

PART I

OVERVIEW

SECRETARY'S REVIEW

The past year has been a successful one for Treasury, both in our core business of providing advice and assistance to the Government and in internal corporate developments.

Neither the Department's nor the Portfolio's roles and responsibilities changed materially during the year and activity was intensive on most fronts.

There was, of course, a clear focus on implementation of *The New Tax System*, minor elements of which commenced throughout the year, with the main components coming into effect at year's end. While it is yet early days, the implementation appears to have been a notable success. This owes much to outstanding work of the GST Startup Assistance Office (which supervised an unprecedented education and assistance campaign), the Australian Taxation Office and the Australian Competition and Consumer Commission.

Work continued with the implementation of major reforms to business taxation and this will continue as a prime focus of tax policy attention in the year ahead.

Other elements of structural reform were also progressed, notably in financial market regulation and corporate law and within many of the basic infrastructure industries; all of these issues are ongoing but progress in structural reform in recent years has seen Australia's productivity performance improve substantially, leading to our receiving special mention in the OECD's study of 'new economies'.

Certainly, our economic performance in 1999-2000 was again impressive, yielding strong growth and declining unemployment, without generating significant inflationary pressures; while our external deficit remained high, the fact that it did not deteriorate to the extent of previous strong growth episodes is indicative of new dynamics within the economy. A strong fiscal position — one of the strongest in the world — no doubt also played a role.

Work was commenced on a study of the implications of globalisation — in all its guises — for economic policy and the outcome of that work will help guide our policy-advising priorities in the year ahead.

The Treasury Management Model, developed over the preceding years, became fully operational in 1999-2000, with staff taking increasing responsibility for final delivery of analytical work and policy advice and Senior Executive Staff

focusing on strategic issues, including staff development. All staff participated in two full appraisal rounds and the first universal career development round. Staff have accepted and been involved in the development and implementation of these processes. It was pleasing to see these improvements incorporated into our second generation Certified Agreement which was certified on 3 September 1999 and covers the ensuing three years.

Other departmental efficiency improvements were progressed during the year, notably in financial management, human resources and communications. An information and knowledge management project, still in its infancy, has the potential to dramatically improve our service provision and lower its cost — an apposite example of the application of information technology to yield ‘new economy’ benefits.

In all of these endeavours, Treasury staff have performed with distinction and good humour and, on behalf of the Treasury Executive, I record my appreciation of their efforts.

Ted Evans
Secretary to the Treasury

CORPORATE STATEMENT

Treasury's mission

Treasury's mission is to improve the wellbeing of the Australian people by providing sound and timely advice to the Government, based on objective and thorough analysis of options, and by assisting Treasury Ministers in the administration of their responsibilities and the implementation of government decisions.

Policy outcomes

In carrying out its mission, Treasury has regard to the following policy outcomes:

- sound macroeconomic environment;
- effective government spending and taxation arrangements; and
- well functioning markets.

Sound macroeconomic environment

Economic Group provides advice on economic conditions and the outlook; advice on the implications of economic developments for macroeconomic policy; advice on fiscal and monetary policy; and advice on labour market issues.

The group also provides strategic advice on international economic policy issues; advances Australia's interests through the international financial institutions and in international fora; advances Australia's interests in countries requiring technical and financial assistance; and monitors and analyses economic developments in key global economies.

Effective government spending and taxation arrangements

Budget Group provides advice to government ministers and other services in support of 'effective government spending and taxation arrangements'. The focus of the Group is on the direct activities of the Government, its spending programs, industry assistance, funding of other levels of government and the use of taxation powers. The Group advises in particular on the Commonwealth budget and taxation policies.

Well functioning markets

Markets Group provides advice on policy processes and reforms that promote a secure financial system and sound corporate practices, remove impediments to competition in product and service markets and safeguard the public interest in matters such as consumer protection and foreign investment.

Markets Group's advice and other activities are directed toward maintaining and improving well functioning markets, where investors and consumers have confidence and certainty about the regulatory framework and are able to make decisions that are well informed and free of market distortions and impediments.

Corporate strategies

Treasury seeks to carry out its mission by:

- maintaining effective liaison with portfolio ministers and their offices and with other government departments;
- maintaining extensive contact with other levels of government, research institutes and interest groups;
- giving priority in operational arrangements to identifying important emerging issues, undertaking longer-term research and ensuring regular 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 high quality, relevant and timely advice;
- promoting continuous improvement, including staff management, development and skills enhancement; and
- internal and external review and evaluation of strategies, processes and outcomes.

