

# **THE TREASURY**

## **ANNUAL REPORT**

**1996-97**

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## Letter of Transmission

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# INTRODUCTION AND GUIDE TO THE REPORT

This report describes the overall Treasury Portfolio program structure and provides a corporate overview of the Treasury program. The overview outlines the organisation and senior management structure of the Department and significant management initiatives undertaken over the course of the year. The main body of the report provides an assessment of performance against program objectives for each of the subprograms of the Treasury program.

The appendices to the report include Treasury's audited financial statements, additional statistical information and other material required by the annual report guidelines.

The report concludes with a list of acronyms and abbreviations, an index of compliance with the reporting requirements, and an index to the report and its appendices.

## Other Sources of Information

Treasury issues a wide range of other publications, papers and annual reports which provide information on its activities. A detailed listing is at Appendix H to this report, beginning on page 103.

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# OVERVIEW

The important challenge for the Treasury and the portfolio as a whole has been and remains to promote strong and sustainable economic growth. Improving the economy's long-term growth performance is essential in order to reduce unemployment. To this end high priority was given in 1996-97 to the implementation of policies to ensure that the Commonwealth Budget does not, over time, make a call on private savings and thereby contribute to the national savings-investment imbalance; to maintain low inflation; and to achieve structural reform to improve efficiency.

Three major reform initiatives were launched in 1996-97: the Financial System Inquiry (the Wallis Report); the Corporate Law Economic Reform Program; and the Tax Reform Group. Work in these areas will be accorded very high priority in the year ahead and has the potential to have widesweeping beneficial effects on the Australian economy.

## Macroeconomic Policy

A very positive development was the reduction in inflation and inflation expectations. This facilitated a reduction in interest rates over the course of 1996-97. The prospect of maintaining low inflation has been enhanced by the joint statement of 14 August 1996 by the Treasurer and the Governor of the Reserve Bank of Australia (RBA) on the conduct of monetary policy. The joint statement provides Government endorsement of the RBA's independent role in the operation of monetary policy and of the RBA's medium term inflation target, and provides for new arrangements to improve the transparency and accountability of the conduct of monetary policy.

Reflecting the timing of the latest Federal Election in March 1996, two Budgets were brought down during 1996-97, in August 1996 and in May 1997. The major fiscal objective in these two Budgets was to achieve and maintain an underlying balance on average over the course of the economic cycle, in order to ensure adequate national savings, manage the financial risks of the Commonwealth, and ensure that debt is maintained at prudent levels. Fiscal consolidation has helped to reduce pressure on interest rates and encourage investment. The *Charter of Budget Honesty Bill 1996* was introduced into Parliament with the purpose of improving fiscal performance through greater fiscal transparency. The Bill sets out a framework for setting and reporting fiscal policy which will allow greater public scrutiny and so enhance the fiscal accountability of future governments.



## **Taxation**

New taxation measures in the 1996-97 Budget included the introduction of the Family Tax Initiative, the provision of income-tested incentives for private health insurance and capital gains tax rollover relief to facilitate the expansion of small businesses.

Initiatives announced in March 1997 by the Government, in response to the recommendations of the Small Business Deregulation Task Force, include a range of taxation measures designed to help small business, particularly through a reduction of compliance costs.

The 1997-98 Budget included taxation measures to protect the tax revenue base including by reducing the opportunities for aggressive tax minimisation behaviour. The major measures aim to address the taxation of distributions disguised as loans from private companies and prevent dividend streaming and franking credit trading, as well as a package of reforms to the system of taxing foreign source income. In addition, the Government announced that it will review the taxation of trusts and limited partnerships. The Government also built on its commitment to reduce compliance costs for small business by streamlining withholding tax arrangements for Pay-As-You-Earn, Prescribed Payments and Reportable Payments Systems.

A small group of senior officers was brought together late in 1996-97 in a Tax Reform Group. The Tax Reform Group, working with the Taxation Policy Division, provides policy advice and briefings to the Government to assist it in the tax reform process.

## **Microeconomic Reform**

General competition reforms envisaged in the Council of Australian Governments (COAG) Competition Principles Agreement were progressed. Substantial progress was made on the introduction of the reforms necessary to establish 'national' markets in gas and electricity. Treasury also contributed to the development and implementation of reforms in areas such as transport and communications.

During 1996-97, Treasury chaired the Competitive Neutrality Task Force, which was charged with applying the competitive neutrality principles to Commonwealth business activities.

As a safeguard against the benefits of regulation being outweighed by excessive economic and financial costs, including the compliance burden on business, the Assistant Treasurer has been given the responsibility of ensuring

that regulation impact statements are prepared for all Commonwealth legislation or regulation that has the potential to affect business.

Legislation to establish formally the Productivity Commission was introduced into the House of Representatives in November 1996 and is currently before the Senate.

## **Savings and Superannuation**

Measures were introduced to make the superannuation system more equitable, flexible and efficient. The reforms include a surcharge on superannuation contributions of higher income earners; a rebate for superannuation contributions made on behalf of a low income spouse; allowing those aged over 65 who remain employed to continue to contribute to superannuation up to the age of 70; and allowing banks and other financial institutions to offer Retirement Savings Accounts.

A bill is currently before the Parliament to extend application of the 1996-97 Budget measure, allowing individuals to claim an exemption from capital gains tax on the sale of a small business for retirement, to eligible people who operate their small business through a private company or trust.

Measures developed for the 1997-98 Budget included a broadly based savings rebate and a number of initiatives to increase choice and flexibility for members of superannuation funds while ensuring that superannuation savings are used for income in retirement and not withdrawn for other purposes.

## **Financial System**

The review of the financial system was completed on time. The *Financial System Inquiry Final Report*, released in April 1997, contains 115 recommendations aimed at increasing competition and efficiency in the financial system, while preserving its prudential integrity, security and fairness. The Treasurer has subsequently announced the Government's decisions on the recommendations.

## **Business Law**

Policy responsibility for companies and securities law, together with responsibility for the administration of that law through the Australian Securities Commission, has been successfully integrated into the Treasury

portfolio. The Business Law Division, formerly part of the Attorney-General's Department, has relocated to the Treasury, a move that is facilitating the development of corporate law within a wider economic framework.

As a consequence, the Corporate Law Economic Reform Program, announced by the Treasurer in March 1997, emphasises the new economic focus being brought to Australia's corporate law development, as part of the Government's drive to promote business and economic development.

## **International Issues**

Treasury continued to play a key role in international negotiations on the expansion of financial resources available to the International Monetary Fund (IMF). A Treasury proposal was the basis of the New Arrangements to Borrow (NAB), which will double the IMF's capacity to borrow from some of its member countries when supplementary resources are needed to forestall or cope with an impairment of the international monetary system, or to deal with an exceptional situation that poses a threat to the stability of that system.

The Treasurer again participated in the annual meeting of the Asia-Pacific Economic Cooperation (APEC) Finance Ministers. At these meetings, APEC Treasurers and/or Finance Ministers exchange views and experience in relation to key economic issues in the region, such as capital flows, the development of financial markets, and infrastructure development.

## **Significant Corporate Developments**

### **Treasury Structures and Management**

During the year there was an examination of Treasury's structure, focussing primarily on the roles and responsibilities of Senior Management — the Deputy Secretaries and Division Heads. As a result Treasury's basic structure, and the culture and qualities that it reflects, was retained but with a clarification of the roles of senior management.

The number of Deputy Secretaries has been reduced from three to two. The Deputy Secretaries no longer have oversight of specific Divisions (previously each Deputy Secretary had line responsibility for several Divisions). The Deputy Secretaries will assist the Secretary in the management and strategic direction of the Department. This will involve taking direct responsibility for specific management and policy issues and overseeing the operation of the corporate services Directorates. Divisions will assume even greater responsibility for policy advice going to the Treasurer. Division Heads will

have the primary responsibility for advising the Treasurer, and Treasury Ministers, on policy functions falling within their jurisdiction.

Chart 3 on page 8 sets out Treasury's organisational and top management structure as at 30 June 1997. The Treasury program structure is shown in Chart 2 on page 7.

## Enterprise Bargaining

Treasury will be negotiating a certified agreement and Australian workplace agreements with staff in 1997-98. The objectives and scope of the enterprise bargaining process in Treasury were raised with staff in the Secretary's circular of May 1997 and discussed at a seminar for all staff in June 1997.

By 30 June 1997, arrangements for convening consultative groups for enterprise bargaining had been established. Information sessions aimed at providing all staff with an understanding of the *Workplace Relations Act 1996* were provided mid-1997.

The new framework offers the opportunity to improve significantly the work environment to the benefit of staff, while maintaining a high level of efficiency in delivering Treasury programs.

## Chart 1: Portfolio Program Structure

## Chart 2: Treasury Program Structure

### Chart 3: Treasury Top Management Structure

# CORPORATE STATEMENT

This Statement covers the Department of the Treasury and does not include other agencies within the Treasurer's portfolio. Objectives and strategies for individual subprograms are included in the Portfolio Budget Statements.

## Treasury's Mission

To improve living standards of the Australian people by providing sound and timely advice to the Government on economic policies and developments, based on objective and thorough analysis, and by assisting the Treasury Ministers in the administration of their responsibilities.

## Policy Objectives

In carrying out its Mission, Treasury has regard to the following policy objectives:

- maintenance of a stable macroeconomic environment with low inflation and a sustainable external position, which is conducive to promoting enduring growth in economic activity and hence employment;
- promotion of efficient and sustainable use of resources and improved structural competitiveness and productivity of the Australian economy;
- promotion of an efficient, competitive and stable Australian financial system;
- advancement of Australia's international economic interests, including its economic integration with the Asian region;
- development of taxation policies which contribute to the efficient and equitable raising of taxation revenue;
- development of fiscal policies, including expenditure review and financial arrangements between the Commonwealth and other levels of government, consistent with sustainable public finances and the management of aggregate demand;
- raising, management and retirement of Commonwealth Government debt at the lowest possible long-term cost, consistent with an acceptable degree of risk exposure;



- encouragement of foreign investment, consistent with national interest considerations; and
- development of policies which facilitate the efficient working of corporations and the securities and futures markets.

## **Corporate Strategies**

Treasury seeks to achieve these objectives and ensure its advice is sound and timely by:

- maintaining effective liaison with the Treasury Ministers and their offices and other government departments;
- maintaining extensive contact with other levels of government, business, unions and interest groups;
- giving priority in operational arrangements to identifying important emerging issues, undertaking longer-term research and ensuring regular and vigorous internal discussion of key policy issues;
- creating an environment for better informed public debate by explaining the Government's policy settings and views on economic conditions;
- fostering a consultative management culture within the Department;
- efficiently organising Departmental resources to provide portfolio Ministers with high quality, relevant and timely advice;
- promoting continuous improvement, including staff management, development and skills enhancement; and
- using operational plans to articulate and review strategies, processes and outcomes.

## **Performance Indicators**

Treasury aims to ensure that:

- advice to Treasury Portfolio Ministers is of high quality, relevant and timely;
- policy responses are coordinated, consistent and constructive;
- research and analysis is of high quality, relevant and timely; and
- the Department's resources, including most importantly its staff, are used efficiently and effectively to meet the Government's policy requirements and statutory obligations.

## Corporate Focus for 1997-98

In the year ahead, particular attention will be paid to further strengthening Treasury's performance by:

- increasing the focus of the Executive on strategic policy and management issues;
- negotiating enterprise agreements that benefit both the Department and the staff by improving the flexibility of operations, and therefore efficiency, and by creating a more satisfying workplace;
- continuing to ensure that Treasury functions are delivered on the most cost-effective basis;
- further improving information flows; and
- continuing and building upon the professional and management development training program, so that staff develop and enhance their skills.

## Corporate Values

The following values and principles govern Treasury's approach.

- Treasury's effectiveness depends upon the quality of its analysis and the impartiality of its advice.
- Treasury should adopt a broad national approach in the context of the priorities of the Government of the day.
- Living standards should be assessed in the broadest way taking into account social, cultural and environmental values, as well as material wealth.
- The maintenance of stable macroeconomic conditions with low inflation and adequate national savings is essential for a well-functioning and growing economy.
- Well functioning markets can make a major contribution to improving living standards; where they fail, Government intervention should be considered.
- Markets that work well are those that are well informed and exhibit healthy and vigorous competition.
- Treasury's performance is fundamentally dependent on high quality and well motivated staff and it places particular emphasis on staff management and development that will attract and retain good people, enhance their skills and promote a corporate spirit and individual integrity.

# THE TREASURY PROGRAM

## 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.

## Description

The Department of the Treasury, comprising: Executive; eight Divisions (Business Law, Economic, Financial Institutions, Fiscal Policy, Investment and Debt, International Economy, Structural Policy, and Taxation Policy); the Development Allowance Authority Secretariat; and nine Directorates providing corporate support.

**Table 1: Financial and Staffing Resources Summary  
Program 1 Treasury**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	44,313	52,677	49,573
Other program costs (excluding RC)	28,858,386	33,754,679	31,734,231
Total	28,902,699	33,807,356	31,783,804
Adjustments	(7,553,960)	(9,130,680)	(10,392,365)
Total Outlays	21,348,739	24,676,676	21,391,439
Total Revenue	(4,905,888)	(9,390,577)	(8,207,585)
<b>ACCRUAL BASIS</b>			
Net cost of service delivery	44,936	na	50,142
Other program costs (excl. service delivery)	28,215,230	na	28,804,764
Total	28,260,166	na	28,854,906
Program revenues	7,526,052	na	5,882,546
Total (allocated) assets	38,971,522	na	144,684,376
Total (allocated) liabilities	128,374,609	na	136,703,248
<b>STAFFING</b>			
Staff Years	498.3	541.5	523.1

## Resource Use

The 1996-97 Budget figures contained in this and all other financial tables have been adjusted to include Additional Estimates. The figures represent the aggregate of appropriations available to Treasury during 1996-97. Figures in tables and generally in the text have been rounded. Discrepancies in the tables between totals and sums of components are due to rounding.

The staff years refer to average staffing levels over the entire financial year. The figures represent the full-time equivalent of all staff paid during the year, including paid inoperative staff and part-time staff. Aggregate Departmental staffing figures in Appendix B refer to operative staff and paid inoperative staff as at 30 June 1997.

Explanations of significant variations between the 1996-97 Budget and 1996-97 Outcome for each of the various components of the financial tables for Treasury (running costs, program costs, etc) are consolidated in Appendix L. These are addressed at the subprogram level. Explanations as to variations between cash-based appropriations and accrual-based program costs figures are also set out in Appendix L. These are addressed at the program level, ie Treasury.

Detailed financial information for 1996-97 is contained in Appendix M and detailed staffing information is contained in Appendix B.

## Subprogram 1.1 — Domestic Economy

### Objective

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

### Description

Economic Division is responsible for monitoring, assessing and forecasting developments in the Australian economy; analysing the implications of those developments for macroeconomic policy; and advising on monetary policy and labour market policies and programs.

**Table 2: Financial and Staffing Resources Summary  
Subprogram 1.1 — Domestic Economy**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	4,213	4,493	4,247
Other program costs (excluding RC)	0	0	0
Total	4,213	4,493	4,247
Adjustments	(40)	(25)	(7)
Total Outlays	4,173	4,468	4,241
Total Revenue	0	0	0
<b>STAFFING</b>			
Staff Years	54.9	57.0	55.4

### Strategies

Strategies to achieve the objectives of the subprogram, which are reflected in the Division's Operational Plan, include:

- monitoring economic conditions, trends and prospects and financial market and economic developments;

- coordinating and overseeing the preparation of economic forecasts;
- maintaining liaison with external contacts within international fora, other governments, the Reserve Bank of Australia (RBA), financial markets, companies, employer groups, unions, research institutes and other government departments;
- preparing advice on monetary policy, labour market and general macroeconomic issues;
- undertaking policy-relevant research and analysis to improve the quality of policy advice and to contribute to the public debate and understanding of macroeconomic issues; and
- undertaking internal review and evaluation of processes and outcomes.

## Performance Indicators

Performance indicators for this subprogram include the perceived quality, timeliness and relevance of economic forecasts, assessments of economic conditions and macroeconomic and labour market policy advice provided to the Government.

Relevant benchmarks include the actual performance of the economy, feedback from Treasury Portfolio Ministers, their offices and the Government in general, and comparative economic assessments by international organisations. These are supplemented by internal reviews and feedback from external organisations, such as private sector economists, think-tanks, the media and other government departments and agencies.

Further indicators for this subprogram are: the range and effectiveness of external contacts, and the quality and impact of the contribution made to public debate and understanding of economic developments and macroeconomic and labour market issues.

## Performance Outcome for 1996-97

### ***Economic Forecasts***

Economic forecasts were produced over the course of 1996-97 to provide a guide to likely developments in the economy as a basis for consideration of policy settings and in more detailed form to enable the calculation of budget estimates. These forecasts were prepared taking into account key assumptions, historical relationships between economic variables and judgements about likely outcomes. For policy formulation purposes, the importance of forecasts lies more in terms of understanding the balance of risks and uncertainties

surrounding the economic outlook than in the specific point estimates that are required for the calculation of budget estimates.

The 1996-97 Budget contained forecasts for 1996-97 and projections for the key economic parameters out to 1999-2000. The forecasts were updated in the *Mid-Year Economic and Fiscal Outlook* (MYEFO) released in January 1997. At this time, the forecast for GDP growth in 1996-97 was unchanged from that made at budget time. However, the composition of activity was expected to be a little different, with stronger business investment growth and an easing in private consumption growth. The MYEFO also contained preliminary forecasts of key economic parameters for 1997-98, along with projections for the following two years.

The 1997-98 Budget papers, handed down in May 1997, contained revised estimates for 1996-97, a fully elaborated set of forecasts for 1997-98 and projections for key parameters in the following three years, out to 2000-01.

- At the time of the 1997-98 Budget, the final outcome for 1996-97 was not known. Based on the information available, economic growth in 1996-97 was expected to be slightly lower than forecast at the MYEFO and the previous budget. The anticipated easing in 1996-97 relative to the previous year reflected the combined effects of a deterioration in the net export position and a slowing in private consumption growth. Together, these effects were expected to more than offset stronger growth in business investment and a smaller deduction from growth in the housing sector.
- Underlying inflation in 1996-97 was lower than forecast in the 1996-97 Budget and lower than in 1995-96, reflecting modest growth in unit labour costs, strong competitive pressures and the dampening impact of the appreciation of the dollar.

The three sets of forecasts released during 1996-97 were generally regarded as credible by external commentators.

The forecasts were prepared with the benefit of input from other members of the Joint Economic Forecasting Group (chaired by Treasury). Information on business conditions obtained through liaison with industry, particularly through the operation of Treasury's Sydney and Melbourne offices, provided valuable input into the development of the forecasts. The Treasury Macroeconomic (TRYM) Model of the Australian economy was also used as an input into the forecasting process, as well as for macroeconomic policy and sensitivity analyses.

## ***Contributions to Public Awareness and Debate***

Two sets of Budget Papers were produced in 1996-97, given the August timing for the 1996-97 Budget and a May timetable for the 1997-98 Budget. In the 1996-97 Budget papers, Statement 2 of *Budget Paper No. 1* and the *Budget Overview and Economic Outlook* contained a detailed analysis of the economy, including a consideration of certain longer-term developments with implications for macroeconomic policy. Statement 2 of *Budget Paper No. 1* also contained a detailed overview of economic developments and prospects and discussion of various aspects of fiscal policy and labour market reform. In the 1997-98 Budget papers, in addition to the analysis of economic developments in Statement 2, Statement 3 of *Budget Paper No. 1* canvassed the impact of structural change in the Australian economy and the implications of such change for economic policy — both macroeconomic and microeconomic.

The material in both sets of Budget Papers was drawn on in media reporting and commentary.

As noted above, a detailed update of the economic outlook was contained in the MYEFO, released in January 1997. This report and the subsequent 1997-98 Budget papers were the first to be drafted in accordance with the *Charter of Budget Honesty Bill 1996*.

Four issues of the Treasury *Economic Roundup* were published in 1996-97. These continued to provide an overview of economic developments and articles on a wide range of issues examined in the Department. Articles relevant to this subprogram included one on the Relationship between Job Vacancies and Employment Growth (Winter 1996 publication) and one on Australian Private Sector Net Wealth (Summer 1997 publication).

Updates of the TRYM model of the Australian economy and associated Australian Bureau of Statistics (ABS) database have been distributed to subscribers each quarter following its public release in 1995-96. The TRYM model has continued to evolve in light of ongoing research and development and was the subject of a round-table conference with invited academics and economic modellers in June 1997.

Speeches and presentations were made at public fora by officers on a wide range of macroeconomic and labour market issues, including a speech by the Secretary on labour market reform, delivered to the Committee for Economic Development of Australia (CEDA) in October 1996. These were well received and valuable feedback was obtained from conference and seminar participants.



## ***Policy Advice and Inputs into Policy Processes***

During 1996-97, advice was provided to the Treasurer on a range of macroeconomic issues.

