

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20-21 November 2013

Question: **SBT 82**

Topic: **Non - financial corporations**

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Senator DASTYARI asked:

82. Senator DASTYARI: The list of non-financial corporations is published annually in Budget Paper No. 1, statement 9, and also in the Australian government consolidated financial statements. There is obviously a fairly detailed process for making a determination whether or not something is going to be classified as a public non-financial corporations. Finance's evidence was to the effect that this is a decision for the ABS—that, once the decision has been made, they do various things, but that the decision rests with the ABS. Can you run through the process for making that kind of determination?

Mr I Ewing: I can give you a high-level overview. Broadly we apply the guidelines as set out in the government financial statistics manual. That is based on an IMF standard, the international standard for government financial statistics. The GFS manual is incorporated within the terms of the accounting standard for government financial statistics, AASB 1049. Broadly, we look at issues such as the ownership and exercise of control over that corporation. Based on that information we make a determination on whether it is part of general government or whether it is in fact a public non-financial corporation or a public financial corporation, depending on the nature of its activity.

Senator DASTYARI: That is a good overview. As I understand it, a major part of the determination is about profitability over the long term. Is that correct? That is the contentious point, is it not—about whether something is profitable or not over the long term?

Mr I Ewing: We look at whether the business is operating in a market environment and whether the nature of its activities involves trading in an open market—if it is operating in a market environment. But there are also other aspects, as I said, relating to the make-up of its board, the level of control over it and so on. So something that is not operating fully in the market—

Senator DASTYARI: Sure, I accept that. I have some notes here about questions on notice from a public hearing on 19 April. These are from Ms Mason of the Department of Finance. I accept all that about board structure, about relationship with government and about day-to-day operations, but my understanding—and you have said something slightly different here so I want to clarify—was that part of that determination rests on the idea that, to be deemed a public non-financial corporation, it actually has to be profitable over the long term? Is that correct or am I wrong in having that as an understanding of the classification? Would you like to take that on notice?

Mr I Ewing: I would rather take that on notice. Unless, Bruce, you would like to elaborate further on that one?

Mr Hockman: No, I think we are better off taking that on notice.

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Answer:

82. Public Non-Financial Corporations are resident units controlled by government and engaged in the production of market goods and/or non-financial services. A unit is engaged in market production if it aims to sell products at economically significant prices. Prices that are economically significant normally result in the producer adjusting supply to make a profit in the long run, or at a minimum covering capital and other costs.

The Australian Bureau of Statistics makes these determinations consistent with the relevant international standards for compiling Government Finance Statistics.