Table I: Treasury financial and staffing resources summary

	Budget 1999-2000 \$'000	Actual 1999-2000 \$'000	Budget 2000-2001 \$'000
Administered expenses			
Appropriation Acts Nos. 1/3	524,724	447,218	16,000
Appropriation Acts Nos. 2/4	147,812	147,639	201,631
Advance to the Finance Minister	535	535	-
Special Appropriations	17,783,813	17,797,192	1,546,535
Total administered expenses	18,456,884	18,392,584	1,764,166
Revenue from Government			
Output group 1.1 - Economic	17,013	17,013	17,845
Output group 2.1 - Budget	22,880	22,880	25,857
Output group 3.1 - Markets	25,690	25,690	28,210
Total revenue from Government contributing to price of departmental outputs	65,583	65,583	71,913
Revenue from other sources			
Output group 1.1 - Economic	638	629	387
Output group 2.1 - Budget	1,439	1,616	1,969
Output group 3.1 - Markets	45,363	55,509	33,765
Total revenue from other sources	47,440	57,755	36,121
Total revenue for departmental outputs (Total revenues from Government and other sources)	113,022	123,337	108,032
Price of departmental outputs			
Output group 1.1 - Economic	17,651	19,352	18,233
Output group 2.1 - Budget	24,319	25,148	27,826
Output group 3.1 - Markets	68,554	72,433	58,878
Total price of departmental outputs	110,523	116,933	104,936
Total estimated resourcing (Total price of outputs and administered expenses)	18,567,407	18,509,517	1,869,102
Average staffing levels (number)	499	517	521

Note 1: Variations in the price of departmental outputs for Budget estimates in 2000-01 are attributed to revised internal allocations.

Note 2: Prior year comparative data are not available due to the change in the output framework.

2000-01 priorities

Key priorities for 2000-01 are:

- assist the Government implement taxation reforms, in particular GST and business tax;
- deliver the Commonwealth budget and mid year economic and fiscal outlook;
- formulation of rigorous economic forecasts and macroeconomic policy advice;
- develop strategies and initiatives for advancing Australia's interests in international fora;
- contribute to whole-of-government programs relating to regional and rural Australia;
- provide policy advice on and promote the benefits of ongoing structural reform;
- provide advice on developments in the financial sector and on the Government's program to promote Australia as an international financial centre;
- complete the implementation of the Corporate Law Economic Reform Program 6 (CLERP 6);
- implement key government commitments toward a fairer, more informed and safer market for consumers especially in relation to e-commerce;
- improve financial management, human resource and information systems and processes;
- improve internal and external communication; and
- manage the refurbishment of the Treasury building and the subsequent relocation of Treasury personnel and operations.

Treasury people values

Treasury people management principles

- There will be open, two-way communication at all levels.
- Accountabilities will be clearly defined.
- Remuneration will be based on work performance and determined by fair and transparent processes.
- Staff will be assisted in achieving appropriate work and private life balance.

Treasury people will

- strive for excellence.
- value teamwork, consultation and sharing ideas.
- value diversity among our people.
- treat everyone with respect.
- exhibit honesty in all our dealings.
- treat colleagues with fairness.

Chart I: Treasury portfolio outcome structure (as at 30 June 2000)



Chart 2: Portfolio output structure (as at 30 June 2000)