- Briefing and analysis were provided to the Treasurer and other members of the Government on a wide range of economic statistics released by the ABS and by the private sector. This included advice on the implications for the economic outlook and information to assist the Treasurer in responding publicly to the releases.
- Treasury officers located in Sydney and Melbourne, accompanied from time to time by Canberra-based officers, conducted discussions with companies and organisations in order to monitor, analyse and report on economic conditions and prospects. Regular briefing and analysis of liaison findings were provided to the Treasurer.
- Advice on monetary policy was prepared on a regular basis for the Secretary (ahead of his attendance at meetings of the Board of the Reserve Bank of Australia (RBA)) and for the Treasurer. In preparing this advice Treasury monitors financial and economic developments, and assesses the implications of these developments for the setting of policy. In addition, Treasury provided analysis and advice in the lead-up to the 14 August 1996 Joint Statement on the Conduct of Monetary Policy by the Treasurer and the Governor of the RBA.
- Advice was provided to the Treasurer on labour market issues. Treasury also contributed to Government Submissions to the Australian Industrial Relations Commission, including on the economic aspects of the ACTU's 'Living Wage' claim. The latter advice made extensive use of the TRYM model.

An internal review was undertaken of the range of information on economic conditions conveyed to the Treasurer, the Department and other individuals and organisations with a view to improving the effectiveness of current arrangements. Contributions were also made to internal reviews on Budget documentation for the 1996-97 and 1997-98 Budgets, and to an evaluation of labour market programs.

### ***Reviews of Economic Data***

Treasury made a submission to the 13th series Consumer Price Index (CPI) review by the ABS and is represented on the advisory group overseeing the review. The review, which is conducted at five-yearly intervals, is examining the purpose of the CPI and reassessing the scope and coverage of the index and other methodological issues. The review is expected to be completed early in 1997-98.

Treasury also participated in the review of the ABS's Business Expectations Survey. The evaluation focused on the usefulness of the data and the effectiveness of the survey in meeting its objectives.

## Subprogram 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.

### Description

The International Economy Division, together with representatives in Beijing, Jakarta, London, Paris, Tokyo and Washington (the Treasury post in Bonn was closed at the end of the year), is responsible for monitoring and analysing the implications for Australia of international economic developments and policy trends, and for Treasury's involvement in trade and aid issues. The Division promotes closer economic relations with Asia, including through Asia-Pacific Economic Cooperation (APEC), and manages Australia's relations with international financial institutions.

### Strategies

Strategies to achieve the objectives of the subprogram, which are reflected in the Division's Operational Plan, 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 a small, 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 players;
- 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 Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF), the Paris Club, the World Bank and

the Organisation for Economic Co-operation and Development (OECD) 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;
- representing Australia's interests as a creditor at Paris Club debt reschedulings;
- participating in APEC, with particular emphasis on investment and general economic and financial issues;
- liaising on shared policy concerns, in particular on matters relating to Australia's aid program, with AusAID, the Department of Foreign Affairs and Trade and other relevant Government organisations; and
- undertaking internal review and evaluation of processes and outcomes.

**Table 3: Financial and Staffing Resources Summary  
Subprogram 1.2 — International Economy**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	5,641	6,353	5,490
Other program costs (excluding RC)	73,156	31,195	27,884
Total	78,796	37,548	33,373
Adjustments	(219)	(16,999)	(16,550)
Total Outlays	78,577	20,549	16,824
Total Revenue	(20,765)	(465,718)	(465,674)
<b>STAFFING</b>			
Staff Years	42.0	43.0	41.1

Program costs relate to transactions with the international financial institutions of which Australia is a member. Revenue includes interest payments from Papua New Guinea in relation to a loan from Australia made in 1995-96 and receipts from the IMF. A substantial maintenance of value payment — due to fluctuations in exchange rates — was made by the IMF to Australia in 1996-97.

## Performance Indicators

Performance indicators for this subprogram 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.

The range and effectiveness of external contacts, and the quality and impact of the contribution made to public debate and understanding of overseas economies and international economic issues, are further indicators for this subprogram.

## Performance Outcome for 1996-97

### ***Overseas Economies***

Reporting by overseas posts and analysis conducted during the year maintained a close focus on international economic developments and on overseas experience of relevance more generally to domestic economic policy formulation. Reporting and analysis of developments in the United States, Japanese and East Asian economies continued to be of high value and impact in terms of macroeconomic policy development and forecasting, while reporting on European experiences was highly relevant in relation to microeconomic and structural issues. In respect of macroeconomic and microeconomic issues, the work and discussion taking place in the OECD continues to be of major interest.

In view of the overall resource constraints on the department, it was decided during the year to close the Treasury post in Bonn, to reduce the Australia-based representation at the post in Tokyo from two officers to one and to reduce the level of the senior officer at the London post. These changes have been brought into effect as the officers concerned completed the terms of their postings, with the Bonn post closing at the beginning of July 1997.

### ***Asia-Pacific Economic Cooperation***

Treasury provided policy advice and briefing to the Treasurer for his participation in the fourth meeting of APEC Finance Ministers held in Cebu, the Philippines, in April 1997. At the meeting Ministers exchanged views on three key challenges facing the APEC economies: supporting freer and stable flows of capital; facilitating private sector participation in infrastructure developments; and promoting the development of financial and capital

markets. The Ministers also agreed on a set of collaborative initiatives aimed at assisting APEC members to address these challenges.

Treasury participated in Australia's efforts to promote trade and investment liberalisation in APEC. In particular, Treasury was active in APEC's investment liberalisation and facilitation activities through chairing the APEC Investment Experts Group (IEG). The IEG coordinated collective action on investment, including the preparation of a Collective Action Plan as part of the Manila Action Plan for APEC adopted by APEC's Economic Leaders in November 1996. At this meeting Economic Leaders called for an intensification of work to enhance the environment for investment in APEC economies; the IEG is playing a key role in this regard. A report was prepared for consideration by APEC Trade Ministers in May 1997 on ways of intensifying APEC's investment work and discussions were commenced on the investment regimes of individual member economies. The IEG published the third edition of the *Guide to the Investment Regimes of APEC Member Economies* and placed it on the Internet, where it will be updated regularly. The IEG also held a second Business Investment Symposium in Tokyo in September 1996, which a number of Australian business representatives attended. Treasury consulted with business representatives on developments in APEC and sought Australian business views on priorities in relation to investment liberalisation in APEC.

Treasury also led Australia's representation on APEC's Economic Committee. The Economic Committee reviews economic issues of interest to APEC members on the basis of studies prepared by its members. In November 1996 the Economic Committee published the *APEC Economic Outlook*, which included a report on sustainable growth among APEC economies covering labour force developments, capital accumulation and productivity issues, the role of the economic framework, and environment and agricultural policies.

### ***Relations with Asia***

Treasury, together with its overseas representatives, organised programs for visits by five official delegations from East Asia. These included a visit by the Indonesian Finance Minister, Mar'ie Muhammad, to sign, with the Treasurer, a Memorandum of Understanding on Co-operation in the Financial Sector and a visit by Mr Zhu Rongji, the Vice Premier of the State Council of the People's Republic of China.

In March 1997 a Treasury representative attended the first meeting of the 'Six Markets' group in Tokyo. The group, comprising representatives from central banks and Treasuries/Ministries of Finance from Australia, Hong Kong, Singapore, Japan, China and the United States, discussed economic and financial issues in the region. In particular, they shared their experiences with

regard to financial, capital and foreign exchange markets, including supervision and regulation of financial institutions.

### ***Relations with Pacific Economies***

Treasury provided advice to the Treasurer on Australia's financial relations with Papua New Guinea (PNG) during the year. Treasury also participated in two joint reviews of Australia's Government-to-Government loan to PNG. The loan was provided in 1995 in support of Papua New Guinea's stabilisation and structural adjustment programs in conjunction with the World Bank and the IMF and is to be repaid in 1997-98.

Preparations were undertaken for the first annual South Pacific Forum Economic Ministers' Meeting in Cairns in July 1997, hosted by the Treasurer. These meetings will provide an important opportunity to progress the regional economic reform agenda and so support Australia's objectives of better economic outcomes and greater self-reliance in the region.

### ***International Financial Institutions***

During 1996-97, Treasury made a significant contribution to the international debate on major policy issues in the international financial institutions, in particular the IMF.

Treasury continued to play a role in international negotiations on the expansion of financial resources available to the IMF. These negotiations resulted in the development of the New Arrangements to Borrow (NAB), which will double the IMF's capacity to borrow to deal with financial crises which threaten the stability of the international monetary system. The final NAB agreement is based on Australia's proposal. At the September 1996 meeting of the Interim Committee, attended by the Treasurer, the Committee welcomed the progress made in establishing the NAB. The IMF Executive Board considered the NAB agreement on 27 January 1997, following the completion of international negotiations. At that meeting, all Executive Directors expressed their support for the agreement. Australia's central role in these negotiations has been internationally recognised and applauded.

In December 1996, Treasury held discussions with IMF staff as part of the IMF's annual review of the Australian economy.

During the year Treasury arranged visits of senior IMF and World Bank staff to Australia. These included visits by the Managing Director of the IMF, Mr Michel Camdessus, in December 1996 and the First Deputy Managing Director, Mr Stanley Fischer, in February 1997.

Treasury provided advice to Australia's Executive Directors at the IMF, World Bank, Asian Development Bank and European Bank for Reconstruction and

Development on a wide range of policy issues. This advice was prepared in consultation with other government agencies and benefited from regular consultations with non-government organisations (NGOs) on matters relating to the operation of the development banks and development issues generally. The Australian Council for Overseas Aid and individual NGOs have indicated that they value these regular consultations.

Treasury prepared annual reports to Parliament on Australia's relations with the IMF, the World Bank and the ADB. These reports contributed to the public debate on Australia's relations with the organisations and improved understanding of their operations.

### ***Organisation for Economic Cooperation and Development***

The policy debates in, and the analytical work carried out by, the OECD contribute significantly to international and Australian domestic policy formulation. Meetings of OECD committees provide opportunities for Treasury officials to discuss policy issues and compare experiences with officials from other developed economies. Representatives from Treasury participate in the work of committees relevant to their responsibilities in the fields of macroeconomic and microeconomic policy, forecasting, taxation, competition policy, investment and capital markets.

During the year Treasury officials held positions as the Vice-Chair of Working Party 1 of the Economic Policy Committee, which analyses structural policy issues and their macroeconomic implications, and as a Vice-Chair of the Economic Development and Review Committee, which undertakes peer review of the economic situation and policies of member countries and of those in the process of accession to membership.

In June 1996, Treasury participated in consultation undertaken by the OECD towards the preparation of its annual review of the Australian economy, which was published in December 1996.

The Secretary-General of the OECD, Mr Donald Johnston, visited Australia in January 1997 and met the Treasurer and Treasury officers.

### ***Australia's Aid Program***

In 1996 the Government commissioned an independent review of Australia's aid program. In response to a request by the Aid Review Secretariat, Treasury prepared a submission to the review, which was published in Treasury's Spring 1996 *Economic Roundup*.



## Subprogram 1.3 — Structural

### Objective

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

### Description

Structural Policy Division (SPD) is responsible for advising on matters relating to the structure and growth of the Australian economy, including the efficient use of infrastructure and resources, environmental policy, competition law and policy, and the development of industries.

### Strategies

Strategies to achieve the objectives of the subprogram, which are reflected in the Division's Operational Plan, include:

- provision of advice in relevant areas to the Government, other departments and agencies, identifying emerging issues, undertaking forward-looking analysis of options;
- contributions to policy development, both directly and through interdepartmental processes;
- coordinating and liaising with Commonwealth and State Departments, other relevant agencies, and industry;
- implementing policy decisions taken by the Government;
- effective contribution to public debate, including through policy-relevant research and analysis, publications, submissions to inquiries, speeches and wide contact with industry members; and
- internal review and evaluation of processes and outcomes.

### Performance Indicators

Performance indicators for this subprogram include:

- external assessment of the quality and impact of the Division's briefings, policy work and responses to requests;

- internal assessment of the quality, timeliness and strategic focus of advice provided to the Government;
- feedback stemming from interdepartmental and other policy development processes; and
- influence on policy outcomes through Cabinet and other processes, including legislative changes.

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 subprogram.

**Table 4: Financial and Staffing Resources Summary  
Subprogram 1.3 — Structural**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	3,558	3,233	3,117
Other program costs (excluding RC)	0	0	0
Total	3,558	3,233	3,117
Adjustments	(3)	(3)	(3)
Total Outlays	3,555	3,230	3,115
Total Revenue	0	0	0
<b>STAFFING</b>			
Staff Years	43.1	43.0	41.3

## Performance Outcome for 1996-97

### ***Implementation of National Competition Policy (NCP)***

During 1996-97, SPD continued to coordinate the implementation of the NCP. The NCP provides a framework to progress a broad range of microeconomic reforms.

It coordinated the implementation of the Commonwealth's competitive neutrality arrangements as outlined in the Competitive Neutrality Policy Statement (CNPS) of June 1996. Competitive neutrality arrangements are designed to improve resource allocation by ensuring that Government business activities have no competitive advantage simply as a result of their Government ownership. Treasury chaired the interdepartmental Competitive

Neutrality Task Force, established to develop an implementation strategy for ameliorating the rate of return, taxation, borrowing and regulatory advantages enjoyed by the significant Commonwealth business activities identified in the CNPS. SPD officers worked with the Industry Commission to establish a competitive neutrality complaints mechanism, to be operated by the Commission as foreshadowed in the CNPS. The Complaints Mechanism will help ensure that Commonwealth businesses comply with competitive neutrality principles.

In liaison with the Office of Regulation Review, SPD coordinated the implementation of the Commonwealth's legislation review arrangements as outlined in the Legislation Review Schedule published in June 1996. The Schedule lists all legislation that contains restrictions on competition. Each activity listed in the Schedule is required to be reviewed to assess whether restrictions on competition are in the public interest and to assess whether the regulations still accord with and meet effectively government priorities.

During 1996-97 SPD officers worked with other departments and agencies, officers in other levels of government and industry in progressing competition reform in areas such as the sugar industry and the communications, electricity, gas, aviation and rail sectors of the economy. This involvement reflected the Department's particular responsibilities for the application of competition policy and wider responsibility for advising on microeconomic issues more generally. Reform in each of these areas has the potential to lead to significant benefits in terms of enhanced productivity and the provision of higher quality services. This is particularly important in the fields of transport, communications and energy, services which are important inputs for industry and for the economy in general.

This approach is clearly illustrated by Treasury's participation during the year in progressing reforms in the electricity industry. The implementation of the electricity reforms, together with the gas reforms agreed by the Council of Australian Governments in February 1994, has been estimated by the Industry Commission to lead to an increase in annual Gross Domestic Product (GDP) of \$5.8 billion.

Treasury became involved when it became apparent that legislative obstacles were threatening to unduly delay progress towards a competitive national electricity market. These legislative obstacles were removed by the passage on 25 March 1997 of the *Trade Practices Amendment (Industry Access Codes) Act 1997* (the Act), which amends Part IIIA of the *Trade Practices Act 1974*. Part IIIA is an important feature of Australia's national competition policy reforms; it seeks to improve efficiency and service delivery by the establishment of a regime whereby third parties can seek access to services provided by essential infrastructure facilities of national significance.

The amendments will facilitate reforms in the electricity industry, by streamlining the processes for the establishment of access arrangements on an industry basis. The general nature of Part IIIA would permit application of the processes to other network industries.

### ***Industry/Productivity Commission***

In line with its pre-election commitment, the Government administratively created the Productivity Commission (the Commission) with effect from 1 July 1996 by merging the Industry Commission — its primary advisory body on structural policy issues — with the Economic Planning Advisory Commission and the Bureau of Industry Economics. The enabling legislation is still before Parliament.

The broader charter of the Commission now encompasses, *inter alia*, holding inquiries and reporting on industry and productivity matters referred to it by the Minister; providing advice to the Minister on industry and productivity matters referred to it, as well as undertaking such research on its own initiative and promoting public understanding of such matters; and receiving, investigating and reporting on competitive neutrality complaints on government businesses and activities.

Treasury has a central role in the work of the Commission. SPD's four major responsibilities are: to oversee preparation, briefing and passage of the enabling legislation for the Commission; to coordinate a substantial forward work program for it; to liaise with departments, agencies, the States and Territories and the Commission to ensure that each of the terms of reference is properly focussed; and to ensure that full consideration is given to all recommendations in the Commission's reports and that proper processes are followed by departments and agencies in formulating the Government's responses to them.

During the year SPD ensured that the Commission had a diverse work program, and coordinated and finalised four wide-ranging inquiry references to the Commission. These were: private health insurance; the automobile industry; the textiles, clothing and footwear industries; and ecologically sustainable land management. SPD also coordinated terms of reference for the Commission's studies into Australian Atlantic salmon, and work arrangements in the stevedoring and black coal industries.

SPD was also responsible for coordinating — in conjunction with the appropriate 'portfolio' departments and other Divisions — the Government's response to eight Commission reports during the year. These were the pharmaceutical industry; the machine tools and robotics industries; implications for Australia of firms locating offshore; the book printing industry; state, territory and local government assistance to industry; medical

and scientific equipment; private health insurance; and the automotive industry.

### ***General Policy Advice and Other Activities***

Beyond competition policy reforms, SPD provided advice to the Government and engaged in the policy development processes on a wide range of issues relating to industry policy and the environment. SPD prepared briefing notes for the Treasurer and the Assistant Treasurer for the purpose of their involvement in the Cabinet and subcommittee processes.

- A submission was made to the independent Review of the Rural Adjustment Scheme. The submission was published in the Summer 1997 edition of the Treasury *Economic Roundup*;
- SPD participated in the preparation of the Government's response to the Report of the Small Business Deregulation Task Force and in other aspects of industry policy (eg tariffs, anti-dumping, and tourism);
- Papers were presented to the House of Representatives Standing Committee on Communications, Transport and Microeconomic Reform on issues relating to Federal road funding and general microeconomic reform;
- Officers contributed to the development of a replacement program for infrastructure bonds, announced in the 1997-98 Budget;
- Advice was given and formal instruments were prepared to implement price surveillance arrangements at privatised airports;
- SPD made a submission to, and appeared before, the House of Representatives Standing Committee on Industry, Science and Technology's inquiry into Fair Trading. This submission was published in the Autumn 1997 edition of the Treasury *Economic Roundup*;
- SPD also assisted in the preparation of the proposed Australia-US anti-trust Co-operation treaty;
- On the environment, SPD took part in the interdepartmental processes relating to implementing the Natural Heritage Trust and developing greenhouse policy; and
- A submission was made to the Senate Environment, Recreation, Communications and the Arts Committee's inquiry into Heritage Access. This submission was published in the Autumn 1997 edition of the Treasury *Economic Roundup*.

To enhance the evaluation of SPD's policy advising function, internal records were kept in 1996-97 of the extent of advance input to submissions, the timeliness and effectiveness of briefing material provided, and feedback from Ministers' Offices and the Executive. This approach to evaluation of briefing will continue.

## Subprogram 1.4 — Taxation Policy

### Objective

To develop taxation policies which contribute to the efficient and equitable raising of taxation revenue.

### Description

Taxation Policy Division (TPD) is responsible for assessing and advising on both the general structure of the taxation system and its components, in relation to economic efficiency, equity, income distribution, budgetary requirements and economic feasibility.

### Strategies

Strategies to achieve the objectives of the subprogram, which are reflected in the Division's Operational Plan, include:

- identifying emerging issues and undertaking forward-looking analysis of options, including through Divisional conferences and seminars;
- evaluating the effectiveness of the current taxation system, including measures recently introduced;
- publishing discussion/issues papers on key strategic issues and seeking comment and submissions from interested parties;
- initiating and developing new policy and tax reform proposals, including to address demonstrated deficiencies in the tax system and to support Government objectives and initiatives;
- enhancing revenue costing and forecasting capacities;
- consulting and coordinating effectively with the Portfolio Ministers and their office staff and with the Australian Taxation Office (ATO), including through 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 the Revenue Analysis Group (a forum comprising officers of the Treasury and the Revenue Analysis Branch of the ATO at which issues relating to revenue forecasting and costing of tax policy measures are discussed);

- maintaining an effective relationship with the private sector, other Departments and other relevant parties, including through participation in the ATO's Tax Liaison Group;
- participating in discussion of, and presentations on, tax policy issues at domestic and international fora, including the OECD, and through relevant publications and external conference presentations;
- developing and using computer models to enhance understanding of the impact of taxation measures on individuals and the economy;
- enhancing transparency of concessions provided in the tax system through the publication of the *Tax Expenditures Statement*; and
- using the Divisional Operational Plan to allocate resources and priorities and to provide a strategic focus, including a policy advising and tax reform program; a program for undertaking policy-relevant research; a program for effectively managing the Division's resources, including management and training subprograms; a communication program; and a program for the review and evaluation of Divisional processes and outcomes.

**Table 5: Financial and Staffing Resources Summary  
Subprogram 1.4 — Taxation**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	3,763	3,893	4,115
Other program costs (excluding RC)	200,776	0	555,618
Total	204,539	3,893	559,733
Adjustments	(4)	(4)	(5)
Total Outlays	204,535	3,889	559,728
Total Revenue	0	0	0
<b>STAFFING</b>			
Staff Years	50.9	49.0	51.0

Program costs in 1996-97 include the one-off payment of windfall revenue gains (\$555.6 million) to Victoria arising from the settlement of a dispute between the Victorian gas utilities and their gas suppliers.



