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# **ELECTRICITY, GAS, WATER AND SEWERAGE OPERATIONS** AUSTRALIA

EMBARGO: 11.30AM (CANBERRA TIME) FRI 13 OCT 2006

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## **I N Q U I R I E S**

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070 or John Ridley on Sydney (02) 9268 4541.

## NOTES

- ABOUT THIS PUBLICATION** This publication presents estimates for the electricity supply, gas supply, and water supply, sewerage and drainage services industries for 2004–05 from the Economic Activity Survey, together with data on a comparable basis from 2001–02 and intervening years.
- REVISIONS** Data for earlier years may have been revised since the previous issue of this publication. All comparisons with earlier years are based on revised data. Any revisions to estimates for the periods to which each table relates are presented in the table. Revised data for other items and/or earlier periods are available on-line in updated versions of the original datasets. Please see below.
- INFORMATION AVAILABLE ON-LINE** The text components of this publication are available free on-line. A PDF publication and extended data spreadsheets are also available free on-line. To access this information, go to the ABS website home page <<http://abs.gov.au>>.

Dennis Trewin  
Australian Statistician

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## ABBREVIATIONS .....

'000	thousand
\$b	billion (thousand million) dollars
\$m	million dollars
ABN	Australian Business Number
ABR	Australian Business Register
ABS	Australian Bureau of Statistics
ABSBR	Australian Bureau of Statistics Business Register
ACT	Australian Capital Territory
ANZSIC	Australian and New Zealand Standard Industrial Classification
ATO	Australian Taxation Office
Aust.	Australia
BAS	Business Activity Statement
BIT	business income tax
cat. no.	Catalogue number
EAS	Economic Activity Survey
EBIT	earnings before interest and tax
f.o.b.	free on board
FRC	full retail contestability
GST	goods and services tax
IVA	industry value added
n.e.c.	not elsewhere classified
no.	number
NEM	National Electricity Market
NSW	New South Wales
NT	Northern Territory
OPBT	operating profit before tax
Qld	Queensland
RSE	relative standard error
SA	South Australia
SISCA	Standard Institutional Sector Classification of Australia
Tas.	Tasmania
TAU	type of activity unit
TNTS	The New Tax System
UJV	unincorporated joint venture
Vic.	Victoria
WA	Western Australia

# CHAPTER 1

## SUMMARY

### INTRODUCTION

This publication presents estimates, from the annual Economic Activity Survey, of the economic and financial performance of the electricity supply, gas supply, and water supply, sewerage and drainage services industries.

These industries are specified in Division D ELECTRICITY, GAS AND WATER SUPPLY of the *Australian and New Zealand Standard Industrial Classification (ANZSIC)*, 1993 edition. Please see paragraphs 1–4 of the Explanatory Notes for a full definition.

### KEY DATA

Table 1.1 presents a time series for selected items, from 2001–02 to 2004–05. All value data in this table are shown at current prices.

In all four aggregate measures presented, the ELECTRICITY, GAS AND WATER SUPPLY industry overall showed growth during 2004–05. Sales and service income increased by 4% (\$2b) and industry value added (IVA) by 6% (\$1b). Growth of 12% (\$0.5b) in wages and salaries outpaced that of employment, which increased by 5% (3,100 persons). These movements largely reflected increases in the ELECTRICITY SUPPLY industry, most variables having increased by smaller percentages for the Gas and Water industries.

In 2004–05 the ELECTRICITY SUPPLY industry's share of these key aggregates ranged from 62% to 72%. These proportions have increased since 2003–04 and generally over the period from 2001–02.

For information about survey methodology, see Technical Note 1.

The Glossary provides definitions for terms used.

### GROSS VALUE ADDED

Table 1.2 illustrates the growth of Australian industries over time using chain volume measures of their gross value added. Chain volume measures provide estimates free of the direct effect of price change.

Of the seventeen industries shown in table 1.2, ELECTRICITY, GAS AND WATER SUPPLY ranked lowest in its average annual growth rate over the past 10 years and equal fifteenth over the past 25 years, with average annual increases of 1.1% and 2.4% respectively. By comparison, the highest growth rates were recorded by COMMUNICATION SERVICES, with annualised rates of 5.9% and 7.0% for the 10 year and 25 year periods.

### TOTAL FACTOR INCOME

Table 1.3 shows the contribution of industries to the production (as measured by total factor income) of each state and territory, as well as Australia, in 2004–05. For the purposes of this table, the activity of general government and the ownership of dwellings are each treated as industries.

## TOTAL FACTOR INCOME

*continued*

Of the nineteen industries shown in the table, ELECTRICITY, GAS AND WATER SUPPLY ranked fifteenth (at 2.5%) in its contribution to Australian production for 2004–05. The largest share of production was attributable to PROPERTY AND BUSINESS SERVICES, at 12.8%. The contribution of ELECTRICITY, GAS AND WATER SUPPLY was greatest in Tasmania (at 5.0% of total factor income) and smallest in the Northern Territory (1.7%). In Tasmania, the ELECTRICITY, GAS AND WATER SUPPLY industry was the equal ninth largest contributor to total production, its highest ranking for any state or territory; the next highest was in South Australia, where it ranked thirteenth.