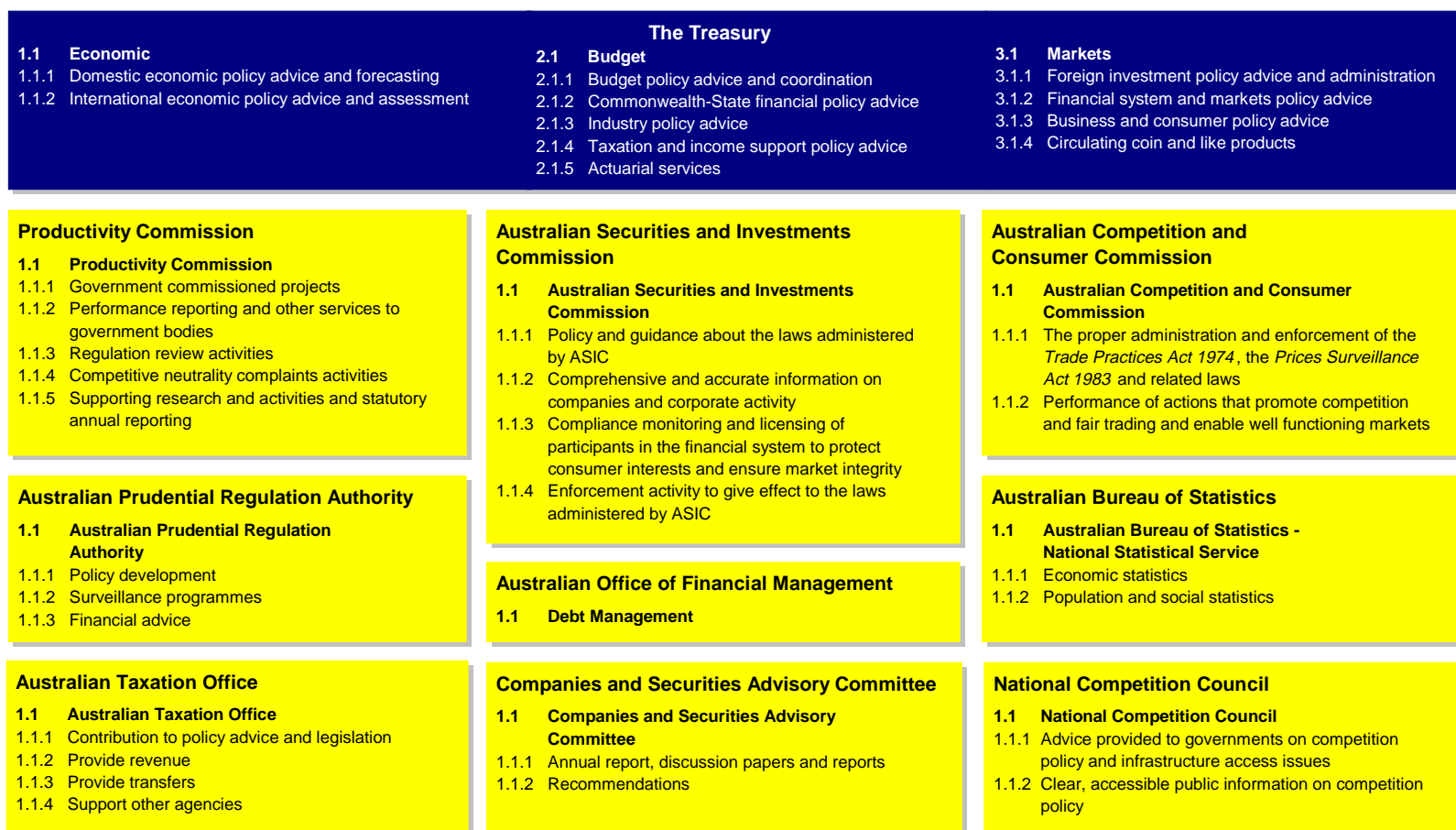
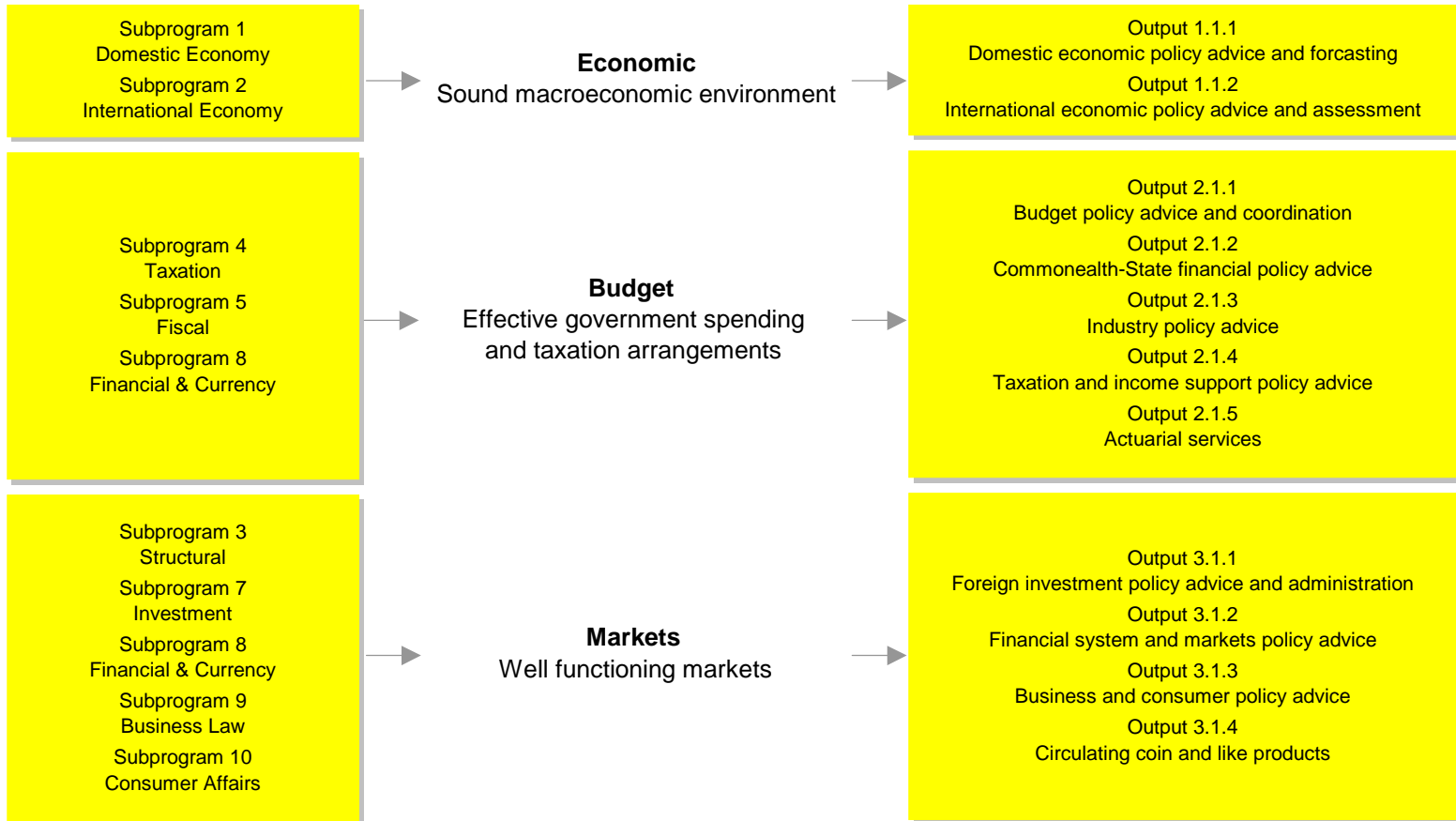