## Performance Indicators

Performance indicators for the subprogram include:

- satisfaction of Portfolio Ministers, their staff, and the Government in general that policy advice would enhance economic efficiency while having regard to equity concerns and so improve the effectiveness of the taxation system;
- briefings meeting departmental standards of comprehensiveness and consistency with broader economic and social objectives, analytical rigour, timeliness, presentation and effectiveness;
- briefings influencing tax policy outcomes;
- feedback from conferences and seminars and the Tax Policy Panel;
- feedback — including via industry submissions and consultations — from the private sector and other external agencies;
- conclusions of internal evaluation sessions of particular projects/processes; and
- quality and scope of the reporting of tax expenditures.

## Performance Outcomes for 1996-97

### ***Policy Focus***

Reflecting changing tax policy priorities and consequent workload changes, the Branch structure within the Division was adjusted during 1996-97, the major change involving a re-organisation of responsibilities for business, financial arrangements and personal income tax matters.

A small group of senior officers was brought together late in 1996-97 in a Tax Reform Group. The Tax Reform Group, working with the Taxation Policy Division, provides policy advice and briefings to the Government to assist it in the tax reform process.

### ***Freedom of Information***

In May 1997 a 'Cosco Holdings Section' was established within the Taxation Policy Division. It currently has three full-time staff. The Section works on matters related to the processing of appeals to the Administrative Appeals Tribunal by Cosco Holdings Pty Ltd (a Queensland paper manufacturer) with respect to Treasury decisions on requests under the *Freedom of Information Act* and the assessment of claims for payments under the Transitional Assistance Payments Scheme, a scheme that operated up to the end of June 1995.

## ***Feedback from Government and Taxpayers***

TPD obtains feedback on its performance through industry submissions and consultations and by monitoring factors such as the Division's influence on the tax policy debate and tax policy outcomes. This influence can be measured, to some extent, by the issuance of discussion papers and receipt of submissions and by the extent to which recommended positions are adopted by the Government and the conformity of the adopted measures with principles of efficiency and equity. In 1996-97, the Division prepared 54 Cabinet Submissions for the Treasurer to take to Cabinet, in addition to contributing to a number of other submissions which were taken to Cabinet jointly by the Treasurer and other portfolio ministers. The recommendations of a number of these Submissions were reflected in announcements made in the 1996-97 and 1997-98 Budgets.

### ***1996-97 Budget***

In the 1996-97 Budget the Government announced an extension of the general anti-avoidance provisions of the *Income Tax Assessment Act (1936)* (ITAA) to apply to non-resident interest, dividend and royalty withholding tax. Other amendments, including a more comprehensive definition of 'interest', were also announced. These measures were taken to protect the non-resident withholding tax base from emerging withholding tax avoidance schemes. The 1996-97 Budget also announced measures which, from 1 July 1997, deem certain companies and similar entities that are dual residents to be non-residents for the purposes of a number of tax provisions. The measures address an anomaly in our tax system which had allowed such companies and similar entities to qualify for certain tax benefits without being fully subject to Australian tax. From 1 July 1997 these entities are deemed to be non-residents for the purposes of the group loss transfer, capital gains rollover and intercorporate dividend rebate provisions and certain anti-avoidance provisions of the ITAA.

In the 1996-97 Budget, the Government announced funding for the ATO to enable a special taskforce investigation into the tax minimisation practices of some high wealth individuals.

In the 1996-97 Budget and a 3 July 1996 joint statement by the Treasurer and the Minister for Industry Science and Tourism, a series of major changes to the taxation arrangements as they apply to private investment in research and development (R&D) were announced, including:

- a reduction in the premium rate of taxation deduction for R&D expenditure to 125 per cent;
- the abolition of the concessions for R&D partnerships and syndicate type arrangements; and

- other amendments to counter abusive arrangements.

Apart from delivering significant revenue savings to the Government, these changes will improve the efficiency and efficacy of Government programs to assist and promote private R&D.

In keeping with its election commitments, and within its broad commitment not to introduce new taxes or increase existing taxes, the Government implemented a number of tax measures in the 1996-97 Budget, including:

- introducing the Family Tax Initiative;
- providing income-tested incentives for private health insurance;
- capital gains tax relief for small business; and
- countering tax avoidance through the leasing of luxury cars.

### ***1997-98 Budget***

In the 1997-98 Budget the Government announced measures designed to protect the integrity of the tax system. In particular, the Government announced its intention to introduce measures to:

- address the taxation of distributions disguised as loans from private companies; and
- prevent dividend streaming and franking credit trading.

The Government announced it will review the taxation of trusts to ensure that provisions relating to trusts deal appropriately with their modern day usage and do not permit tax avoidance or undue tax minimisation. Treasury and the ATO are to release a discussion paper outlining issues and options before this review.

The Government also announced it will review the current taxation treatment of limited partnerships to ensure that it remains appropriate and to address any unintended consequences arising from the 1992 decision to treat limited partnerships as public companies for tax purposes. An information paper on these issues will be released by the Australian Taxation Office and the Treasury later this year. The Government has reserved the right to take earlier legislative action to prevent tax minimisation or avoidance through the use of limited partnerships.

To continue its support for genuine private provision of new public infrastructure investment, the Government introduced the Infrastructure Borrowings tax rebate. Details were announced in the 1997-98 Budget. The rebate replaces the previous Infrastructure Borrowings tax concession, which was not meeting its objective. Future access to that scheme was prevented from 14 February 1997.

After considering submissions in response to an Information Paper released on 24 December 1996, the Government announced in the 1997-98 Budget a package of reforms to the system of taxing foreign source income. The Budget also included two revenue protection measures relating to foreign source income: the treatment of passive income of controlled foreign companies of Australian life and general insurance companies; and the interaction of controlled foreign company measures and the capital gains tax provisions.

The Government also announced changes to the Pay-As-You-Earn, Prescribed Payments System and the Reportable Payments System withholding arrangements to improve the overall integrity of the tax system and provide compliance cost reductions for many small businesses. These modifications represent a significant first step towards simplifying the range of withholding tax systems imposed on business with a view to ultimately establishing an efficient, modern interface between the ATO and the business taxpaying community.

### ***Consultations with Taxpayers***

Consultations which TPD has undertaken with taxpayers during the year include:

- the release in December 1996 of the joint ATO/Treasury Issues Paper on the Taxation of Financial Arrangements on which industry submissions have been invited;
- the release on 28 May 1997 of an Issues Paper on a Generic Taxation Framework for Demutualisations of Non-Insurance Organisations for public comment, as part of the Government's consultation to develop suitable tax legislation in respect of non-insurance demutualisations;
  - the release of this issues paper was accompanied by advertisement in two national newspapers. Copies of the issues paper were also made available from Treasury's Internet site;
- providing industry with the opportunity to present its views (prior to the announcement in the 1997-98 Budget of the new Infrastructure Borrowings Tax Rebate program) on a replacement for the previous Infrastructure Borrowings scheme; and
- participating in numerous meetings with taxpayer representatives and preparing responses to a large volume of ministerial correspondence.

### ***Reporting of Tax Expenditures***

TPD produces the annual *Taxation Expenditures Statement* (TES) which provides details on the financial benefits that individuals and businesses derive from taxation concessions of various kinds.

During 1996-97, some changes were made to this document to provide additional information. The content of the 1995-96 TES was enhanced to provide a wider coverage and to accord tax expenditures a treatment similar to that given to outlays in published reports. This improved coverage included, among other things, a listing of tax expenditures associated with the wholesale sales tax system and inclusion of additional estimates for excise. As a result, the TES now reports on tax expenditures relating to all major taxes.

In addition, for the first time the TES reports forward projections of individual tax expenditures covering the period 1996-97 to 1999-2000. This complements information now provided in the Budget Papers on the aggregate cost of tax expenditures for the forward estimates period.

The inclusion of forward estimates, combined with the enhanced coverage of the TES, has improved the transparency of Government assistance provided through the taxation system, consistent with the recommendations of the National Commission of Audit and the requirements of the Government's Charter of Budget Honesty.

TPD also coordinated the Government's review of tax expenditures announced in the 1996-97 Budget

### ***Other Policy Advice***

TPD provided advice with respect to negotiations on Double Tax Agreements with Turkey, Canada, the Netherlands and South Africa during 1996-97. Such advice has helped to ensure that the agreements are consistent with Australia's broader tax policy objectives, facilitate investment by avoiding double taxation, and protect Australia's revenue by limiting tax avoidance opportunities.

The Division has also contributed to the work of the OECD Committee on Fiscal Affairs—in particular projects on international tax competition, tax sparing, bribery of foreign public officials, and the tax aspects of the proposed Multilateral Agreement on Investment. Meetings at the OECD also provide the opportunity for discussion of contemporary tax policy issues, for example with tax officials from the USA, UK, Canada, Japan and New Zealand to discuss issues of mutual interest in the Pacific area.

In addition, TPD also contributed to the APEC/OECD Symposium on International Business Taxation held in Sydney from 30 October to 1 November 1996. The Symposium was attended by officials from 17 APEC economies and 16 OECD members, with a total of 65 tax officials participating. A number of emerging issues related to taxing business in a global economy were discussed, with a particular focus on transfer pricing. There is general support amongst APEC economies for holding a follow-up Symposium in Asia during 1998, although details have yet to be agreed.

TPD is responsible for providing advice to Treasury portfolio Ministers on applications for Regional Headquarters company status under section 82CE of the ITAA.

TPD provided advice on the tax elements of the recommendations of the Small Business Deregulation Task Force.

The Division provided ongoing policy advice on a wide range of issues, including taxation issues arising in the context of privatisation of Commonwealth and State-owned entities and Commonwealth-State taxation arrangements.

### ***Modelling***

The Division is responsible for two models, the Price, Revenue, Incidence Simulation Model (PRISMOD) and the Treasury Wholesales Sales Tax and Excise Revenue Price Model (TWERP), developed within the Treasury. Both models are subject to update and review as further statistical data become available. The update of PRISMOD provides a tool for revenue estimation and general taxation policy research relating to the indirect tax system. The TWERP model calculates sales tax and excise revenues, price effects and CPI impacts. This model is currently being redesigned to extend its scope and improve its flexibility.

### ***Ministerial Correspondence***

During the year, Taxation Policy Division processed some 35 per cent of the Ministerial correspondence received in Treasury. This involved preparation of over 2200 replies, and handling of a further 3860 items.

Through allocating extensive resources to this task and with the first full year of operation of the computerised System for Ministerial Answering, Routing and Tracking (SMART), the Division was able to reduce ministerial turnaround times and, in the majority of cases, meet processing deadlines requested by the Treasurer. This resulted in a significant reduction in the incidence of follow-up correspondence and associated administrative work.

### ***Physical Relocation of TPD***

TPD moved from the main Treasury Building during the year and is now located in Computer Associates House, National Circuit, Barton.

### ***Legislation and Government Inquiries***

As part of the process to implement the changes to the taxation arrangements applying to private investment in research and development, the Treasury prepared, jointly with the Australian Taxation Office and the Department of Industry, Science and Tourism, a submission to the Senate Economics Legislation Committee for the *Taxation Laws Amendment Bill No. 3 1996*.

## Subprogram 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; and to administer efficiently the provision of general revenue assistance to other levels of government.

### Description

Fiscal Policy Division is responsible for advising on fiscal policy, Commonwealth-State financial relations, payments to the States, intergovernmental coordination of public sector borrowing, and measures to improve public sector efficiency.

### Strategies

Strategies to achieve this objective include:

- providing information on, and assessment of, the fiscal outlook;
- preparing advice on fiscal policy, including medium-term strategies, priorities and options, the efficiency of the public sector and Commonwealth-State financial relations, budgetary developments in the State/Territory sector, and borrowings by all levels of government;
- in providing advice, balancing various considerations in the setting of fiscal policy, including impacts on aggregate demand, public saving, inter-generational equity and future flexibility;
- participation in expenditure reviews;
- enhancing 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 and the *National Fiscal Outlook*;
- in providing financial resources to other levels of government at agreed levels, 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; and
- the maintenance of Divisional Operational Plans which provide for the review/evaluation of processes and outcomes.

**Table 6: Financial and Staffing Resources Summary  
Subprogram 1.5 — Fiscal**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	3,192	3,293	2,939
Other program costs (excluding RC)	15,854,653	16,100,438	16,216,339
Total	15,857,845	16,103,731	16,219,278
Adjustments	(4)	(384,779)	(395,232)
Total Outlays	15,857,841	15,718,952	15,824,046
Total Revenue	(8,157)	(8,117)	(8,384)
<b>STAFFING</b>			
Staff Years	43.5	43.5	38.5

Program costs relate to general purpose grants made to the States. Revenue consists of levies and charges on borrowings by Government Business Enterprises.

## Performance Indicators

The quality, timeliness and relevance of fiscal policy advice are key indicators for this subprogram. Assessments of performance against these criteria take into account:

- feedback from the Treasury portfolio Ministers, their offices and the Government in general; and
- feedback from external organisations, such as private economic consultancies, think-tanks and the media, State and Territory Treasuries and other Commonwealth Departments and agencies.

Further indicators for this subprogram are the range and effectiveness of external contacts and the quality and impact of the contribution made to public debate and understanding of economic developments and issues.

Efficiency and effectiveness in meeting operational requirements — payments to other levels of government and the provision of guarantees to, and collection of borrowing levy payments from, Commonwealth authorities — are measured by feedback from the governments and authorities concerned and by internal and external audit.

## Performance Outcome for 1996-97

### ***Charter of Budget Honesty***

A significant development in 1996-97 has been the development of legislation to implement the Government's Charter of Budget Honesty election commitment. Treasury played a key role in developing the *Charter of Budget Honesty Bill 1996*, which aims to produce better fiscal outcomes through introducing institutional arrangements to increase public scrutiny of fiscal objectives and performance.

The Bill provides for the clear enunciation of government fiscal objectives, consistent with principles of sound fiscal management contained in the Bill. Public scrutiny of fiscal policy is further enhanced by ensuring that comprehensive fiscal information is released at regular intervals. The legislation pays particular attention to improving the information publicly available at election times, including through formal arrangements for the Government and Opposition to have election commitments costed by the Treasury and Finance Departments.

The Joint Committee of Public Accounts has held public hearings examining the Bill. Treasury appeared before the Committee at these hearings.

Consistent with the objectives of the Charter, the content and structure of the Government's budget documents were revised to improve fiscal reporting. To comply with the requirements of the Charter, the information provided in the budget papers was expanded and restructured and the *Mid-Year Economic and Fiscal Outlook* (MYEFO) was published in January 1997 to provide a comprehensive update of the economic and fiscal outlook.

### ***Policy Advice on the Fiscal Outlook***

During 1996-97, advice was provided to the Treasurer and other members of the Government on the 1995-96 fiscal outcome, budget processes, the fiscal outlook and the 1996-97 and 1997-98 Budget strategies. Changes in the economic outlook and policy decisions, including economic and fiscal conditions in the States and Territories, were taken into account in formulating advice on the changing budget outlook and the appropriateness of fiscal policy settings. This task was assisted by liaison with State/Territory officials.

Treasury subsequently assisted the Government in formulating its fiscal policy strategy and objectives which were set out in the 1997-98 Budget.

Treasury also supported the Treasurer and Assistant Treasurer with advice in the detailed budget formulation process, including consideration of expenditures and savings proposals.

Treasury is responsible, in consultation with other relevant agencies, for the preparation and periodic revision of the budget revenue estimates. This process is informed by the ongoing review and development of forecasting methods. In addition, following the MYEFO, Treasury established a task force jointly with the Australian Taxation Office to conduct research into issues associated with the 1996-97 company tax forecasts.

### ***Budget Processes***

Two budgets were brought down in 1996-97—the 1996-97 Budget on 20 August 1996, and the 1997-98 Budget on 13 May 1997. As mentioned above, a comprehensive mid-year review of the budget estimates was published in January 1997. The 1997-98 Budget was prepared in line with the requirements of the *Charter of Budget Honesty Bill 1996*, providing more information on the Government's fiscal agenda than has previously appeared.

Treasury also assisted in preparing the Treasurer's Ministerial Statements on the *Charter of Budget Honesty* and *Meeting Our Commitments* released at the time of the 1996-97 Budget.

A thorough review of 1996-97 and 1997-98 Budget processes, including the coordination and production of the budget papers and associated material, was undertaken to identify areas for improvement. The results of the 1996-97 review were incorporated in the 1997-98 Budget process.

### ***1997 Premiers' Conference and Loan Council Meeting***

Treasury has prime responsibility for the provision of advice on financial arrangements with the States. Advice was provided to the Treasurer in the lead-up to the 1997 Premiers' Conference and Loan Council Meeting held on 21 March 1997. This advice dealt with the provision of general revenue assistance to the States and Territories, State fiscal contribution payments and the coordination of public sector borrowings through the Loan Council.

The 1997 Premiers' Conference decided that the real per capita indexation arrangements for financial assistance grants should be extended to 1999-2000, and that Competition Payments would commence in 1997-98. This will result in general revenue assistance of some \$16.8 billion being provided to the States and Territories in 1997-98. The payment of National Competition Payments, together with the per capita component of the indexation arrangements for

financial assistance grants, is conditional on the States and Territories meeting their obligations under the Agreement to Implement the National Competition Policy and Related Reforms.

The need for the States' fiscal contributions of \$640 million in 1997-98 was reviewed at the 1997 Premiers' Conference. It was decided to maintain the arrangements agreed in 1996 except that half of the scheduled 1997-98 contributions of Tasmania and the Australian Capital Territory are to be deferred until 1998-99 in recognition of their difficult economic circumstances. The revised State fiscal contributions of \$313 million for 1998-99 will be reviewed at the 1998 Premiers' Conference in light of developments in the Commonwealth's fiscal position.

The Loan Council Allocations nominated by the Commonwealth, States and Territories for 1997-98 were agreed at the Loan Council meeting on 21 March 1997. Loan Council also confirmed an earlier in-principle decision relating to the disclosure of infrastructure projects with private sector involvement and agreed to exempt Telstra from Loan Council coverage on commerciality grounds. In addition, Loan Council adopted a revised *Uniform Presentation Framework* for government financial information, discussed further below, which is to be fully implemented from 1998-99.

### ***Fiscal Reporting Issues***

The 1997 *National Fiscal Outlook* presented fiscal projections for the Commonwealth, States and Territories and the nation as a whole. The 1997 report was prepared for the Premiers' Conference by a working party of Commonwealth, State and Territory Treasury officials and was released prior to the Conference for public information.

Commonwealth Treasury officers played a major role in coordinating the preparation and publication of the *Uniform Presentation Framework* which updates the May 1991 Premiers' Conference Uniform Presentation Agreement.

The framework enhances the information to be published by Commonwealth and State governments on a consistent basis. In particular, the framework requires governments to present general government sector forward estimates and publish updated financial information in a mid-year report.

Treasury also contributed to the Commonwealth Budgeting, Reporting and Accounting Scoping Study. The Scoping Study examined the implications of introducing an accrual accounting framework. The Government has subsequently decided to implement an integrated accrual budgeting and reporting framework from 1999-2000. The outcomes and outputs focus of this framework will assist in developing a more performance oriented culture in the Public Service. It will also increase the transparency of financial reports and complement the Charter of Budget Honesty.

The Commonwealth's Loan Council reporting obligations were met through the publication of data on the Commonwealth's Loan Council Allocation and financial assets and liabilities. Compilations of all jurisdictions' Loan Council reports were also made publicly available by the Loan Council Secretariat within the Fiscal Policy Division.

### ***Heads of Treasuries***

Heads of Commonwealth, State and Territory Treasuries meet regularly to discuss matters of mutual importance, such as economic, fiscal reporting and taxation issues and preparation for the annual Premiers' Conference and Loan Council meeting. Three Heads of Treasuries meetings were held in 1996-97. The *Uniform Presentation Framework* discussed above arose from a review of fiscal reporting practices initiated by Heads of Treasuries in December 1996.

### ***Payments to the States and Territories***

During 1996-97, general revenue assistance to the States and Territories was paid in accordance with the level and distribution determined at the 1996 Premiers' Conference and as set down in the *States Grants (General Purposes) Act 1994*. Arrangements were put in place for the States and Territories to pay State fiscal contributions directly to the Commonwealth or by deduction either from their general revenue assistance or from Commonwealth funding under the Commonwealth-State Housing Agreement.

As far as practicable, payments of general revenue assistance were made in equal weekly instalments. Treasury received no adverse feedback from State or Territory governments on the Department's administration of these arrangements during the year. All relevant accountability requirements were met.

### ***Major Program Reviews***

Throughout 1996-97, officers participated in a number of interdepartmental committees reviewing major programs. In the health area this included work on the renegotiation of the Medicare Agreements and the development of a Government response to the Industry Commission's report on the private health insurance industry. Treasury's contribution to such review processes seeks to ensure that the Government's social objectives are considered in the context of its broader economic aims and that the outcome improves the effectiveness and efficiency of Commonwealth Government outlays. Treasury also provided advice to the Government on these issues.

### ***Guarantees of Borrowings***

Timely responses were given to requests from Commonwealth authorities for guarantees of borrowings. Action was taken to ensure the timely payment of authorities' obligations under the *Commonwealth Borrowing Levy Act 1987*. All operational requirements were met within the appropriate timeframes.

