4,000                                   | 4,000                                    | 4,000                                    | 4,000                                    |
| <b>Total financial assets</b>                                | 4,000                                    | 4,000                                   | 4,000                                    | 4,000                                    | 4,000                                    |
| <b>Total assets administered<br/>on behalf of Government</b> | 4,000                                    | 4,000                                   | 4,000                                    | 4,000                                    | 4,000                                    |

**Table 5.8: Schedule of budgeted administered cash flows  
for the period ended 30 June**

|  | Estimated<br>actual<br>2004-05<br>\$'000 | Budget<br>estimate<br>2005-06<br>\$'000 | Forward<br>estimate<br>2006-07<br>\$'000 | Forward<br>estimate<br>2007-08<br>\$'000 | Forward<br>estimate<br>2008-09<br>\$'000 |
|--|--|---|--|--|--|
| <b>OPERATING ACTIVITIES</b>                              |  |   |  |  |  |
| <b>Cash received</b>                                     |  |   |  |  |  |
| Other taxes, fees and fines                              | 10,000                                   | 10,000                                  | 10,000                                   | 10,000                                   | 10,000                                   |
| <b>Total cash received</b>                               | 10,000                                   | 10,000                                  | 10,000                                   | 10,000                                   | 10,000                                   |
| <b>Net cash from or used by<br/>operating activities</b> | 10,000                                   | 10,000                                  | 10,000                                   | 10,000                                   | 10,000                                   |
| <b>INVESTING ACTIVITIES</b>                              |  |   |  |  |  |
| <b>Cash used</b>   |  |   |  |  |  |
| Cash to Official Public Account                          | 10,000                                   | 10,000                                  | 10,000                                   | 10,000                                   | 10,000                                   |
| <b>Total cash used</b>                                   | 10,000                                   | 10,000                                  | 10,000                                   | 10,000                                   | 10,000                                   |
| <b>Net cash from or used by<br/>investing activities</b> | - 10,000                                 | - 10,000                                | - 10,000                                 | - 10,000                                 | - 10,000                                 |

*Budgeted financial statements – ACCC*

**Table 5.9: Schedule of administered capital budget**

This table is not applicable to the ACCC.

**Table 5.10: Schedule of property, plant, equipment and intangibles — summary of movement (Budget Year 2005-06)**

This table is not applicable to the ACCC.

## **5.3: NOTES TO THE FINANCIAL STATEMENTS**

### **Basis of accounting**

The ACCC's statements of financial performance and financial position have been prepared on an accrual basis and are 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 departmental and administered financial statements**

Under the Australian Government's accrual budgeting framework, and consistent with Australian Accounting Standards, transactions that agencies control (agency transactions) are budgeted and reported separately from transactions agencies do not have control over (administered transactions). This ensures that agencies are only held fully accountable for the transactions over which they have control.

Agency assets, liabilities, revenues and expenses in relation to an agency are those that are controlled by the agency. Agency expenses include employee and supplier expenses and other administrative costs, which are incurred by the agency in providing its goods and services.

Administered assets, revenues and expenses are those which are managed on behalf of the Government according to set government directions. Administered revenue includes court costs or fines awarded to the ACCC as well as authorisation fees.

### **Budgeted departmental statement of financial performance**

#### **Revenue**

##### **Revenues from government**

Amounts appropriated for departmental output appropriations for the year (less any savings and reductions) are recognised as revenue, except for certain amounts which relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

##### **Goods and services**

Revenue from the sale of goods and services (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.

## **Expenses**

### **Employees**

This includes wages and salaries, superannuation, provision for annual leave and long service leave, and workers compensation. Employee entitlements are based on leave patterns of ACCC employees. Accrued salaries and employer superannuation contributions are based on daily salary expense and the number of days owing at 30 June in each budget year.

### **Depreciation and Amortisation**

Depreciable property, plant and equipment assets are written off over their estimated useful lives. Depreciation is calculated using the straight-line method, which is consistent with the consumption of the service potential of the depreciable assets of the ACCC. Leasehold improvements are amortised on a straight line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

## **Budgeted departmental statement of financial position**

### **Assets**

#### **Receivables**

Receivables represents cash held in the Official Public Account on behalf of the ACCC and relates to funds held to meet future liabilities such as employee provisions as well as funds held in the Litigation Contingency Fund to meet other party costs when required in later years.

#### **Land and buildings, infrastructure, plant and equipment**

Land and buildings, infrastructure, plant and equipment are carried at valuation and include leasehold improvements, furniture and fittings, computer hardware and office equipment.

The ACCC revalues all its assets in three year cycles. A revaluation of assets by an independent qualified valuer based on fair value will be completed before 30 June 2005.

#### **Intangibles**

Intangible assets comprise capitalised software, including work in progress. These assets are carried at cost.

### **Liabilities**

#### **Employee Provisions**

The liability for employee entitlements includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non vesting. The non-current portion of the liability for long service leave is recognised and

measured at the present value of the estimated future cash flows in respect of all employees.

### **Equity**

#### **Contributed Equity**

Amounts appropriated which are designated as 'equity injections' for a year are recognised directly in contributed equity in that year. The ACCC will receive \$1 million in equity injections in 2005-06.

### **Schedule of budgeted revenues and expenses administered on behalf of Government**

#### **Other taxes, fees and fines**

Other taxes, fees and fines includes court costs or fines awarded to the ACCC as well as fees for authorisations, notifications and arbitration.

### **Schedule of budgeted assets and liabilities administered on behalf of Government**

#### **Receivables**

Court costs or fines which are awarded to the ACCC are considered as receivables when 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.