Chart 3: Transition from subprogram to outcome/output structure



Subprogram 6 — Debt Management moved to the separate reporting agency Australian Office of Financial Management

Subprogram 8 — Financial and Currency was split between Budget and Markets output group

Subprogram 11 — Corporate Direction is an input and therefore not shown in the new structure

Chart 4: Treasury output structure (as at 30 June 2000)



Chart 5: Treasury top management structure (as at 30 June 2000)

SECRETARY Ted Evans					
ECONOMIC GROUP Executive Director Dr Ken Henry		BUDGET GROUP Executive Director Greg Smith		MARKETS GROUP Executive Director Gary Potts	CORPORATE SERVICES
Macroeconomic Policy Division General Manager Dr James Horne	Washington Minister-Counsellor (Economic) Nigel Ray	Australian Government Actuary Australian Government Actuary Kevin Deeves	Commonwealth-State Relations Division General Manager Paul Tilley	Consumer Affairs Division General Manager Jan Harris	Specialist Adviser, Corporate Strategy Deidre Gerathy
International Finance Division General Manager Karen Spindler Specialist Advisers Terry O'Brien Chris Legg	London Counsellor (Economic) Melissa Cranfield	Budget Policy Division General Manager Dr Paul Grimes	Indirect Tax and Payment Design Division General Manager Blair Comley	Corporate Governance and Accounting Policy Division General Manager Veronique Ingram	Corporate Services Division General Manager Ian Robinson
International Economy Division General Manager Peta Furnell	Paris Minister-Counsellor (Economic) David Parker	Business Entities and International Tax Division General Manager Bruce Paine Specialist Adviser Murray Edwards	Retirement and Personal Income Division General Manager Roger Brake Manager Specialist, Retirement and Income Modelling Phil Gallagher	Financial Institutions Division General Manager Steve French	Accounting & Financial Management Unit Chief Financial Officer David Crossley
International Chief Adviser Gary Johnston	Tokyo Minister-Counsellor (Economic) Brenda Berkeley	Business Income and Industry Policy Division General Manager Paul McCullough Manager Specialist Richard Wood		Financial Markets Division General Manager Michael Willcock	Human Resources Unit Manager Pamela Henderson
Domestic Economy Division General Manager Dr Paul O'Mara (a/g) Specialist Adviser, Forecasting Dr Paul O'Mara	Beijing Minister-Counsellor (Financial) Mick Shadwick			Foreign Investment Policy Division General Manager Janine Murphy	Information Management Unit Manager Geoff De La Motte
	Jakarta Counsellor (South East Asia Financial) Mike Waslin			Structural Reform Division General Manager John Jepsen Specialist Adviser, Legal Mark Molloy	IT Training and Publications Unit Manager Anne Fornasiero
					Liaison Unit Manager Peter Coan
					Contracts, Audit & Facilities Mgt Unit Manager Graham Smith