## Subprogram 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.

### Description

Debt Management Branch of Investment and Debt Division is responsible for advising on, designing and implementing programs in relation to borrowings by the Commonwealth and the management of the Commonwealth's debt, including legislative aspects of debt issue.

### Strategies

Strategies to achieve the objective of the subprogram, which are reflected in the Division's Operational Plan, 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 Reserve Bank of Australia (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 Department of Finance, the RBA and the Australian Taxation Office to facilitate efficient cash management; and
- internal review and evaluation of processes and outcomes.

**Table 7: Financial and Staffing Resources Summary  
Sub-Program 1.6 — Debt Management**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	1,446	1,620	1,761
Other program costs (excluding RC)	12,693,569	17,587,818	14,923,411
<b>Total</b>	<b>12,695,015</b>	<b>17,589,438</b>	<b>14,925,173</b>
<b>Adjustments</b>	<b>(7,537,235)</b>	<b>(8,587,312)</b>	<b>(6,151,314)</b>
<b>Total Outlays</b>	<b>5,157,781</b>	<b>9,002,126</b>	<b>8,773,859</b>
<b>Total Revenue</b>	<b>(2,609,546)</b>	<b>(6,714,053)</b>	<b>(5,515,410)</b>
<b>STAFFING</b>			
Staff Years	22.4	22.0	22.0

Program costs include transactions relating to the servicing of Commonwealth debt. Adjustments include Trust Fund and Loan Fund transactions relating to Commonwealth debt, receipts offset within outlays (primarily repayment of advances from the States and the Northern Territory and interest amounts received from Swap counterparties) and financing transactions (primarily principal payments to Swap counterparties). Revenue includes interest payments from the States and the Northern Territory and principal amounts received from Swap counterparties.

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## Performance Indicators

Performance indicators for this subprogram include:

- achievement of the Commonwealth's financing task;
- efficient execution of the Commonwealth's borrowing program
  - partial indicators in this regard include the range of accepted bids and the basis point spread between tender and secondary market yields at Treasury Fixed Coupon 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.

## Performance Outcome for 1996-97

### ***Debt Management Activities***

The Commonwealth debt portfolio (net of the Commonwealth's holdings of Commonwealth Government securities) stood at around \$107 billion as at 30 June 1997. PDI payments were \$9.4 billion in 1996-97, or around seven per cent of total Commonwealth government outlays.

In conducting its debt management operations, key risks managed by the Commonwealth include market risk, funding risk and credit risk. Activities directed towards the management of these risks are discussed below.

*Market risk* refers to the impact of changes in relevant interest and exchange rates on the ongoing cost of the debt portfolio. The Commonwealth's approach to market risk management has been to use quantitative analysis to help determine a hypothetical, or benchmark, portfolio structure — in terms of its composition by debt instrument and currency — in order to evaluate how best to minimise the cost and risk of various possible portfolio holdings. Having determined a portfolio benchmark, the Commonwealth seeks to maintain its actual portfolio in line with the benchmark through time. It is within this benchmark framework that decisions relating to the 1996-97 borrowing program were taken, ensuring consistency with the long-term strategy.

Treasury's broad objectives with respect to *funding risk* management are to ensure that the Commonwealth's budget financing requirements are met in a cost-effective manner. Cost-effective debt issuance requires appropriate stock selection, efficient execution of transactions, the maintenance of a diverse investor base, deep, liquid markets and an efficient yield curve for Commonwealth Government securities. To this end, the practice of concentrating debt issuance into liquid benchmark stocks was continued in 1996-97, while the length of the yield curve was maintained through the

launch of a new benchmark line. Extensive liaison with financial market participants and the RBA is undertaken in order to assess market conditions and guide decisions.

*Credit risk* is the risk that a counterparty of the Commonwealth may default on its obligations. In 1996-97, procedures were refined to reduce the likelihood of breaches of the Commonwealth's Swap Counterparty Credit Policy as a result of movements in interest and exchange rates. New assessment practices adopted included the use of improved methods for calculating market value and the Commonwealth's potential credit exposure.

### ***Commonwealth's Debt Issue Program***

The Commonwealth's 1996-97 borrowing program of \$6.7 billion was completed using a mix of debt instruments in line with a long-term portfolio management strategy. The size of the borrowing program was a function of the Commonwealth's headline budget position, the financing of maturing Commonwealth Government securities including the early retirement of \$0.7 billion of Treasury Fixed Coupon Bonds that were due to mature in 1997-98, and funding for public trading enterprise superannuation. It was also affected by other financing transactions, principally the receipt of monies from the International Monetary Fund (IMF) in respect of a maintenance of value adjustment to Australia's IMF quota and net receipts in respect of swap cash flows classified as financing transactions.

The debt issue and debt redemption programs were administered in accordance with the provisions of the *Commonwealth Inscribed Stock Act 1911*, the *Loans Redemption and Conversion Act 1921*, the *Financial Agreement Act 1994* and related legislation. Estimates of Commonwealth PDI obligations on the Commonwealth debt portfolio were prepared regularly as an input into Budget figuring.

In relation to the cost-effectiveness of the execution of the Commonwealth's borrowing program, there are a number of partial indicators of performance. Some performance indicators for Commonwealth tender operations include the range of accepted tender bids and the margin of the weighted average tender yield over prevailing secondary market yields. These indicators provide only a *partial* guide to how well debt issuance has been targeted to market demand, with attendant PDI savings, as other market factors will also influence these measures. These indicators, however, would tend to reveal poor tender performance, particularly when examined over time.

### ***Treasury Fixed Coupon Bonds***

Treasury Fixed Coupon Bonds were the main funding instrument employed by the Commonwealth in 1996-97. Ten tenders were held in 1996-97, raising \$7.0 billion. The program was slightly less than the 1995-96 program of \$7.8 billion. A new benchmark line of Treasury Bonds, the September 2009 series, was introduced and the market liquidity of this series was built up through issuance into this line during the year. This action maintained the yield curve of Commonwealth Government bonds at around twelve to thirteen years.

The margin between tender and secondary market yields (around half a basis point) was less than in recent years, while the range of accepted tender bids (two basis points) remained the same as in 1995-96. This is consistent with the program's being successfully implemented in a cost-effective manner.

### ***Treasury Adjustable Rate Bonds (TABs)***

TABs are a term floating rate bond introduced by the Commonwealth in 1994-95. This borrowing instrument was introduced into the Commonwealth debt portfolio to enhance the Commonwealth's flexibility to raise debt and to manage its debt efficiently. Initially TABs were issued through an underwriting syndicate but in 1995-96, in line with increasing market acceptance of this debt instrument, a move was made to a public tender system, consistent with the approach adopted for all other Commonwealth Government securities.

Three tenders, each of \$300 million, were conducted in 1996-97, giving a total issuance consistent with the program announced at budget time. All issuance was into the October 2000 line. The TABs market continued to develop steadily through the year, with investor support underpinned by the Commonwealth's practice of managing issuance in line with identified demand. TABs now comprise just over seven per cent of the Commonwealth portfolio.

The yields received at tender were slightly above prevailing secondary market yields (one basis point) and the range of accepted tender bids was narrow (less than one basis point). This is generally in line with the results recorded in the two TABs tenders held in 1995-96.

### ***Treasury Indexed Bonds (TIBs)***

TIBs were a relatively small part of the Commonwealth borrowing program in 1996-97. In the interest of long-term market development, the size of the TIBs issuance program in 1996-97, as in prior years, continued to be tailored to identified market demand.

In 1996-97, there were five tenders held, with total issuance of around \$820 million. The average range of bids accepted at tender remained fairly constant at around five basis points (the same as in 1995-96). The spread to secondary market yields was flat in 1996-97, compared with 1995-96 tender results which had a two basis point spread. In October 1996, a new 2020 capital indexed stock was launched via a \$250 million public tender. In subsequent tenders, priority was given to building up liquidity in the new 2020 line.

### ***Treasury Notes***

Treasury Note issuance in 1996-97, as in prior years, was principally used to provide short term financing to cover within-year timing mismatches between the payment of Commonwealth Government outlays and the receipt of Commonwealth Government revenues. The Treasury Note tender program was managed so that cumulative average cash balances were around the ministerially-prescribed target as at the end of the year.

In 1996-97, around \$42.9 billion of Treasury Notes were issued to the public through 45 tenders. The RBA took up a further \$15 billion over the year at the weighted average yield recorded at the applicable tenders. The average range of accepted bids at tender was the same as that achieved in 1995-96 (three basis points) while the spread to secondary market yields was flat (compared with a one basis point spread in 1995-96). This is consistent with the Treasury Note program's having been implemented in a cost-effective manner during 1996-97.

### ***Commonwealth's Debt Redemption Activities***

All legislative and administrative requirements for debt redemption were met, including those related to the redemption, through the Debt Retirement Reserve Trust Account, of Commonwealth Government debt on issue for the States and Territories.

Debt assistance payments to the States and Territories, in the form of Commonwealth sinking fund payments to the Debt Retirement Reserve Trust Account (to assist them in their redemption of Commonwealth Government securities on issue on their behalf) and untied grants (to compensate them for the costs of cessation of Commonwealth borrowing on their behalf), were made in accordance with the provisions of the *Financial Agreement Act 1994*. All relevant accountability requirements were met and enquiries from State and Territory Treasuries concerning debt redemption matters were promptly handled.

## Subprogram 1.7 — Investment

### Objective

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

To administer development allowance and infrastructure borrowing arrangements.

### Description

The Foreign Investment Review Branch of the Investment and Debt Division, which services the Foreign Investment Review Board (FIRB); and the Development Allowance Authority (DAA), which is a single person statutory office responsible to Parliament for administering the *Development Allowance Authority Act 1992*). The staff of the DAA secretariat are Treasury officers, but the DAA has its own statutory objectives and is required to publish its own annual report. The DAA is therefore not covered further in this annual report.

The FIRB also publishes an annual report, but is not a statutory authority.

### Strategies

Strategies to achieve the foreign investment objectives of the subprogram, which are reflected in the Division's Operational Plan, include:

- monitoring and assessing trends in foreign investment cases in relation to possible implications for the Government's foreign investment policy and its administration;
- 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 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.

**Table 8: Financial and Staffing Resources Summary  
Sub-Program 1.7 — Investment**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	4,971	4,842	4,310
Other program costs (excluding RC)	0	10	11
<b>Total</b>	<b>4,971</b>	<b>4,852</b>	<b>4,321</b>
<b>Adjustments</b>	<b>(10)</b>	<b>(2)</b>	<b>(3)</b>
<b>Total Outlays</b>	<b>4,961</b>	<b>4,850</b>	<b>4,317</b>
<b>Total Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>STAFFING</b>			
Staff Years	59.7	57.0	51.3

Running costs include the DAA and the DAA Secretariat.

## Performance Indicators

Performance indicators of the quality, timeliness and relevance of advice provided to the Government on foreign investment aspects of the subprogram 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.

## Performance Outcome for 1996-97

### ***Foreign Investment Policy***

Consistent with the need for Ministerial decisions on major national interest issues, the more important foreign investment cases were submitted to the Treasurer or Assistant Treasurer for consideration. However, the great bulk of cases, as usual, was handled by officers under delegation.

There was no significant change in the number of cases in 1996-97 — 4202 compared with 4090 in 1995-96. Reflecting greater workloads, including increased OECD work, and the complexity of some cases, the average time from receipt of a proposal to reaching a decision, after evaluation and, where necessary, consultation with other government agencies, increased from 18 days in 1995-96 to 23 days in 1996-97. Under the *Foreign Acquisitions and Takeovers Act 1975*, the statutory time limit for reaching a decision is 30 days, with up to a further 10 days to notify the parties. There is scope for an interim order extending the period of examination for up to a further 90 days. In 1996-97, 22 interim orders were issued.

Decisions under delegation, including the application of national interest considerations, were overseen by the FIRB and senior management on a weekly basis for consistency with policy and processes. The FIRB has indicated its general satisfaction with the quality of decisions under delegation.

Awareness of foreign investment policy and Government perceptions of community views were facilitated through the provision of information and advice to foreign investors and their agents, meetings with these parties, the consideration of representations from the public concerning the policy or specific cases, addresses to professional groups, and the handling of telephone enquiries (39,300 incoming calls).

Monitoring of compliance with foreign investment policy continues to be a significant activity, particularly in respect of the real estate sector. In the real estate sector, attention has been focussed on fulfilment of development conditions attached to approval of proposals, schemes designed to avoid the application of the policy and policy evasion.

During 1996-97, Australia continued to participate in the OECD negotiations, involving all OECD Member Countries, for a Multilateral Agreement on Investment (MAI). In May 1997, the OECD Ministerial Council Meeting, with Australia's support, expressed its determination to resolve outstanding questions on the MAI and to conclude the Agreement by the 1998 Ministerial Council Meeting. Ministers agreed that the MAI should have high standards for the liberalisation of investment regimes and investment protection and effective dispute settlement procedures. The Government will continue to participate constructively in the MAI negotiations with the objective of achieving a balanced outcome. In that context, the Government will continue to liaise and consult with interested parties within Australia, including State and Territory Governments, business groups and the trades unions.

Australia has entered into bilateral investment treaties with a number of countries. The aim of these treaties, known as Investment Promotion and Protection Agreements (IPPAs), is to promote the international flow of capital for economic activity and development. A Model IPPA text has established the basis for negotiation of these agreements. In 1996-97, a treaty was signed with Chile. Australia also participated in continuing negotiations for bilateral investment treaties with five other countries.



## Subprogram 1.8 — Financial and Currency

### Objective

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 to private savings, including superannuation and life and general insurance; and to provide and maintain a currency system that represents an efficient medium of exchange.

### Description

Financial Institutions Division, including the (RIM) Modelling Task Force—which from June 1997 has been integrated into the Division—is responsible for advising on matters relating to the structure and functioning of the Australian financial system, including currency matters; and taxation and non-taxation issues relating to the age pension, and to private savings, including superannuation and life and general insurance.

### Strategies

Strategies to achieve the objectives of the subprogram, which are reflected in the Division's Operational Plan, include:

- monitoring and analysing developments in relation to the regulatory frameworks in the financial systems of Australia and overseas, including their impact on consumers;
- maintaining close liaison with the Portfolio Ministers and their office staff, industry regulators (particularly the Reserve Bank of Australia and the Insurance and Superannuation Commission) and other Government departments and agencies;
- liaising, as appropriate, with State and Territory Governments, the banking and finance industries, academia and consumer organisations;
- preparing policy advice on a range of financial, retirement income, taxation of savings, banking and currency issues;
- implementing policy decisions taken by the Government;

- advising the Government on issues of relevance to the non-budget dependent bodies under this program;
- developing and using computer models and databases for the review and development of superannuation and retirement income policy and related taxation and social security policy;
- overseeing management of the Royal Australian Mint and working closely with Mint officers to further improve the organisation's efficiency, while maintaining the recognised high quality of its output; and
- undertaking internal review and evaluation of processes and outcomes.

**Table 9: Financial and Staffing Resources Summary  
Subprogram 1.8 — Financial and Currency**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	2,888	5,571	5,090
Other program costs (excluding RC)	36,206	35,120	10,963
Total	39,095	40,691	16,053
Adjustments	(15,694)	(140,848)	(3,828,292)
Total Outlays	23,401	(100,157)	(3,812,239)
Total Revenue	(2,267,419)	(2,202,689)	(2,218,118)
<b>STAFFING</b>			
Staff Years	39.0	47.0	44.5

Program costs consist of funds for unclaimed moneys under the *Banking Act 1959*. Adjustments consist mainly of proceeds of the sale of the Commonwealth Bank of Australia and the deferral of the corporatisation of the Housing Loans Insurance Corporation. Revenue consists primarily of dividend payments from the Reserve Bank and the Housing Loans Insurance Corporation. Also included are receipts from banks for unclaimed moneys.

## Performance Indicators

Performance indicators for this subprogram include:

- the quality, timeliness and relevance of advice on policy and administrative matters provided to the Government and the quality of contributions made to related policy development processes;

- meeting statutory and other procedural requirements for the preparation of instruments, regulations and banking authorities;
- feedback from the offices of the portfolio Ministers, the financial sector and other interested parties; and
- feedback on the quality of retirement income modelling and costings from the sponsoring Departments of the Retirement Income Modelling (RIM) Task Force and related agencies such as the Australian Taxation Office and the Insurance and Superannuation Commission. However, as part of the measures taken in the June 1997 reorganisation of Treasury, the Retirement Income Modelling Task Force was fully integrated into Treasury and henceforth will have no other sponsoring Departments.

## Performance Outcomes for 1996-97

The main output of this subprogram involves the provision of advice to the Treasury Portfolio Ministers on policy and administrative matters relating to retirement incomes policy and the financial sector.

The Financial System Inquiry completed its Final Report at the end of March 1997. Five staff from the Division had been seconded to the Secretariat which serviced the Inquiry. The Division prepared advice to the Government on a comprehensive response to the Report and consequential implementation.

### ***Retirement Incomes Policy***

The Department continued to assist in the development and implementation of superannuation, savings and retirement income policy initiatives during the year.

- Treasury advised the Government on superannuation and other saving measures in the 1996-97 and 1997-98 Budgets, including measures aimed at improving equity and increasing choice and flexibility in the current superannuation arrangements, and measures to encourage private saving and enhance retirement incomes. The 1997-98 Ministerial Statement, *Savings: Choice and Incentive*, provides a comprehensive summary of these measures.
- A discussion paper, *Allowing Access to Superannuation For Housing*, was issued to facilitate consultation on this issue with interested parties.
- Treasury participated in an interdepartmental committee (IDC) examining the better integration of the superannuation and age pension systems, and provided original retirement income modelling and

research to that IDC. The IDC's work provided valuable input to the measures announced in the 1997-98 Budget.

- Treasury and the Australian Taxation Office, the Department of Social Security and the Insurance and Superannuation Commission developed proposals to amend legislation and regulations relating to superannuation, savings, age pension and retirement income matters.
- Models developed by the Retirement Income Modelling (RIM) Task Force were used extensively to research and cost issues such as the savings rebate, preservation, the superannuation contributions surcharge, access to superannuation for housing, spouse contributions, opting out, revenue from superannuation funds, tax expenditures on superannuation, the deferred pension bonus scheme and the better integration of tax and social security for retirees.

### ***Financial Sector Policy Advice***

The Department participated in the public debate on issues canvassed by the Financial System Inquiry (FSI).

- During the second half of 1996, the Department prepared a submission and a supplementary submission to the FSI. These submissions dealt with a wide range of policy issues, including the regulatory structure and the importance of information disclosure in achieving prudential objectives.
- The Department subsequently prepared advice to the Government on a commercially sensitive recommendation of the FSI dealing with mergers and acquisitions. The Government announced that the blanket prohibition on a foreign takeover of any of the four major banks and prohibitions on the merger of major banks and life offices would be removed, but that mergers between the four major banks would not be permitted at this time.

During the latter months of the 1996-97 year, the Department continued to be heavily involved in the follow-up to the FSI Report.

- The Financial Institutions Division and Business Law Division commenced preparing advice to the Government on a comprehensive response to the remaining recommendations of the FSI. This covered such topics as prudential regulation, regulatory structure, the payments system, and ownership and acquisitions of financial institutions.

The Division also dealt with major operational and administrative matters relating to banking and finance.

- Instruments were prepared under various sections of the *Banking Act 1959* and the *Banks (Shareholdings) Act 1972* to grant banking authorities and facilitate approved bank mergers. The latter included the acquisition by St. George Bank of Advance Bank, and the merger of Metway Bank, Suncorp Insurance and Finance, and the Queensland Industry Development Corporation.
- The Division played a major role in the restructuring of the Housing Loans Insurance Corporation (HLIC), which involves, *inter alia*, the enactment of enabling legislation, the creation of a new company under the Corporations Law, HLIC Ltd, and the transfer of HLIC's insurance liabilities and net capital and financial reserves to the Commonwealth. The restructuring will assist in facilitating a sale of the Corporation at some future date, by addressing factors that previously impeded such a sale.

### **Currency**

Senior Executives of the Department chaired and served on the Royal Australian Mint Advisory Board during the year. The Financial Institutions Division:

- reviewed the Royal Australian Mint against the Government's Competitive Neutrality Principles and also reviewed the appropriateness of its business form;
- fostered a cooperative venture between the Royal Australian Mint and the Perth Mint so that both enterprises could contribute their relative marketing and manufacturing strengths to the Olympic coin program; and
- responded to numerous inquiries from the public for information on a wide range of issues relating to currency.

## Subprogram 1.9 — Business Law

### Objective

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

### Description

The Business Law Division is responsible for advising on policy initiatives to facilitate the efficient working of corporations, and of the securities and futures markets, including the operation of the Corporations Law and other business laws.

### Strategies

Strategies to achieve the objectives of the subprogram, reflected in the Divisional Operational Plan, include:

- the development and review of national business laws and policies relating to corporations, securities and futures industries, 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 Commission, financial market participants, companies and investors; and
- developing an effective working relationship with other Divisions to enhance policy advising on business regulation.

**Table 10: Financial and Staffing Resources Summary  
Subprogram 1.9 — Business Law**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	848	5,164	4,322
Other program costs (excluding RC)	0	0	0
Total	848	5,164	4,322
Adjustments	(195)	(4)	(14)
Total Outlays	653	5,160	4,308
Total Revenue	0	0	0
<b>STAFFING</b>			
Staff Years	4.4	40.7	42.6

The functions and staff resources of Business Law Division were transferred to Treasury late in 1995-96.

## Performance Information

Performance indicators for this subprogram 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.

## Performance Outcome for 1996-97

### ***Corporate Law Economic Reform Program***

The Corporate Law Economic Reform Program commenced in March 1997. The Program aims to deliver a corporate regulatory regime which takes full account of the Government's economic objectives, in terms of protecting investors and maintaining confidence in the business environment, thereby facilitating investment, employment and wealth creation.

The Program has been a major focus of the Division's work in 1996-97 and has included:

- preparation of position papers on key areas of corporate law policy covering fundraising, takeovers, futures and securities markets, directors' duties, electronic commerce and the arrangements for the setting of Australian accounting standards. Public comment will be invited on these papers, which will be taken into account in developing legislative proposals to implement the reform agenda; and
- advising and assisting the Government with the establishment of the Business Regulation Advisory Group in May 1997. The Business Regulation Advisory Group consists of senior members of the business community and will assist and advise on the proposals for change to corporate regulation arising from the Program. The Division will provide secretarial support to the Group.

### ***Final Report of the Financial System Inquiry***

The Division has been involved in examining and advising on the implications for corporate regulation of the recommendations of the Final Report of the Financial System Inquiry (FSI). To a large extent the FSI's recommendations relating to corporate regulation and the securities and futures markets are being addressed in the Corporate Law Economic Reform Program.

### ***Company Law Reform Bill***

The Division prepared a redrafted version of the Company Law Reform Bill (formerly known as the Second Corporate Law Simplification Bill), which was released in July 1996. This Bill will substantially improve the law in relation to financial statements and audit, share capital, company formation, company meetings, company deregistration, company names and annual returns. During the second half of 1996, the Bill was examined by the Parliamentary Joint Committee on Corporations and Securities, and Divisional officers appeared before the Joint Committee. The Joint Committee released its report on the Bill in November 1996.

### ***Australian Stock Exchange — Change of Corporate Form***

In consultation with interested parties, the Division prepared a draft Bill entitled Corporations Legislation Amendment (ASX) Bill 1997 to facilitate the decision of members of the Australian Stock Exchange (ASX) to convert the Exchange from a company limited by guarantee to a company limited by shares. The ASX also proposes that its shares be listed on its own Exchange. As a public company the ASX would be operated on a 'for profit' basis.

The draft legislation, while facilitating the proposed changes to the ASX's governance arrangements, also ensures that the role of the ASX in the



regulatory framework is not diminished or impaired as a result of its conversion to a public company.

### ***Regulation of Managed Investment Schemes***

During the year, the Division provided advice and assistance to the Treasurer and the Parliamentary Secretary who engaged in extensive consultation with interested parties in relation to the draft bill entitled *Collective Investments: Proposed Amendments to the Corporations Law for the Regulation of Collective Investment Schemes*. The draft bill proposes a new regime for the operation of collective investment schemes. In particular, the current two party regulatory structure, requiring both a trustee and a management company for each scheme, would be replaced by a single responsible entity structure.

### ***Interface between the Trade Practices Act and the Corporations Law***

In consultation with interested parties, the Division prepared a report *Section 52 Trade Practices Act and Dealing in Securities*. The report was released in March 1997. The report considered the application of section 52 of the Trade Practices Act to prospectuses, takeovers and other aspects of dealing in securities. The report recommended that the Corporations Law regulate these matters to the exclusion of the Trade Practices Act. Consideration of this issue will be advanced in the context of the Corporate Law Economic Reform Program.

### ***Corporate Insolvency***

In consultation with key interest groups, the Division prepared a Bill to address concerns arising out of a decision of the New South Wales Supreme Court in June 1995 which had undesirable consequences for the voluntary administration of insolvent companies under the Corporations Law. The Bill was introduced into Parliament in October 1996 and commenced operation in April 1997 as the *Corporations Law Amendment Act 1997*.

The Division played an important role in the development of a model law on cross-border insolvency by the United Nations Commission on International Trade Law (UNCITRAL). An officer of the Division represented Australia at the meetings of the UNCITRAL Working Group on Cross-Border Insolvency in October 1996 and January 1997 and, together with the Solicitor-General, participated in the meeting of UNCITRAL in May 1997 at which the model law was finalised and adopted.

A Working Party chaired by an officer of the Division completed a comprehensive review of the regulation of corporate insolvency practitioners. The Working Party's report was presented to the Treasurer in June 1997. The

report recommends changes to the regulatory framework to promote competition and reduce the costs of insolvency administrations.

### ***GBE Corporatisation***

The Division has provided advice on the implications of the Corporations Law for the corporatisation and privatisation of Government Business Enterprises (GBEs). This has included advice on the one-third Telstra sale, the Snowy Mountains Hydro Electricity Authority, the Australian Wheat Board, the Australian Meat Board, the Housing Loans Insurance Corporation, the Australian National Line and the Federal Airports Corporation.

The Division has also provided advice on State privatisation legislation which would alter the effect, scope or operation of the Corporations Law.

### ***SCAG and MINCO***

The Division continued to provide advice on business law matters in the context of the Standing Committee of Attorneys-General (SCAG) and the Ministerial Council for Corporations (MINCO). The Division also continued to provide secretarial support for MINCO.

### ***Review of Company Auditors***

A MINCO Working Party chaired by an officer of the Division completed a review of the requirements for the registration and regulation of company auditors during June 1997. A report, which recommends significant changes to the current regulatory framework for auditors, has since been forwarded to the Treasurer.

### ***Review of the Bills of Exchange Act 1909***

The Division has commenced a review of the *Bills of Exchange Act 1909* as part of the Commonwealth Legislative Review Program.

Terms of Reference have been settled and a working group of officials established. Press advertisements sought views of interested persons and industry groups, on the operation and relevance of the Bills of Exchange Act in the market place, by 31 July 1997.

## Subprogram 1.10 — Corporate Direction and Support

### Objective

To coordinate the provision of policy advice and support; to undertake and coordinate major policy research; and to manage Departmental resources.

### Description

The Department's Executive (Secretary and Deputy Secretaries) and their administrative support; the Assistant Secretary (Corporate Strategy); and the corporate support Directorates.

### Strategies

Strategies to achieve the objectives of the subprogram 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 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;
- monthly meetings of the Executive and Division Heads to discuss policy and management issues; and
- using the structure of Corporate Support Committees, each chaired by a Deputy Secretary, to manage the Department's provision of corporate services.

**Table 11: Financial and Staffing Resources Summary  
Subprogram 1.10 — Corporate Direction and Support**

	1995-96 Actual (\$'000)	1996-97 Budget (\$'000)	1996-97 Actual (\$'000)
<b>BUDGETARY (CASH) BASIS</b>			
<b>Components of Appropriations</b>			
Running costs (RC)	13,794	14,213	14,180
Other program costs (excluding RC)	26	98	6
Total	13,820	14,311	14,186
Adjustments	(558)	(704)	(945)
Total Outlays	13,263	13,607	13,241
Total Revenue	0	0	0
<b>STAFFING</b>			
Staff Years	138.5	139.3	135.4

## Performance Indicators

As members of 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:

- effective communication both domestically and internationally with major economic participants, such as governments, 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.

## Performance Outcome for 1996-97

### ***Executive***

The Executive were involved in the full range of major policy issues during 1996-97 (including the preparation of the 1996-97 and 1997-98 Budgets). Increasingly, the Executive is focussing on internal management issues and a new position (Assistant Secretary, Corporate Strategy) was created in March 1997 to facilitate that task.

The roles and responsibilities of the different levels of senior management were also reviewed and refined during 1996-97 (see page 4), with a view to expanding the strategic management focus of the Executive and to devolving greater responsibility for policy advice to Division Heads. The number of Deputy Secretary positions was reduced from three to two as part of these changes.

The allocation of resources across the Department was kept under review by the Executive during the year, taking account of shifting policy and administrative priorities. As a result of this process, resources were moved across Divisions in response to changing policy priorities to optimise their effective use. A decision was taken during the year to disband the Policy Research Unit and to allocate its resources to Divisions. The Executive continues to place a high priority on research to support the policy advising process and believes that given emerging priorities, this function will be focussed best by those directly involved in policy work.

Other key management issues considered during the year included the organisational structure of the Department, staff selection processes, training and development issues, a review of the Executive's response to the Staff Attitudinal Survey (see pages 10 and 11 of the 1995-96 Annual Report) and Treasury's approach to negotiating an enterprise agreement.

In line with the Executive's response to the Staff Attitudinal Survey, improving communication between the Executive and other Treasury staff has been a priority during 1996-97. A number of Management Group (now renamed as Executive Board) circulars were issued during the year, covering issues such as Departmental priorities; Departmental funding arrangements; public service reforms; corporate support committees and the arrangements available for all officers to raise issues for consideration by those committees; and the broad parameters and possible consultative arrangements for enterprise bargaining in Treasury. In addition, more detailed reports of Executive Board meetings were provided to staff; twice-yearly seminars with staff and monthly meetings of the Executive with Division Heads to discuss policy and management issues continued during 1996-97; and consultation continued through the Administrative Services Officer Consultative Committee.

The Executive continued their program of obtaining comments and views on economic issues from a wide range of the Australian community, including through contact with representatives of industry, academia and official agencies. Members of the Executive also attended several international meetings to present policy developments in Australia and to obtain information from high level officials on strategies and priorities of other countries. For example, a Deputy Secretary has been attending twice-yearly meetings between representatives of Japan, Singapore, Hong Kong and Australia, which have become known as 'Four Markets Meetings', to discuss broad economic, financial and foreign exchange market developments in their economies, and in the region more generally (with Australia also being represented in this forum by a senior officer of the Reserve Bank of Australia). The need to meet reflects the significance of each of these countries' financial markets to the region and globally, and the increasing interdependency of markets. This year the forum was extended for the first time to include representatives from the United States and China, and it is envisaged that this broader grouping will meet annually. In addition, the Secretary met his regional counterparts in the context of the APEC Finance Deputies and the Asia Pacific Colleagues forums.

The Executive, along with other senior officers, participated in accountability processes, including five reviews of aspects of Departmental activities during the year by the Senate Economics Legislation Committee.

Major decisions on services provided by Directorates were taken by the corporate support committees, each chaired by a Deputy Secretary. (A chart of the Treasury Corporate Support Committee structure is provided on page 74.)

### ***Policy Research Unit***

Research conducted by the Policy Research Unit (PRU) in 1996-97 addressed a broad range of issues, including those associated with the operation of fiscal policy; national saving and the current account deficit; the funding of higher education; and the effectiveness of the Investment Allowance and Infrastructure Bond Scheme. Favourable feedback was received from other areas of Treasury, the OECD and the Treasurer's Office on the quality and usefulness of PRU research. Some elements of the research findings were also disseminated externally, fostering a wider awareness of the PRU's work. Staff presented two papers at the Conference of Economists in September 1996, both of which received media coverage, and presented several other seminars to audiences outside Treasury.

The Treasury Seminar Series organised by the PRU continued to provide a regular forum for open and robust discussion of theoretical and policy issues. A diverse range of speakers and topics were included in the 1996-97 program of 40 seminars. An evaluation of the seminar series conducted in

December 1996 indicated that the seminar series is highly regarded by both Treasury and external attendees. Attendance at the seminars increased to an average of 70 in 1996-97 (up from 55 in 1995-96), reflecting an increased awareness and appreciation of the seminar series.

In the light of Departmental priorities, it was decided in late 1996-97 to disband the PRU and undertake research functions within the Divisions themselves. All PRU staff were relocated elsewhere in the Department. The Treasury Seminar Series continues to be part of the Department's activities.

## ***Support Services***

### **Staff Development**

Treasury seeks to ensure that all staff are appropriately skilled to undertake effectively their responsibilities to provide policy advice and administrative support to the Treasury Ministers. To achieve this, Treasury promotes the professional development of staff through training programs, studies assistance, on-the-job training and work placements.

The expertise of staff is maintained by targeting training to address team and individual needs and by providing expert consultants to deliver professional training. Training programs are regularly advertised via the Treasury Staff Bulletin and electronic mail facilities.

Through the Graduate Recruitment Campaign, 16 graduates in either economics or law were appointed to Treasury this year. An A&TSI Cadet, who was awarded the Cadetship in May 1996, commenced work in the Department in December 1996 as a Research Officer 1, after having completed studies interstate. The Graduates and former Cadet are currently participating in the Graduate Development Program, which provides them with training in public administration and develops their skills and knowledge as policy advisers.

Treasury also promotes participation in external studies through the provision of post graduate study awards and assistance with tertiary studies, including the Certificate Levels III and IV and the Diploma in Public Administration. Additional financial assistance for eligible staff is provided through partial reimbursement for fees and related costs.

In 1996-97, Post Graduate Study Awards (PGSAs) worth \$45,000 were awarded to four officers for full-time study through a formal course of research. Four officers graduated in studies in public administration: three at the Certificate level and one with the Diploma in Public Administration. In addition, approximately 50 other staff were approved to attend formal study during work hours.

During 1996-97 two schemes were introduced to promote the development of ASO1-6 officers. The ASO1-6 Individual Development Plan is a process which enables administrative service officers and their supervisors to identify staff development needs in line with core competency standards and long-term career goals. The ASO1-6 Staff Rotation Scheme assisted staff in corporate services and support areas to gain broader on-the-job skills and exposure to other career opportunities within the Department.

### **Publications**

A cost-effective internal publication program was provided for the Department during the year. Publications produced in 1996-97 included the 1996-97 Federal Budget (August 1996); the 1997-98 Federal Budget (May 1997); and the Financial System Inquiry Discussion Paper and Final Report. The range of Treasury publications is listed in Appendix H.

The Treasury Internet Web site has proved to be a cost-effective method of providing public access to Treasury information. In 1996-97 there were about 103, 000 recorded visits to the Treasury Web site pages. The Financial System Inquiry and the 1997-98 Budget were the most frequently accessed web pages.

### **Information Technology**

The software, Windows 95, was installed throughout Treasury. In-house applications have been developed for the standard Microsoft Windows platform, leading to improved productivity and elimination of the memory problems experienced with previous systems. The applications management system provides Treasury staff with a customised, but simple, means of accessing essential software applications, and it facilitated production of the 1996-97 Budget.



## Chart 4: Corporate Support Structure

## SOCIAL JUSTICE AND EQUITY OUTCOMES

Treasury's mission is directed at improving the living standards of the Australian people. In pursuing that objective, Treasury's Corporate Statement explicitly makes mention that living standards are assessed in the broad way, that is, taking into account social, cultural and environmental values as well as material wealth. Effective fulfilment of Treasury's economic policy advising role promotes the Government's social justice and equity objectives in several ways.

To the extent that Treasury advice contributes to economic policy settings which lead to higher levels of output, it increases the total resources available to the community — including the Government — to pursue social justice and equity. When per capita incomes are increasing, it is easier to fund redistributive or other social measures than when incomes are static. Importantly, sustained economic growth promotes reductions in unemployment, which in itself is an important equity consideration.

Equity considerations are taken into account in Treasury's policy advising on a wide range of issues with economic implications. Perhaps the most obvious example is in the case of taxation, which falls directly within the Treasurer's portfolio responsibilities. In formulating taxation policy advice the Treasury balances various policy objectives including economic efficiency, equity, the overall fiscal strategy, certainty, and compliance and administrative costs. Taxation policy advice often has to canvass possible compromises between these objectives.

Taxation policy advice often has to encompass both horizontal equity concerns (whether people in similar circumstances are treated in the same manner), and vertical equity issues (how differently taxation impacts on different income groups). Measures to counter tax avoidance and tax evasion assist in meeting social justice and equity outcomes by seeking to ensure that some taxpayers are not able to avoid their responsibilities and hence increase the burden on other taxpayers.

Taxation policy advice also has a fundamental, if indirect, role in addressing equity concerns given that the essential role of the tax system is to raise revenue in order to fund Government outlays, including social security and other outlays which are designed to address equity concerns directly.

Another area within the portfolio where particular attention is given to equity issues is that of retirement income and superannuation. In addressing those

concerns, research has been carried out which is more widely applicable to assessing distributional and equity aspects of policy proposals. The Retirement Income Modelling (RIM) Task Force has developed a number of new data bases and constructed computer based models which assess the impact of alternative retirement income policies. The relatively comprehensive models that have been built and the extensively researched data bases that underpin them have a strong distributional dimension which allows the assessment of social justice and equity issues.

The Task Force has both hypothetical and aggregate models of superannuation and retirement incomes which are highly differentiated by age, gender, income, workforce status and superannuation status. The comprehensive coverage of the household sector by these models, which project earnings, social security pensions and benefits, personal taxation, superannuation and retirement incomes, make them very suitable for addressing social justice and equity issues.

The importance of taxation and retirement income as aspects of social welfare, and their interaction with other measures for addressing social justice and equity concerns, have meant that Treasury officers have contributed to a range of interdepartmental committees addressing social policy issues, such as initiatives to improve employment and income opportunities of carers, improving the interaction between the age pension and superannuation, and broad options for valuing and/or splitting entitlements to superannuation in the event of divorce. In policy development and analysis, Treasury has a wide-ranging role in social justice and equity issues.

## STAFFING OVERVIEW AND EQUAL EMPLOYMENT OPPORTUNITY

### Staffing Information

The following table represents the number of Treasury staff, by category and gender, as at 30 June 1997. All staff are employed under the *Public Service Act 1922*.

**Table 12: Operative and Paid Inoperative Staff by Classification and Gender as at 30 June 1997**

Classification	Permanent				Temporary				Total
	Full Time		Part Time		Full Time		Part Time		
	Male	Female	Male	Female	Male	Female	Male	Female	
GAA	14	2							16
ASO1	2	4			1				7
ASO2	4	20		4	1	6		3	38
ASO3	4	17		1	1	7			30
ASO4	5	19		3	0	1		1	29
ASO5	26	19		1	1				47
ASO6	27	17							44
RO1		1							1
RO2	8	3							11
SRO1	16	3							19
SRO2	21	5							26
ITO1	1								1
ITO2	6	3							9
SITO C	4								4
SITO B	1								1
PO1		2							2
PO2		1		1		1			3
SPO C		2							2
Legal 1	9	6		3	2				20
Legal 2	6	5							11
SO C	67	23	1			1			92
SO B	53	10							63
SO A		1							1
SES Band 1	25	5		1					31
SES Band 2	7								7
SES Band 3	2								2
Secretary	1								1
<b>Total</b>	<b>309</b>	<b>168</b>	<b>1</b>	<b>14</b>	<b>6</b>	<b>16</b>	<b>0</b>	<b>4</b>	<b>518</b>

A description of each acronym used in the above table can be found in the Acronyms and Abbreviations on page 178. Details for permanent staff refer to **substantive** classifications and do not recognise those staff acting at a higher classification (this is a departure from the approach adopted in last year's Annual Report); the paid inoperative staff are those who are absent on approved leave for more than twelve weeks. The table includes 26 staff in the Development Allowance Authority Secretariat but does not include a Statutory Office Holder paid from the Treasury appropriation.

The following tables show the number of staff located at Treasury's overseas and interstate posts:

**Table 13: Staff Located at Overseas Posts**

Overseas Post	SES Band 1	SO B	SO C	Total
Beijing	1			1
Bonn *				0
Jakarta		1		1
London *		1	1	2
Paris	1	1		2
Tokyo	1	1		2
Washington	1	1		2
<b>Total</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>10</b>

\* The Bonn post was closed from 27 June 1997 and the London SES Band 1 was replaced by a SO B from 6 January 1997.

**Table 14: Staff Located at Interstate Posts**

Interstate Post	SO B	SO C	ASO 4 *	Total
Melbourne	1	1	1	3
Sydney	1	1	1	3
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>6</b>

\* Both ASO 4 Office Manager positions are filled by staff permanently located in that office. The other interstate positions are filled by Canberra based staff on Temporary Transfer.

## Senior Management Changes

A number of changes to the Senior Executive Service (SES) occurred during the financial year. The following tables provide details of commencements in, and cessations from, the SES ranks in Treasury.

**Table 15: SES Commencements**

Reason for Commencement	SES Band 3	SES Band 2	SES Band 1
Appointment			
Promotion			4
Temporary Transfer			1
Return From Leave			2
<b>Total</b>			<b>7</b>

**Table 16: SES Cessations**

Reason for Movement	SES Band 3	SES Band 2	SES Band 1
Resignation			1
Retirement			
Long Term Leave	1		1
Promotion			1
Temporary Transfer			1
Part IV Appointment		1	
End Temporary Transfer		1	2
<b>Total</b>	<b>1</b>	<b>2</b>	<b>6</b>

## Senior Staff Changes

Further information on the above changes and details of some other movements within Treasury are outlined below.

Alan Preston (Deputy Secretary) took two years' leave of absence from February 1997. His position was not filled, with Executive responsibilities realigned (see page 4) and the roles of the two remaining Deputy Secretaries and Division Heads re-defined.

Jim Dick, an unattached Senior Executive Band 1 officer who had been on long-term leave of absence since February 1995, resigned in October 1996.

Stephen Yen was transferred to the position of Assistant Secretary, Corporations Law Simplification Program in July 1996.

Ian Robinson, Assistant Secretary, Superannuation Policy Branch, was seconded to act in the position of Controller of the Royal Australian Mint from October 1996.

James Horne returned from his posting as Minister-Counsellor (Economic), Tokyo in December 1996 and transferred to the position of Assistant Secretary, Labour Market Branch.

Murray Edwards replaced Dr Horne in Tokyo in December 1996.

Jim Wright, Assistant Secretary, Budget Policy Branch, was promoted to the Department of Industry, Science and Technology in January 1997.

Richard Murray returned from his posting as Minister (Economic), London in January 1997 and was transferred to the position of Assistant Secretary, Banking and Finance Branch.

As mentioned in the footnote to table 13, the SES level position of Minister (Economic) in London was replaced by a Senior Officer Grade B level position of Counsellor (Economic).

Deidre Gerathy returned from long-term leave in January 1997 and was transferred to the position of Assistant Secretary, Superannuation Policy Branch. She now works on a permanent part-time basis.

Steve French transferred to the position of Assistant Secretary, Budget Policy Branch in January 1997.

Karen Chester returned from long-term leave in February 1997, and was transferred to the position of Assistant Secretary, Personal and Corporate Taxation Branch.

Jim Murphy was promoted as First Assistant Secretary, Business Law Division, with effect from 20 February 1997. He had been acting in the position since the Division was transferred to Treasury in March 1996.

Mick Shadwick transferred to a position of Departmental Liaison Officer in the Assistant Treasurer's Office in March 1997. He is due to take up a posting as Minister-Counsellor (Financial) in Beijing from December 1997.

In April 1997, four officers were promoted to the Assistant Secretary (Senior Executive Band 1) level:

- Lynne Curran to Business Taxation Provisions Branch;
- Graham Matthews to International Economic Policy Branch;
- Janine Murphy to Savings and Retirement Income Branch; and
- Karen Spindler to Corporate Strategy Branch.

A review of the Corporations Law Simplification Program saw Ian Govey, Principal Advisor complete his secondment to Treasury and return to the Attorney-General's Department in May 1997

The Financial System Inquiry report was submitted in April 1997. Subsequently, the Inquiry Secretariat was disbanded, and Greg Smith returned to his position of First Assistant Secretary, Financial Institutions Division. At the same time, Mike Callaghan left that position and returned to his position of First Assistant Secretary, Economic Division.

John Eyers, a Senior Executive Band 1 who had also been working in the Financial System Inquiry Secretariat, took leave of absence from May 1997, to take up a position with the Commonwealth Secretariat in London.

Rod Shogren, First Assistant Secretary, Fiscal Policy Division, left Treasury under the provisions of Part IV of the *Public Service Act 1922*, when he was appointed as a Commissioner of the Australian Consumer Competition Commission with effect from 1 May 1997.

In June 1997, the Policy Research Unit was disbanded; the head of the Unit, Paul O'Mara transferred as Assistant Secretary, Macroeconomic Analysis Branch.

Chris Hood, who was seconded from the Australian Taxation Office to act as Assistant Secretary, Business Taxation Branch, returned to the ATO in June 1997.

The Treasury post of Minister-Counsellor (Financial) in Bonn was abolished when Peter Biggs completed his posting in June 1997. Mr Biggs had been acting at the Senior Executive Band 1 level.

In June 1997, the (RIM) Modelling Task Force was integrated into the Financial Institutions Division. Phil Gallagher continued to act at the Assistant Secretary level, heading the Retirement Income Modelling Branch.

In January 1997, the Taxation Policy Division underwent a minor reorganisation which included renaming the Business Taxation Branch as Business Taxation Provisions Branch and the Personal Income and Accruals Branch as the Special Projects Unit. As part of the restructure of Taxation Policy Division, Richard Wood took up the position of Assistant Secretary, Special Projects Unit in June 1997.

At the same time, the Secretary announced a reallocation of resources to address the Treasury's contribution toward major tax reform matters. One outcome was the formation of the Taxation Reform Group, with Ken Henry (who was seconded from his position of First Assistant Secretary, Taxation Policy Division) to head the Group; other Senior Executives seconded to the Group were Wayne Mayo from Economic Division, Bruce Taplin from Taxation Policy Division Matthew Ryan (returning from the Treasurer's Office) and Paul McCulloch from the Australian Taxation Office. The Revenue Analysis Section of Fiscal Policy Division also moved to work directly to Bruce Taplin.

## **Performance Appraisal and Pay**

During the 1996-97 Financial Year, Treasury Senior Officers were asked to decide whether to adopt performance-based pay under the revised provisions



set out in the *Continuous Improvement in the APS: Enterprise Agreement 1995-96* (the APS Agreement). A ballot resulted in Senior Officers electing not to continue with a performance based pay scheme. Performance appraisal arrangements for Senior Officers continue.

## Senior Executive Service

The terms of the APS Agreement stipulated that, while performance based pay would be retained for the Senior Executive Service, payments should be restricted to those staff who were rated as Superior or Outstanding. The (then) Department of Industrial Relations instructed that no more than 25 per cent of eligible staff should attract those ratings. In previous years, substantially more than 25 per cent of Treasury SES had been rated as Superior or Outstanding, and to achieve reductions in the numbers so rated, even tighter criteria for determining those ratings were applied for the recent round. The distribution of ratings for Treasury staff this year cannot therefore be compared with last year's distribution.

Performance payments were made to SES officers for the appraisal cycle from 1 July 1995 to 30 June 1996. The following table sets out the distribution of performance appraisal ratings for SES officers for that period:

**Table 17: Performance Appraisal Distribution for SES Officers**

5 Outstanding	4 Superior	3 Fully Effective	2 Adequate	1 Unsatisfactory
2%	10%	86%	2%	-

There were 52 officers eligible for performance-based pay for the cycle which concluded on 30 June 1996.

The aggregate amount of performance-based pay was \$61,000. By rating classification the aggregate amount paid was:

- Outstanding (Rating 5) \$13,000; and
- Superior (Rating 4) \$48,000.

Officers who are awarded performance-based pay may elect to contribute 5 per cent to an approved superannuation fund. If such an election is made, then the Commonwealth will make an employer contribution of 15 per cent. In 1996-97, the total employer contribution amounted to \$7,950.

The APS Agreement also prescribed the proportion of salary which could be awarded as performance-based pay:

**Table 18: Performance Pay for SES Officers**

	<b>Minimum Proportion of Base Salary</b>	<b>Maximum Proportion of Base Salary</b>
Superior Performance	8%	10%
Outstanding Performance	13%	15%

## **Equal Employment Opportunity**

Treasury's Equal Employment Opportunity (EEO) program aims to increase awareness and acceptance of EEO principles and avoid discrimination against women and persons in designated groups in relation to employment matters, including entry to the Department, career progression including access to training and development, and other conditions of service such as leave, allowances, occupational health and safety, accommodation and access to information. A review of the program commenced during the year, to be completed in late 1997.

A Senior Executive officer responsible for EEO oversees the program and liaises with the Executive Board on EEO issues. An EEO coordinator at senior officer level implements, monitors and reviews the EEO program, develops advice and reports to the Departmental Services Committee on the program.

The Department has a network of officers to provide advice to staff who may have concerns about workplace harassment. The names of the members of this network of officers are advertised in the Treasury Staff Bulletin and the Departmental Telephone Directory. All contact officers are fully trained and refresher courses are provided periodically.

Where there are women applicants for positions, up to and including ASO 6 level, selection advisory committees must include at least one woman member, and for higher level positions, selection advisory committees include at least one woman whenever possible. Recruitment panels for the selection of graduates comprise male and female senior staff.

All staff in Treasury are encouraged to take advantage of training opportunities, through both internal and external courses. The participation rate for women in these programs is consistent with the proportion of women in the Department.

The Women's Desk Officer continued to provide an advisory and consultancy service for women in Treasury and advised on personal and professional development opportunities and options to enhance career development.

To encourage the recruitment of Aboriginals and Torres Strait Islanders (A&TSI), an A&TSI Cadetship Program was established as part of

the Department's *Aboriginal and Torres Strait Islander Recruitment and Career Development Strategy 1992-1997*. The Cadetship Program aims to attract suitably qualified Aboriginal and Torres Strait Islander people to permanent economic policy advising positions in the Treasury and to enable them to compete on merit for promotion. The first Cadetship ran from 1993 to 1996 and the officer is now working in one of the Treasury's Divisions. A second A&TSI Cadet, who was awarded the Cadetship in May 1996, commenced work in the Department in December 1996 after having completed studies interstate. The Cadets have participated in the general Graduate Development Program which includes training and accreditation in the *Certificate Level 3 in Public Administration (APS), Graduate Administrative Assistant*.

Treasury reviews its Graduate recruitment campaign annually. The review of the 1996 campaign identified a number of possible changes to the recruitment process. Following the review, a consultant was engaged to provide advice on more effective ways to manage the Graduate recruitment campaign. As a result of recommendations from the review and the consultancy, minor changes were incorporated into the 1997 advertising and interview processes. Changes were made to publicity material, on-campus seminars, interview techniques and selection methods, to ensure that all potentially suitable applicants were aware of employment opportunities in Treasury.

## Equal Employment Opportunity

**Table 19: Permanent Staff by EEO Target Group as at 30 June 1997**

Classification	Female	NESB-1	NESB-2	AATSI	Disability
GAA	2	3			1
ASO1	4	1			2
ASO2	24	2	1		1
ASO3	18	2	2		1
ASO4	22		2	1	1
ASO5	20	2	3		2
ASO6	17	4			3
RO1	1		1	1	
RO2	3	3	2	1	
SRO1	3	1	4		
SRO2	5				
ITO1					
ITO2	3				
SITO C					
SITO B					
PO1	2				
PO2	2				
SPO C	2				
Legal 1	9				
Legal 2	5				
SO C	23	3	7	1	1
SO B	10	1	3		
SO A	1	1			
SES Band 1	6		1		2
SES Band 2					
SES Band 3					
Secretary					
<b>Total</b>	<b>182</b>	<b>23</b>	<b>26</b>	<b>4</b>	<b>14</b>

Note: Staff identification by category is made on a voluntary basis. Staff may be included in more than one category in the above table.

**Table 20: EEO in Appointments to Boards (or equivalent) of Statutory and Non-Statutory Bodies**

	Total Positions filled as at 30 June	Number from EEO Target Groups	Number of appointments made during the year	Number of appointments from EEO target groups
Australian Accounting Standards Board	10	4	4	1
Australian Competition and Consumer Commission	17	3	2	
Australian Competition Tribunal	4	1	2	1
Australian Payments System Council	17	3	3	1
Australian Securities Commission	2		1	
Australian Statistics Advisory Council	21	5	7	2
Business Regulation Advisory Group	9	1		
Companies and Securities Advisory Committee	5			
Corporations and Securities Panel	15	2	1	
Development Allowance Authority	1	1		
Economic Planning Advisory Commission	1		1	
Foreign Investment Review Board	5	1	1	
General Insurance Consultative Committee	8	1		
Housing Loans Insurance Corporation Board	3		2	
Housing Loans Insurance Corporation Limited Board	5	1	5	1
Industry Commission	8	1	1	
Insurance & Superannuation Commissioner	1			
Legal Sub-Committee of the Companies and Securities Advisory Committee	6	5		
Life Insurance Consultative Committee	10	1		
National Competition Council	3	1	1	
Reserve Bank of Australia Board	9		3	
Superannuation Consultative Committee	10	1		
Tax Agents' Boards	18		3	
<b>Totals</b>	<b>188</b>	<b>32</b>	<b>37</b>	<b>6</b>

## INDUSTRIAL DEMOCRACY

In 1996-97, the Treasury continued to make full use of consultation forums and mechanisms which had been established or consolidated in the previous year, including electronic mail, the Treasury Staff Bulletin, regular staff meetings and planning days. The emphasis given to consultation was an important feature of Treasury's response to the issues arising from the Staff Attitudinal Survey, conducted in October 1995, which highlighted the desire of staff for improved consultative and communication mechanisms.

The Administrative Service Officer Consultative Committee (ASOCC)—a committee of ASOs and equivalents elected by their peers—also continued to provide valuable input on staff-related matters under consideration by management. A standing arrangement was introduced whereby a representative of the ASOCC attended each meeting of the Administrative Services Committee, Departmental Services Committee and Information Resources Committee (see Chart 4 explaining Corporate Support Committees)—reflecting the wide range of issues which members of ASOCC now have before them.

The APS-wide industrial reforms emanating from the *Workplace Relations Act 1996* saw a large amount of information generated by the Department of Industrial Relations and the Public Service and Merit Protection Commission to aid departments in developing agency agreements. That information was disseminated throughout Treasury, mainly via staff notices, and some material of high interest was placed on a dedicated industrial relations site on the Treasury Applications Manager, thereby allowing access by all staff.

The Secretary announced that the processes leading to the development of agency agreements for the Treasury (whether by Certified Agreements, Australian Workplace Agreements or a combination of both) would be decided by a system of full consultation. Staff were to make known their preferred methods of consultation for this purpose, laying the ground for expression of views for the content and style of agreements. An integral part of those processes has been information and training sessions for all staff on the content of the relevant legislation and the principles behind the making of agreements .

The Treasury consulted closely with the Community and Public Sector Union (CPSU) — at National, Branch and local level — on a number of matters involving individual staff members (such as potentially excess officers) or matters involving a number of staff (such as revised personnel policies). The Treasury Consultative Committee, a joint union/management forum established in preparation for the formal launch of the Industrial Democracy Plan, met for the first time.

The Industrial Democracy Plan was negotiated with the CPSU, but was held over for further consideration in view of the Government's revised policy in respect of management-staff relations, as detailed in the *Workplace Relations Act 1996*.

## OCCUPATIONAL HEALTH AND SAFETY

The *Occupational Health and Safety (Commonwealth Employment) Act 1991*, the *Safety, Rehabilitation and Compensation Act 1988* and the *Fitness for Continued Duty Guidelines* form the legislative basis of occupational health and safety in the Department.

The Treasury Occupational Health and Safety Policy and Agreement has been in place since 1994. The Agreement provides for an Occupational Health and Safety (OH&S) Committee to deal with OH&S matters in the workplace, and an Occupational Health and Safety officer to assist in the administration of the Agreement. Treasury's OH&S Committee, which meets quarterly, comprises representatives from Divisions, Directorates and the Community and Public Sector Union. The Committee deals with issues relating to the health and safety of staff in the workplace, including accommodation issues, occupational health and safety policies and accident and incident reports. The Committee is also the reporting point for the Employee Assistance Program (EAP). Details of accident reports and work-related utilisation statistics from the EAP are used to monitor occupational health and safety.

Consistent with the Agreement, Treasury has implemented a number of training programs and seminars. There is a strong emphasis on *prevention* of injury or accident. The Staff Bulletin is used to advise staff of OH&S information such as the accident and incident reporting requirements, ambulance policy, first aid officers, after hours emergency procedures and the availability of eye testing for people performing screen based work. Training on OH&S policies and standards for supervisors, to assist them in meeting Treasury's responsibilities as an employer, has been scheduled for late 1997. Supervisors are frequently the officers who alert the OH&S officer to the need for ergonomic assessment of individual workplaces.

Accidents and incidents reported in the workplace are monitored and action taken (such as an investigation of the circumstances likely to have contributed to the accident) where necessary. In Treasury, most accidents involve sporting injuries and car accidents to and from work. In 1996-97 Treasury received 59 accident/incident reports, of which 23 accidents resulted in compensation claims and six were notifiable under section 68 of the Occupational Health and Safety Act. This compares with 35 accident/incident reports and 13 accidents resulting in compensation claims in 1995-96. During 1996-97 there were no notices given to Treasury under sections 30, 46 or 47 of the Act and no directions given under section 45.



Treasury maintained its record of efficient and effective case management. Two officers are on long-term compensation leave. There was a total of four new cases which required the development of a case management plan with the input of rehabilitation specialists. By 30 June 1997, three of the four officers had returned to work.

Treasury's annual 'Health Week' is an initiative which commenced in 1986. The program provides a professional health monitoring and lifestyle counselling service, on an individual basis, to Treasury staff. The program aims to assist employees to monitor their health and identify potential health issues. Health Week 1996 was strongly supported, with 131 staff (about one quarter) attending. It has been very successful in previous years and will be held again in 1997.

The EAP is available to Treasury officers for confidential counselling on both work-related and non work-related matters. The service is designed to provide professional counselling and a consultative advice service to officers who are managers, employees or others in close relationships with staff. The EAP also provides a consultative resource for staff management issues including advice on people management and how to approach sensitive matters. A significant proportion of the matters raised by staff with the EAP have comprised non work-related matters, and in response to that Treasury introduced this year a program of lunchtime seminars on health and family issues.

## CONSULTANTS

Treasury's policy and procedures on contracting services supplement the Commonwealth Procurement Guideline number 13, 'Contracting for Consultancy Services'. The most frequent reasons for Treasury to use consultants were the need for specialist skills or knowledge, the need for an independent review, or insufficient in-house resources.

Fifty-seven consultancies valued at \$2,000 or more were contracted by Treasury during 1996-97 at a cost of \$1,700,091. The corresponding figures for 1995-96 were 47 consultancies at a total cost of \$1,348,508. Of the consultancies for 1996-97, \$822,232 was attributable to the Financial System Inquiry.

Details for 1996-97 are as follows.

**Table 21: Consultancies over \$2,000 in 1996-97 by Subprogram**

Subprogram Elements	Consultancies (number)	Cost (\$)
1.1 Domestic Economy	1	8,231
1.2 International Economy	-	-
1.3 Structural	-	-
1.4 Taxation	-	-
1.5 Fiscal	-	-
1.6 Debt Management	2	201,400
1.7 Investment	5	65,772
1.8 Financial and Currency	16	900,861
1.9 Business Law Division	3	303,821
1.10 Corporate Direction and Support	30	220,006
<b>Total</b>	<b>57</b>	<b>1,700,091</b>

**Table 22: Consultancies over \$2,000 in 1996-97**

Name	Project	Cost (\$)	Justification
<b>Subprogram Element 1.1 — Domestic Economy</b>			
Centre of Policy Studies Monash University	Review of developments in the Treasury Macroeconomic Model (TRYM).	8,231	(a) & (b)
<b>Subprogram Element 1.6 — Debt Management</b>			
Coopers & Lybrand, Bankers Trust Risk Management Advisory Pty Ltd, Carmichael Consulting	Commonwealth Debt Management — Review of Institutional Arrangements and Resourcing.	101,400 <sup>(1)</sup>	(a) & (b)
Union Bank of Switzerland Limited Quantitative Finance Group	Advice on Commonwealth Portfolio Management	100,000 <sup>(2)</sup>	(b)
<b>Subprogram Element 1.7 — Investment</b>			
Aptech Australia Pty Ltd	Implement a Continuous Improvement Plan	21,393 <sup>(3)</sup>	(b)
Charles Halton	UK — Private Finance Infrastructure Initiative	2,100	(a)
Access Economics	Examine and make recommendations about the Infrastructure Borrowings 'revenue cap' model	24,729	(a)
Euromoney Training	Training on Infrastructure Project Finance & Infrastructure Borrowings	12,000	(b)
DBM Australia Ltd	Career Management Program	5,550 <sup>(4)</sup>	(b)
<b>Subprogram Element 1.8 — Financial and Currency</b>			
Prof David Knox	Provide independent advice on retirement income policy	11,802	(a)
Cordiner King Hever	Executive Search for Candidates for Board Appointment	59,319	(b)
Ian R Harper & Associates	Financial System Inquiry Committee Member	116,382	(a)
Carmichael Consulting	Financial System Inquiry Committee Member	158,896	(a)
The Boston Consulting Group	Provide a consultant to work on the Financial System Inquiry Secretariat	79,834	(b)

**Table 22: Consultancies over \$2,000 in 1996-97 continued**

<b>Name</b>	<b>Project</b>	<b>Cost (\$)</b>	<b>Justification</b>
Pollard Strategy Associates Pty Ltd	Financial System Inquiry Committee Member	82,963	(a)
Neil Andrew Brown	Research officer for Financial System Inquiry Secretariat	27,116	(b)
Beerworth & Partners Ltd	Financial System Inquiry Committee Member	82,457	(a)
S D M Wallis	Chairman of the Financial System Inquiry	130,613	(a)
McKinsey & Company	Assist in the provision and analysis of data	8,000	(b)
Wordsworth Writing	Editorial Services	26,015	(b)
Australian Financial Institutions Commission	Provide secretarial support to a Committee Member	6,247	(b)
Roy Morgan Research	Provide statistical research	30,000	(b)
Blake Dawson Waldron	Provide advice on certain legislative arrangements	13,086	(b)
McKinsey & Company	Provide a consultant to the Financial System Inquiry Secretariat	60,623	(b)
Timesweep Consulting Pty Ltd	Software Training: RIMHYPO and RIMGROUP SAS	7,508	(b)
<b>Subprogram Element 1.9 — Business Law</b>			
Freehill, Hollingdale and Page	Corporations Law Simplification Task Force Member	126,478	(a)
Mallesons Stephen Jaques	Corporations Law Simplification Task Force Member	147,993	(b)
Corporations Law Simplification Program Consultative Group Members	Corporations Law Simplification Program	29,350 <sup>(5)</sup>	(a)
<b>Subprogram Element 1.10 — Corporate Direction &amp; Support</b>			
Southern Cross Computing Pty Ltd	FINEST software consultant to cover staff leave	3,389 <sup>(6)</sup>	(c)

**Table 22: Consultancies over \$2,000 in 1996-97 continued**

<b>Name</b>	<b>Project</b>	<b>Cost (\$)</b>	<b>Justification</b>
Australian Management Control	FINEST acceptance testing of accrual stages 1 & 2	3,800	(c)
Southern Cross Computing	FINEST acceptance testing of accrual stages 1 & 2	2,500	(c)
Consultancy Services Unit	Risk analysis of options for delivery of financial management information system	13,100	(a) & (c)
Peter Gunther & Associates	Preparation of Chief Executive Instructions	11,000	(c)
Heaney Blaylock and Associates	Workplace Relations Act 1996, training	4,150	(b)
Northrop Engineers Pty Ltd	Provide advice on office lighting, air conditioning, and fire safety	5,300	(b)
People and Strategy	Modules 3b, 4a & 4b of the Public Administration Certificate Level 3	6,646	(b)
People and Strategy	Modules 3b, 4a & 4b of the Public Administration Certificate Level 3	7,079	(b)
People and Strategy	Managing People Workshop	3,120	(b)
The Rushworth Consultancy	Effective Writing Course	3,000	(b)
The Rushworth Consultancy	Effective Writing Course	3,000	(b)
Australian National University	Advanced Reading for Treasury Graduates	3,000	(b)
Australian National University	Economics and Law Workshop	5,000	(b)
Work Health Promotions	Health Assessments	6,700	(b)
Cameron and Associates	Applications and Interviewee Skills Workshops	6,050	(b)
Cameron and Associates	Information sessions on individual development plans	3,750	(b)
Cameron and Associates	Modules 2 & 6 of the Public Administration Certificate Level 3	2,700	(b)
Bulmer Business Communications	Presentation Skills	14,366	(b)

**Table 22: Consultancies over \$2,000 in 1996-97 continued**

Name	Project	Cost (\$)	Justification
Bulmer Business Communications	Presenting to Win Workshop	5,026	(b)
Bulmer Business Communications	Presenting to Win Workshop	4,710	(b)
M W Consulting Services Pty Ltd	Accrual Reporting Training	5,850	(b)
M W Consulting Services Pty Ltd	Financial Management and Accrual Accounting Seminar	5,850	(b)
University of Melbourne	Econometrics Training	20,000	(b)
Watcham Penrose Associates Pty Ltd	Department's Graduate Recruitment Campaign	9,780	(a) & (b)
Employee Assistance Service ACT Australia Pty Ltd	Employee Assistance Program for the Department	19,055	(b)
Interaction Consulting Group	Module 7a of the Public Administration Certificate, Level 3	3,825	(b)
University of Technology Sydney	Financial Markets Training	31,400	(b)
OTT Publishing	Training Documentation: Excel 7	2,610	(c)
O'Dwyer Technology	Training: Access and Visual Basic	4,250	(b)

- (a) Need for an independent review.  
 (b) Specialist skills or knowledge not available in-house.  
 (c) Specialist in-house skills unavailable in time allowed.

#### Notes

- (1) This consultancy was raised in 1995-96. A further \$131,400 is payable in 1997-98 under the current contract.
- (2) This consultancy was raised in 1995-96. An amount of \$400,000 is payable in 1997-98 under the current contract.
- (3) The consultancy with Aptech was raised in 1995-95 but not completed until 1996-97. Aptech was taken over by IBM Consulting prior to the completion of the consultancy.
- (4) The consultancy with DBM Australia Ltd will be completed in 1997-98.
- (5) The Consultative Group was appointed to provide sector input into the Simplification Program. The expenditure relates solely to the payment of airline fares as the members received no fees for their services. The Consultative Group members were: Robert Austin; Jennifer Fear; Leigh Hall; Geoffrey Heeley; Chris Hoey; John Humphrey; Robert Jeffrey; Colin Johns; Richard Kneebone; Wayne Lonergan; Ted Rofe; Jillian Segal; Jon Webster.
- (6) FINEST is the Treasury Financial Management Information System.

## INTERNAL AND EXTERNAL SCRUTINY

### Fraud against the Treasury

No cases of fraud were detected in the Treasury during 1996-97.

### Audit

The Treasury Audit Committee meets on a regular basis, reviews all internal and external audits relating to the Department, and oversees the actions taken in response to the finding of external audits. In addition, the Committee has introduced measures to follow the recommended best practice guidelines promulgated by the Australian National Audit Office (ANAO). These measures include participation by staff from the ANAO as observers at Audit Committee meetings.

The Department of Finance's Management Review Section provided Treasury with internal auditing services for the 1996-97 financial year. Internal reviews — eight in all — were conducted of :

#### *International Economy Division, Administrative Service Unit*

Following the review, a revised structure for the Unit was introduced. The new structure resulted in some reductions in functions and staffing, but will retain a focus on service delivery.

#### *Records Administration Directorate*

The report was very positive about the quality of service provided by the Records Administration Directorate. The Directorate was seen as providing a consistently high and reliable standard of service to its clients. The recommendations addressed minor administrative matters and the potential implications arising from more business being undertaken electronically.

#### *Accommodation Unit in Property Services Directorate*

The audit found that the Unit was performing well and was meeting the functional requirements of the Department. The audit did, however, recommend the abolition of one position within the Unit. This recommendation was implemented.

### *Departmental Equal Opportunity Program*

The field work for this audit is complete. The report is to be completed and considered by the Treasury Audit Committee in 1997-98.

### *Follow-up Review of Attendance Including the Processing of Flexitime and Leave Applications*

The audit confirmed that the Personnel Resources Directorate was meeting all necessary procedural requirements for accountability and probity and that the system complied with Departmental policy guidelines. Recommendations were made to improve minor aspects of the recording system and the provision of advice to people joining Treasury.

### *Recruitment Procedures*

The field work for this audit is complete. The report is to be completed and considered by the Treasury Audit Committee in 1997-98.

### *System for Ministerial Answering, Routing and Tracking System (SMART)*

This audit addressed the use of SMART by Divisions for the processing of ministerial correspondence. The audit found that the Department normally meets both ministerial and management requirements for the processing of ministerial correspondence received from Members of Parliament. Recommendations to further improve the handling of ministerial correspondence are being implemented.

### *Post-Implementation Review (Information Technology Audit) of SMART*

An audit addressing the information technology aspects of SMART commenced during the year. It is reviewing the development, production and implementation of the electronic system and will be completed in 1997-98.

## Reports by the Australian National Audit Office (ANAO)

Two reports of relevance to Treasury were released by the ANAO in 1996-97. The first was a compliance audit relating to indemnities, guarantees and letters of comfort entered into by the Commonwealth Government by all its agencies, including the Treasury and portfolio agencies.

### *Audit Report No 6: Performance Audit: Commonwealth Guarantees, Indemnities and Letters of Comfort. (Tabled 11 September 1996.);*

The Report made 16 recommendations, principally on the need for improvements in departmental procedures for reporting and monitoring of the Commonwealth's contingent liabilities. Treasury supported the thrust of the report, including recommendations for better reporting, monitoring and administrative practice by departments and enhanced central coordination by



the Department of Finance. Treasury agreed that techniques for better risk management of contingent exposures should be explored, while noting that substantial exposures within the Treasury portfolio—relating to statutory guarantees of Commonwealth-owned financial institutions—are already variously subject to risk management, prudential supervision and reporting requirements.

In the other audit relevant to it, Treasury received an unqualified assessment.

*Audit Report No 19: Financial Statements Audit: Results of the 1995-96 Financial Statements Audits of Commonwealth Entities. (Tabled 9 December 1996.)*

## Reports by Parliamentary Committees

The report of the Joint Committee on Corporations and Securities, *Report on the Draft Second Corporate Law Simplification Bill 1996*, Parliamentary Paper 287/96, was tabled in November 1996. The report made a number of recommendations for amendment of the Bill and these are being considered by the Government.

Report number 351 by the Joint Committee of Public Accounts, *An Advisory Report on the Charter of Budget Honesty Bill 1996*, was tabled in March 1997. The Report concluded that enactment of the Bill would contribute to improved fiscal accountability. No formal recommendations were included in the Report although a number of comments were made about aspects of the Bill.

## Comments by the Ombudsman, Decisions by the Courts and Administrative Tribunals

There were no comments by the Ombudsman or decisions by the courts or administrative tribunals on matters within the Department in 1996-97. As noted above, there were five applications to the Administrative Appeals Tribunal in relation to freedom of information matters and these had not been finalised by the Tribunal as at 30 June 1997.

Comments in relation to other agencies within the Treasury portfolio are covered within their own annual reports.

## FREEDOM OF INFORMATION

As well as Freedom of Information (FOI) requests relating to the Department's own activities, Treasury is responsible for handling FOI matters in respect of the Royal Australian Mint, the Foreign Investment Review Board and the Joint Economic Forecasting Group.

While the number of FOI applications is relatively low, some requests have placed very heavy demands on specific areas of the Department, especially in the areas of taxation and foreign investment. Some requests involved a large number of complex documents, which often contained material that was exempt under the Act. In many instances, consultation with third parties about individual documents was required, which increased the complexity of responding to the requests.

### Freedom of Information Requests

The following information addresses the formal requirements of section 8 of the *Freedom of Information Act 1982*.

#### Organisation of Treasury

Details of Treasury's organisational and top management structure are set out in Chart 3 on page 8 of this report. Treasury's functions are described under the subprogram entries.

#### Arrangements for Outside Participation

Persons or organisations outside the Commonwealth administration may participate in the formulation of policy or in the administration of enactments and schemes for which the Department is responsible by making representations in writing to the Treasury portfolio Ministers, to the Secretary to the Treasury, or directly to agencies in the Treasury portfolio.

## Categories of Documents held by the Treasury

The following classes of documents are held by the Treasury.

### ***Representations to the Treasurer***

Treasury receives Ministerial correspondence covering a number of aspects of Government economic policy and administration.

### ***Working Files***

Treasury holds files dealing with policy and administration in all areas of economic activity in which the Government is involved. The documents on these files include correspondence, analysis and policy advice by Treasury officers, comments on Cabinet Submissions and drafts of these and other documents.

### ***Documents on Internal Departmental Administration***

Treasury holds a broad range of documents relating to the personal affairs of staff and to the organisation and operation of the Department. These documents include personal records, organisation and staffing records, financial and expenditure records, and internal operating documentation such as office procedures and instructions.

### ***Program Documents***

Treasury holds documents relating to grants which it provides to other levels of government and to certain organisations under the programs it administers.

### ***Documents Open to Public Access Subject to a Fee or a Charge or Available Free of Charge Upon Request***

A detailed listing of Treasury documents open to public access — publications, papers, plans and annual reports — is at Appendix H to this report.

## Access to Documents

Treasury distributes a wide range of information related to economic and financial issues, most notably in the context of the annual Budget and other Economic Statements.

### ***Facilities for Access***

If access is approved, Treasury will provide copies of documents after receiving the payment of any charges which apply. Alternatively, applicants may make arrangements to inspect documents at the Treasury, Parkes Place, Parkes ACT between 9.00 am and 5.00 pm, Monday to Friday.

## **Freedom Of Information Activity in 1996-97**

In 1996-97 Treasury received 22 requests for access to documents under the *Freedom of Information Act 1982*, compared with 24 requests in 1995-96. Further details are set out in the table below.

## **FOI Applications and Initial Contact Points**

Records Administration Directorate coordinates requests under the Freedom of Information Act. Applicants seeking access under the FOI Act to documents in the possession of Treasury should apply in writing to:

The Secretary  
Department of the Treasury  
Parkes Place  
PARKES ACT 2600  
Attention: Freedom of Information Coordinator

Requests must be accompanied by an application fee of \$30. Unless an application fee is received, or explicit waiver given, the request will not be processed. Telephone enquiries should be directed to the FOI Coordinator, telephone (02) 6263 3734 between 9.00 am and 5.00 pm Monday to Friday.

Officers of the Senior Executive Service in Treasury have been authorised under section 23 of the FOI Act to make decisions granting or refusing requests for access to documents. In accordance with section 54 of the FOI Act, an applicant may, within 30 days of receiving notification of a decision under the Act, apply to the Secretary to the Treasury, seeking an internal review of a decision to refuse a request. The application should be accompanied by a \$40 application fee as provided for in the FOI Act. A Treasury officer who is at least one level above that of the initial decision-maker will conduct an independent review.

**Table 23: Freedom of Information Statistics 1996-97**

Description	Number
<b>Requests received</b>	
On hand at 1/7/96	9
Received	22
<b>Breakdown across Treasury (a)</b>	
Treasurer	1
Executive	0
Financial Institutions Division	1
Fiscal Policy Division	0
International Economy Division	0
Investment and Debt Division (including FIRB)	10
Structural Policy Division	4
Taxation Policy Division	3
Directorates	3
Development Allowance Authority	0
<b>Action on requests</b>	
Access in full	5
Access in part	12
Access refused or no documents located	2
<b>Transferred in whole</b>	0
Withdrawn	4
Current as at 30/6/97	8
<b>Internal review</b>	
Applications	6
<b>Review by Administrative Appeals Tribunal</b>	
Outstanding at 1/7/96	0
New Applications	5
Withdrawn	0
<b>Fees and Charges</b>	
Total application fees collected	\$840
Total Charges notified	\$19,407
Total Charges collected (b)	\$13,807
Total application fees and charges collected	\$14,647

(a) Requests processed by more than one Division are listed with each.

(b) The difference between total charges notified and total charges collected is accounted for by instances where applications are withdrawn after the applicant has been notified of the total charges.

## PUBLIC INFORMATION

### Speeches and Formal Presentations

**Ted Evans**, Secretary to the Treasury, addressed the Australian Business Economists on 2 September 1996 (*Improving Macroeconomic Policy Performance*), and on Thursday, 22 May 1997 (*The Budget and Beyond*). He also gave an address entitled *Addressing Australia's Unemployment Problems* to CEDA trustees at a 'Gold Series Dinner' on Wednesday, 23 October 1996 and presented the Metway Bank 1996 Bob Nicol Memorial Lecture, *The Evolving Financial System*, on Monday 4 November 1996.

**David Borthwick**, Deputy Secretary, spoke on *Factors Influencing East Asian Performance* to the International Monetary Fund/Hong Kong Monetary Authority Conference on 'Financial Integration of Asia and the Role of Hong Kong' in Hong Kong, 7 March 1997.

**Michael Callaghan**, Acting Deputy Secretary, spoke at the REIA Conference: Housing Directions, 10 July 1996. The topic of the speech was *Economic Outlook, Policy Settings and the Housing Industry*.

**Tony Hinton**, First Assistant Secretary, Investment and Debt Division presented *Policy Perspectives on Foreign Investment and the Role of the Foreign Investment Review Board* to the University of New South Wales Faculty of Law Conference 'Foreign Investment in Australia: Legal and Practical Considerations for Investors' 24-25 October 1996. He presented *Commonwealth Government's 1996-97 Financing Task and Debt Management Strategy* to the Australian Financial Markets Association on 6 November 1996.

**Neil Hyden**, First Assistant Secretary, International Economy Division presented *Is the World Heading Towards Synchronised Growth?* to the Forecasting Conference of the Victorian Branch of the Economic Society of Australia in Melbourne on 1 August 1996; *Investment Incentives in APEC* to the Investment Incentives Seminar in Lae, Papua New Guinea, on 30 August 1996; *The Current Work of the APEC Investment Experts Group* to the Second APEC Investment Symposium in Tokyo, Japan, on 18 September 1996; *Foreign Investment in APEC Economies* to overseas participants at the APEC Trade Policy Training Course, run by the APEC Studies Centre in Canberra on 15 November 1996; *APEC, Investment and Pacific Island Economies* at the Heads of Forum Island

Countries Investment Promotion Agencies Meeting, conducted by the South Pacific Forum in Nadi, Fiji, on 25 April 1997; *APEC Experience — Lessons for Africa* at an UNCTAD Regional Symposium on International Investment Arrangements: The Development Dimension held in Fez, Morocco on 20 June 1997; and *What Role for the Multilateral Agencies?* at a Seminar on Development Co-operation: Where to Now with Overseas Aid? organised by the Development Studies Centre of Monash University and Community Aid Abroad in Melbourne on 28 June 1997.

**Jim Murphy**, First Assistant Secretary, Business Law Division, presented *Corporate Law Economic Reform Program* to the Institute of Company Directors on 29 April 1997. He also presented a paper on *Collective Investments* to the Collective Investments seminar in Sydney on 21 February 1997.

**Rod Shogren**, First Assistant Secretary, Fiscal Policy Division, gave a presentation on the 1996-97 Budget to a CEDA conference in August 1996. In September 1996 he also spoke at a workshop on Budgeting for Statehood in the Northern Territory held in Darwin. His speech was titled *How Does Treasury Reconcile COAG with the Budget?*

**Ian Govey**, Principal Adviser, Business Law Division, presented *Related Party Transactions and Company Officers* to the IIR Corporations Law Simplification Conference in Melbourne on 16 July 1996, in Sydney on 23 July 1996 and in Brisbane on 8 August 1996; *Corporations Law Simplification Update* to the NIA National Conference in Melbourne on 18 October 1996; *Corporations Law Simplification: Implications for the Company Secretary* to the Company Secretaries Conference in Sydney on 21 October 1996; *Corporate Law Reform* to the Australian Corporate Lawyers Association Third National Conference on 21 March 1997; and *Corporate Law Reform: Implications for the Company Secretary* to the Melbourne Company Secretaries' Series on 1 April 1997.

**Phil Gallagher** presented a seminar on *Modelling Future Retirement Incomes* for the Australian Superannuation Industry Forum in Melbourne on 25 February 1997 and in Sydney on 27 February 1997.

**Peter McCray**, Assistant Secretary, Debt Management Branch, Investment and Debt Division, presented *Australia's Experience with Indexed Bonds* to a BZW Investor Forum at the Yale Club, New York on 10 June 1997.

**Janine Murphy**, Assistant Secretary, Superannuation Policy Branch, gave a post-Budget debrief to CEDA in Canberra on 14 May 1997.

**David Parker**, Assistant Secretary, Competition Policy Branch, presented *The Role of Competition Law and Policy in International Trade* to the APEC Competition Policy Workshop in The Philippines on 17 August 1996. At the APEC Competition Policy and Deregulation Workshop in Canada, 18 May 1997, he spoke to *The Reform of Occupational Regulation in Australia*.

**Richard Wood**, Assistant Secretary, Taxation Policy Division, presented *Taxation of Financial Arrangements: Selected Topics* at an AIC financial instruments conference on 27 March 1997. Mr Wood also delivered a paper titled *Taxation of Financial Arrangements: Arbitrage Opportunities and Policy Design* at conferences organised by ATAX and the University of New South Wales on 20 and 21 May 1997.

**Stephen Yen**, Assistant Secretary, Business Law Division, presented *Accounting Aspects of the Corporations Law Simplification Program* to the National Congress of the National Institute of Accountants on 16-19 October 1997.

**Emma Armson**, Business Law Division, gave a presentation on the Corporations Law Simplification Program at an Australian Institute of Company Directors' course on 7 October 1996.

**Michael Clark-Lewis**, Director, Public Sector Finances Section, gave a presentation on the *Charter of Budget Honesty Bill 1996* to a Public Sector Financial Management Seminar in Canberra on 12 March 1997.

**Christopher Stevens**, Director, Debt Finances Section, Investment and Debt Division, presented a paper on *Commonwealth Debt Management* to a delegation from the People's Bank of China at a seminar arranged by the Reserve Bank of Australia in Sydney on 2 December 1996.

## Presentations to University Staff and Students

**Kerry Barwise**, International Economy Division, led a seminar on *The Challenges Facing East Asia* at the University of Western Sydney, Nepean, on 26 September 1996.

**Emma Armson**, Business Law Division, gave a presentation to Australian National University Legal Workshop students on the Corporations Law Simplification Program on 22 August 1996. She also gave a presentation to Workshop students on policy formulation on 5 November 1996.

**Adrian Penalver**, Economic Division, gave a presentation on *Financial Markets* at the University of Canberra on 19 March 1997.

**Janet Power**, Business Law Division, gave a presentation to Australian National University Legal Workshop students on the Corporate Law Economic Reform Program and the outcomes of the Corporate Law Simplification Program on 29 April 1996.

**Blair Comley**, Structural Policy Division, and **Nina Davidson**, Taxation Policy Division, gave presentations on the role of Treasury in the development of public policy at La Trobe University, the University of Melbourne and the Royal Melbourne Institute of Technology on 28 April 1997, and at Monash University on 29 April 1997.



**Dennis Molloy**, Fiscal Policy Division, gave a presentation on Commonwealth-State financial relations at Griffith University on 20 May 1997.

**Geoff Francis**, Economic Division, gave a presentation on Waterfront Reform at the Australian National University on 28 May 1997.

## Treasury Research Papers

**Wood, Richard** *Derivatives, Financial Innovation and Taxation*, Treasury Research Paper No 11, December 1996.

## Treasury Economic Roundup

Treasury publishes the *Economic Roundup* four times a year. Each issue contains an overview of international and domestic economic developments, articles drawing on research and activities in Treasury related to current economic issues and a brief statistical appendix containing tables and charts on key economic data.

Electronic and hard copy versions of the *Economic Roundup* can be purchased by annual subscription from the Australian Government Publishing Service (AGPS), GPO Box 84, Canberra ACT 2601 or by single issue from any AGPS bookshop.

Articles published in the *Economic Roundup* over the past year were:

### *Winter 1996*

The Relationship Between Job Vacancies and Employment Growth

The Docklands and Australia's Foreign Policy

Treasury submission to the Financial System Inquiry

### *Spring 1996*

Addressing Australia's Unemployment Problem

Is the World Heading towards Synchronised Growth?

The Evolving Financial System

Policy Perspectives on Foreign Investment and the Role of the Foreign Investment Review Board

The Role of Competition Law and Policy in International Trade

Historical Net Debt Series

Treasury Submission to the Independent Review of Australia's Aid Program

The Debt Initiatives for Heavily Indebted Poor Countries

Abstracts of Treasury Papers Presented at the 25th Conference of Economists, 23-25 September 1996.

### *Summer 1997*

Supplementary Treasury Submission to the Financial System Inquiry  
Submission to the independent Review of the Rural Adjustment Scheme  
Australia's Foreign Investment Policy and the Role of the Foreign Investment  
Review Board  
Australia's Private Net Wealth

### *Autumn 1997*

Structural Change: Recent Developments, Benefits and the Role of Policy  
The International Monetary Fund's New Arrangements to Borrow  
Taxation of Financial Arrangements — Selected Topics  
APEC, Investment and Pacific Island Economies  
Treasury Submission to the House of Representatives Heritage Access Inquiry  
Treasury Submission to the Senate Inquiry into Fair Trading

## Budget Papers

*Budget Speech 1996-97.*

*Budget Statements 1996-97* — Budget Paper No 1.

*The Commonwealth Public Account 1996-97* — Budget Paper No 2.

*Commonwealth Financial Relations with Other Levels of Government  
1996-97* — Budget Paper No 3.

*Budget Overview & Economic Outlook 1996-97.*

*Charter of Budget Honesty* — Ministerial Statement August 1996.

*Meeting Our Commitments* — Ministerial Statement August 1996.

*Portfolio Budget Statements: 1996-97*

*Mid-year Economic and Fiscal Outlook: 1996-97.*

*Pre-Budget Submissions 1997-98: Individuals and Business, community and Labour  
Organisation, April 1997*

*Budget Speech 1997-98*

*Budget Strategy and Outlook 1997-98* — Budget Paper No 1.

*Budget Measures 1997-98* — Budget Paper No 2.

*Federal Financial Relations 1997-98* — Budget Paper No 3.

*The Commonwealth Public Account 1997-98* — Budget Paper No 4.

*Budget Overview & Economic Outlook 1997-98.*

*Savings: Choice and Incentive* — Ministerial Statement May 1997.

*Portfolio Budget Statements: 1997-98*

## Annual Reports

*Australia and the Asian Development Bank 1995-96: Annual Report to the Parliament.*

*Australia and the IMF 1995-96: Annual Report to the Parliament under the International Monetary Agreements Act 1947.*

*Australia and the World Bank 1995-96: Annual Report to the Parliament under the International Monetary Agreements Act 1947 and the International Bank for Reconstruction and Development (General Capital Increase) Act 1989.*

*Foreign Investment Review Board 1995-96: Annual Report to the Parliament.*

*The Treasury Annual Report, 1995-96: Annual Report of the Department of the Treasury, presented to the Treasurer under subsection 25(6) of the *Public Service Act 1922*.*

*Development Allowance Authority (Invest Australia), 1995-96.*

## Other Publications

*Australian Corporate Regulatory Framework*

*Corporate Law Economic Reform Program*

*Section 52 Trade Practices Act and Dealings in Securities, September 1996*

*Taxation Expenditure Statements*

*Taxation Expenditure Review*

*Taxation of Financial Arrangements — An Issues Paper*

*Commonwealth Debt Management, 1995-96*

*National Fiscal Outlook: Report to the 1997 Premiers' Conference.*

*Uniform Presentation Framework*

*Graduate Handbook*

*Do we have any of your Money: Statement of Unclaimed Moneys under the Bank Act 1959 for the year ending 31 December 1996*

### ***On behalf of the National Competition Council***

*Compendium of National Competition Policy Agreement, January 1997*

*Competitive Neutrality Reform: Issues in Implementing Clause 3 of the Competition Principles Agreement, January 1997.*

*Competitive Neutrality Statement*

*Legislation Review compendium*

*National Competition Council Annual Report, 1995-96.*

### ***On behalf of the Financial System Inquiry Secretariat***

*Financial System Inquiry Discussion Paper, November 1996*

*Financial System Inquiry Final Report, March 1997*

*Financial System Inquiry Final Report Overview, March 1997*

### **Conference Papers**

**Bacon, Bruce** *Retirement in Australia: A Model of Retirement — ‘RETMOD’* (RIM Conference Paper 96/1). Colloquium of Superannuation Researchers, University of Melbourne, July 1996.

**Bacon, Bruce** *An Ageing Society: A Working Life / Retirement Perspective* (RIM Conference Paper 96/4). The 8th National Conference of the Australian Population Association.

**Brown, Colin** *Sources of Incomes and the Assets of Older Australians* (RIM Conference Paper 96/2). Colloquium of Superannuation Researchers, University of Melbourne, July 1996.

**Douglas, Justin and Bartley, Scott** *Risk Premia in Australian Interest Rates*. Treasury Conference Paper 1996-01 presented at the 25th Conference of Economists, Canberra, 22-26 September 1996.

**Ferry, Neil** *Australia's Current Account Performance and Microeconomic Reform*. Treasury Conference Paper 1996-02 presented at the 25th Conference of Economists, Canberra, 22-26 September 1996.

**Hood, Christopher** *Share Capital and Tax Law*. Paper presented to ‘New Clothes for the Mandarins’ Taxation Institute of Australia Corporate Tax Retreat, 14-15 November 1996.

**Rothman, George** *Aggregate and Distributional Analysis of Australian Superannuation using the RIMGROUP Model* (RIM Conference Paper 96/3).

Colloquium of Superannuation Researchers, University of Melbourne, July 1996.

**Sedgley, Patrick** *Recent Developments in International Taxation in Australia*. Paper presented to the Asian Development Bank International Taxation Seminar, Bangkok, Thailand, 21-22 October 1996.

**Sellars, Andrew** *Cross-border Insolvency: An Update on Developments in UNCITRAL*. Paper presented to the 23rd International Trade Law Conference, Canberra, 29 May 1997.

**Wijeyewardene, Kerstin** *Recent Changes to the Corporations Law and Implications for Small Business*. Paper presented to the Financial Planning Association Professional Development Workshop, 23 February 1997.

## Policy Papers

*Corporations Law Share Capital Rules: The Need to Update Taxation Law—Discussion Paper*, 1 July 1996. Prepared jointly with the Australian Taxation Office.

Section 52 Trade Practices Act and Dealings in Securities, Report by Corporations Law Simplification Task Force, September 1996.

*Taxation of Financial Arrangements: An Issues Paper*, December 1996.

*Proposed Changes to the Taxation of Foreign Source Income: An Information Paper*, December 1996 (issued by the Treasurer).

Corporate Law Economic Reform Program, March 1997.

*National Fiscal Outlook, Report to the 1997 Premiers' Conference*, prepared by a working party of Commonwealth, State and Territory Officials, 14 March 1997.

*Uniform Presentation Framework*, developed by Commonwealth, State and Territory Treasuries and the Commonwealth Department of Finance, 18 April 1997.

*Allowing Access to Superannuation for Housing: A Discussion Paper*, released 15 May 1997.

Report of the Working Party Reviewing the Regulation of Corporate Insolvency Practitioners, June 1997.

## Submissions

During 1996-97 Treasury made formal submissions to the following non-Parliamentary inquiries and reviews:

- Submission to the Independent Review of the Rural Adjustment Scheme.
- Submission and Supplementary Submission to the Financial System Inquiry, September and December 1996 respectively.
- Submission to the Independent Review of Australia's Aid Program, September 1996 (published in the Spring *Economic Roundup*).

## Other

**Downes, Peter and Stacey, Gavin** 1996, *The NAIRU in the Treasury Macroeconomic (TRYM) Model of the Australian Economy: Definition, Measurement and Policy Implications*, paper prepared for input into the OECD Economic Policy Committee Working Party 1, Programme of Work, Autumn 1996, Topic A.2, NAIRU: Concepts, measurement and policy implications, Commonwealth Treasury, Canberra.

**Louis, Craig** 1996, *A Rational Expectations Solution Method for the TRYM Model*, paper presented at the Econometric Society Australasian Meeting, University of Western Australia, 10-12 July 1996.

**The Treasury Commonwealth Debt Management** — 1995-96, September 1996.

**The Treasury Tax Expenditures Statement**, January 1997.

**Douglas, Justin and Bartley, Scott** 'Risk Premia in Australian Interest Rates', *Australian Journal of Agricultural and Resource Economics*, Vol. 41, No. 2 June 1997.

## **ADVERTISING AND MARKET RESEARCH EXPENDITURE**

Advertising for recruitment and related activities was arranged through Neville Jeffress Advertising and TMP Worldwide Pty Ltd at a cost of \$81,880.40. This figure includes advertising for Graduate Economists and other staff recruitment for Treasury.

The Development Allowance Authority spent a total of \$5,874.64 on advertising to inform the market about Develop Australia Bonds. Advertising was arranged through Business Queensland, Federal Publishing and Mirror Australia Telegraph.

Advertising for tenders was arranged through TMP Worldwide Pty Ltd at a cost of \$389.44.

Advertising to advise the public of opportunities to provide submissions on a range of issues and to notify the holding of public consultations was arranged through Neville Jeffress Advertising and TMP Worldwide Pty Ltd at a cost of \$19,948.52.

## TREASURY'S EXTERNAL REPRESENTATION

### Membership of Committees, Boards and Other Bodies

- **Ted Evans**, Secretary to the Treasury, is a member, by legislation, of the Board of the Reserve Bank of Australia.
- **Gary Potts**, Deputy Secretary, is a member of the Australian Statistics Advisory Council.
- **David Borthwick**, Deputy Secretary, is a member of the Standing Committee of Deputy Secretaries on East Asia.
- **Alan Preston**, Deputy Secretary until 19 February 1997, was a member of the Advisory Committee, National Centre for Social and Economic Modelling, University of Canberra; Chairman of the Retirement Income Modelling Steering Committee; and Chair of the Advisory Board of the Royal Australian Mint.
- **Michael Callaghan**, First Assistant Secretary, Economic Division, was a member of the Australian Payments System Council from June 1996 to January 1997. He was also Chair of the Advisory Board of the Royal Australian Mint while acting as Deputy Secretary in the second half of 1996-97.
- **Neil Hyden**, First Assistant Secretary, International Economy Division, is Chairman of the APEC Investment Experts Group, and a member of the APEC Economic Committee.
- **Rod Shogren**, First Assistant Secretary, Fiscal Policy Division, until 30 April 1997, was Secretary of the Australian Loan Council and Vice-Chairman of Working Party No 1 of the Economic Policy Committee of the OECD.
- **Tony Hinton**, First Assistant Secretary, Investment and Debt Division, is Executive Member of the Foreign Investment Review Board.
- **Greg Smith**, First Assistant Secretary, Financial Institutions Division, is a member of the Australian Payments System Council.
- **Jim Murphy**, First Assistant Secretary, Business Law Division, is an observer of the Companies and Securities Advisory Committee.



- **Ken Henry**, First Assistant Secretary, Taxation Reform Group from 20 June 1997, and previously First Assistant Secretary, Taxation Policy Division, is a member of the Australian Tax Research Foundation.
- **Richard Murray**, Acting First Assistant Secretary, Taxation Policy Division from 17 July 1997, was, as Assistant Secretary, Banking and Finance Branch until 16 July 1997, a member of the Advisory Board of the Royal Australian Mint.
- **James Horne**, Assistant Secretary, Labour Market Branch, is a member of the Labour Statistics Advisory Group.
- **Martin Parkinson**, Assistant Secretary, Economic Conditions Branch, is a member of the Indicative Planning Council for the Housing Industry and the Australian Bureau of Statistics User Group.
- **Veronique Ingram**, Assistant Secretary, Companies and Accounting Branch, is the Australian representative on the United Nations Committee on International Trade Law Working Group on cross-border insolvency, and is also an observer of the Australian Accounting Standards Board.
- **David Parker**, Assistant Secretary, Competition Policy Branch, has observer status at meetings of the Trade Practices Committee of the Law Council of Australia, and is a member of the Australian Competition and Consumer Commission Consultative Committee.
- **Lynne Thompson**, Economic Division, is a member of the Tourism Forecasting Council Technical Committee and the User Consortium on Services Trade Statistics.

Taxation Policy Division is represented on the Commissioner of Taxation's National Taxpayer Liaison Group and its various subcommittees, which provide one significant avenue of exposure to taxpayers' concerns about tax administration and policy.

## International Organisations

International organisations which are of particular relevance to Treasury activities include:

- Asian Development Bank (ADB);
- Asia-Pacific Economic Cooperation (APEC);
- Commonwealth (Finance Ministers Meeting);
- European Bank for Reconstruction and Development (EBRD);
- International Monetary Fund (IMF);

- Organisation for Economic Co-operation and Development (OECD);
- South Pacific Forum (Economic Ministers Meeting); and
- World Bank (including the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation).

The Treasurer is the Governor for Australia in the ADB, the EBRD, the IMF and the World Bank. The Secretary to the Treasury is the Alternate Governor for Australia in the IMF.

During 1996-97, the senior Australian representatives on the boards of international financial institutions were:

ADB	<b>Eric Thorn</b> (Executive Director for Australia, Federated States of Micronesia, Hong Kong, Kiribati, Nauru, Solomon Islands and Tuvalu); <b>John Russell</b> (Alternate Executive Director).
EBRD	<b>Alan Morris</b> (Director for Australia, Egypt, New Zealand and Republic of Korea) to 30 April 1997; <b>The Hon Jim Short</b> became the Alternate Director from 12 May 1997.
IMF	<b>Ewen Waterman</b> (Executive Director for Australia, Federated States of Micronesia, Kiribati, Marshall Islands, Mongolia, New Zealand, Papua New Guinea, Philippines, Republic of Korea, Seychelles, Solomon Islands, Vanuatu and Western Samoa) to 10 May 1997; <b>Greg Taylor</b> , AO became the Executive Director from 10 May 1997.
World Bank	<b>Christopher Legg</b> (Alternate Executive Director for Australia, Cambodia, Federated States of Micronesia, Kiribati, Marshall Islands, Mongolia, New Zealand, Papua New Guinea, Republic of Korea, Solomon Islands, Vanuatu and Western Samoa).

## RECONCILIATION OF PROGRAM AND APPROPRIATION ELEMENTS

**Table 24: Summary of Resources — Reconciliation of Program and Appropriation Elements for 1996-97**

Sub-program No	Approp Bill No 1 +	Approp Bill No 2 +	Special Approps +	Section 35 Receipts =	Program Approps +	Adjustments <sup>(1)</sup>	=	Program Outlays
1.1	4,241 +	0 +	0 +	7 =	4,247 +	(7) =		4,241
1.2	5,288 +	7,830 +	20,054 +	201 =	33,373 +	(16,550) =		16,824
1.3	3,115 +	0 +	0 +	3 =	3,117 +	(3) =		3,115
1.4	4,110 +	0 +	555,618 +	5 =	559,733 +	(5) =		559,728
1.5	2,933 +	42,200 +	16,174,139 +	6 =	16,219,278 +	(395,232) =		15,824,046
1.6	5,473 +	0 +	14,919,699 +	1 =	14,925,173 +	(6,151,314) =		8,773,859
1.7	4,317 +	0 +	0 +	3 =	4,321 +	(3) =		4,317
1.8	4,940 +	0 +	10,849 +	263 =	16,053 +	(3,828,292) =		(3,812,239)
1.9	4,308 +	0 +	0 +	14 =	4,322 +	(14) =		4,308
1.10	13,309 +	0 +	0 +	877 =	14,186 +	(945) =		13,241
<b>Total</b>	<b>52,034 +</b>	<b>50,030 +</b>	<b>31,680,359 +</b>	<b>1,381 =</b>	<b>31,783,804 +</b>	<b>(10,392,365) =</b>		<b>21,391,439</b>
<b>(1) ADJUSTMENTS</b>						<b>(\$'000)</b>		<b>(\$'000)</b>
<b>Plus Trust Account Transactions Affecting Outlays</b>								
Subprogram 1.6								(756,718)
<b>Plus Loan Fund Transactions Affecting Outlays</b>								
Subprogram 1.6								(152,485)
<b>Less CRF Receipts Offset Within Outlays</b>								
Subprogram 1.1						7		
Subprogram 1.2						201		
Subprogram 1.3						3		
Subprogram 1.4						5		
Subprogram 1.5						395,232		
Subprogram 1.6						943,763		
Subprogram 1.7						3		
Subprogram 1.8						3,817,443		
Subprogram 1.9						14		
Subprogram 1.10						945		5,157,616
<b>Less Appropriations Classified as Revenue or Financing Transactions</b>								
Subprogram 1.2						16,348		
Subprogram 1.6						4,298,348		
Subprogram 1.8						10,849		4,325,545
<b>TOTAL</b>								<b>(10,392,365)</b>

## **SUBPROGRAM FINANCIAL AND STAFFING RESOURCES — MAJOR VARIATIONS**

This appendix gives explanations of significant variations between figures given for 1996-97 in the Financial and Staffing Resources Summaries for the various components of the tables, such as Program Costs, Running Costs, etc. Significant variations are regarded as those involving a difference of at least \$0.5 million and five per cent. At the subprogram level, the variation considered is that between Budget and Actual figures for 1996-97 on a cash basis, and at the program level the variation considered is that between the Actual figures for 1996-97 on a cash basis and the Actual figures for 1996-97 on an Accrual basis.

### **The Treasury Program**

#### **Total Revenue (Cash) versus Program Revenues (Accrual)**

The reason for the \$2.4 billion variation between 'total revenue' using the cash basis and 'program revenue' using the accrual basis is that some transactions recognised by accrual accounting principles are not included in cash accounting statements.

The major contributing items are dividends earned but not yet received from various domestic financial institutions at balance date, and foreign currency exchange losses.

### **Subprogram 1.2 — International Economy**

#### **Major Variations — Budgetary (Cash) Basis**

##### ***Running Costs***

The underspend relates mainly to Overseas posts during 1996-97 associated with post changeovers and exchange rate variations.

### ***Program Costs***

The major variation relates to the non payment of a capital subscription to the Multilateral Investment Guarantee Agency (\$2.4 million) because the necessary legislation was not passed during the year. The main other factor which reduced the level of expenditure was exchange rate variations associated with payments to international financial institutions.

## **Subprogram 1.4 — Taxation**

### **Major Variations — Budgetary (Cash) Basis**

#### ***Program Costs***

The variation reflects the payment to Victoria returning ‘windfall tax gains’ associated with the settlement of their dispute relating to the ability of Esso/BHP to pass on the cost of Petroleum Resource Rent Tax (PRRT) to Victorian gas utilities. Provision for this was not made in the Budget.

## **Subprogram 1.6 — Debt Management**

### **Major Variations — Budgetary (Cash) Basis**

#### ***Program Costs***

Of the total reduction of \$2,664 million, around \$1,416 million related to lower than estimated principal and interest payments to swap counterparties due to a smaller program of new swaps than reflected in the Budget estimates and \$1,205 million related to lower than estimated costs associated with Australian National Railways Commission (ANR) debt, due to that debt not being assumed by the Commonwealth in 1996-97.

#### ***Adjustments***

As the transfer of ANR’s debt to the Commonwealth did not take place in 1996-97 an associated payment (estimated at \$1 billion) by ANR to the Commonwealth did not occur. Partially offsetting that fall in receipts was a lower level of appropriations classified as financing transactions (mainly reflecting lower principal payments to swap counterparties).

## ***Revenue***

The reduced level of revenue largely related to lower than estimated principal receipts from swap counterparties due to a smaller program of new swaps than reflected in the Budget estimates.

## **Subprogram 1.7 — Investment**

Major Variations — Budgetary (Cash) Basis

### ***Running Costs***

The significant variation reflects mainly considerable savings effected by the Development Allowance Authority through efficient management of funds and control of expenditure.

## **Subprogram 1.8 — Financial and Currency**

Major Variations — Budgetary (Cash) Basis

### ***Program Costs***

Due to the deferral of the date of the corporatisation of the HLIC there has been no costs to the Department associated with the corporatisation.

### ***Adjustments***

The variation relates to the receipt of funds for the sale of the Commonwealth Bank transferred from the Office of Asset Sales. Estimates of total asset sales at Budget time are included as a bulk estimate within the Department of Finance. Actual receipts are recorded against the relevant Department.

## **Subprogram 1.9 — Business Law**

Major Variations — Budgetary (Cash) Basis

### ***Running Costs***

The underspend largely reflects a reduction in salary expenditure arising from a streamlined approach to implementing the Corporate Law Economic Reform Program. Further savings resulted from the termination of consultancies and associated travel costs.