**1.1**

## KEY DATA, 2001–02 to 2004–05

	<i>Employment at end of June</i>	<i>Wages and salaries(a)</i>	<i>Sales and service income(b)</i>	<i>Industry value added</i>	<i>Wages and salaries per person employed</i>	<i>Wages and salaries to sales and service income</i>	<i>Sales and service income per person employed</i>	<i>Industry value added per person employed</i>
	'000	\$m	\$m	\$m	\$'000	ratio	\$'000	\$'000
ELECTRICITY SUPPLY								
2001–02	35.5	2 452	29 230	12 075	69.0	0.08	823.1	340.0
2002–03	36.7	2 578	32 197	12 336	70.2	0.08	877.1	336.0
2003–04	37.0	2 655	32 175	12 799	71.7	0.08	869.4	345.8
2004–05	39.3	3 125	34 136	13 852	79.5	0.09	868.5	352.4
GAS SUPPLY								
2001–02	2.4	113	5 737	1 138	47.6	0.02	2 426.1	481.4
2002–03	1.9	86	4 939	1 087	44.9	0.02	2 588.1	569.4
2003–04	2.0	81	5 298	986	40.3	0.02	2 619.3	487.4
2004–05	2.1	70	5 299	1 081	33.8	0.01	2 542.7	518.9
WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES								
2001–02	21.8	1 071	7 250	4 883	49.1	0.15	332.2	223.8
2002–03	22.4	1 189	7 992	5 350	53.1	0.15	356.9	238.9
2003–04	21.5	1 271	7 679	5 086	59.2	0.17	357.8	237.0
2004–05	22.2	1 285	7 703	5 101	57.9	0.17	346.7	229.6
ELECTRICITY, GAS AND WATER SUPPLY								
2001–02	59.7	3 636	42 217	18 097	60.9	0.09	707.2	303.1
2002–03	61.0	3 853	45 129	18 772	63.2	0.09	739.7	307.7
2003–04	60.5	4 007	45 152	18 871	66.2	0.09	746.4	311.9
2004–05	63.6	4 481	47 138	20 034	70.4	0.10	741.1	315.0

(a) Excludes the drawings of working proprietors.

(b) Includes rent, leasing and hiring income.

## 1.2 PRODUCTION VOLUMES (a), Gross value added

Industry	CHAIN VOLUME MEASURES		Change from 2003-04 to 2004-05 %	AVERAGE ANNUAL CHANGE OVER LAST	
	2003-04 \$m	2004-05 \$m		10 years %	25 years %
Agriculture, forestry and fishing	27 010	26 718	-1.1	4.5	2.5
Mining	34 366	36 045	4.9	2.6	3.9
Manufacturing	97 103	96 013	-1.1	1.7	1.5
<b>Electricity, gas and water supply</b>	<b>18 816</b>	<b>18 943</b>	<b>0.7</b>	<b>1.1</b>	<b>2.4</b>
Construction	51 117	53 568	4.8	5.4	3.7
Wholesale trade	40 675	42 066	3.4	4.1	3.1
Retail trade	50 278	52 414	4.2	4.3	3.5
Accommodation, cafes and restaurants	17 560	18 359	4.6	4.1	3.7
Transport and storage	36 851	38 688	5.0	4.4	3.9
Communication services	22 756	23 790	4.5	5.9	7.0
Finance and insurance	57 496	58 567	1.9	3.8	4.2
Property and business services	97 997	99 020	1.0	4.9	5.0
Government administration and defence	32 392	33 526	3.5	2.5	2.8
Education	36 530	37 005	1.3	1.9	2.4
Health and community services	49 509	52 032	5.1	4.3	4.1
Cultural and recreational services	10 901	11 765	7.9	4.0	3.7
Personal and other services	14 834	15 012	1.2	3.4	3.1
<b>Total all industries</b>	<b>696 191</b>	<b>713 531</b>	<b>2.5</b>	<b>3.6</b>	<b>3.4</b>

(a) Reference year for chain volume measures is 2004–05.

Note: The volume estimates contained in this table are derived from quarterly Business Surveys.

Source: Australian National Accounts: National Income and Expenditure and Product, March Quarter 2006 (cat. no. 5206.0), table 45.

**1.3****INDUSTRY CONTRIBUTION TO TOTAL FACTOR INCOME, 2004–05**

	NSW	Vic.	Qld	SA	WA	Tas.	NT	ACT	Aust.
<i>Industry</i>	%	%	%	%	%	%	%	%	%
Agriculture, forestry and fishing	1.8	3.3	4.2	6.2	4.5	6.9	2.9	0.1	3.3
Mining	2.0	1.3	8.2	2.4	21.4	1.8	20.2	—	5.4
Manufacturing	12.2	15.4	10.5	16.3	9.3	16.3	7.5	2.3	12.4
<b>Electricity, gas and water supply</b>	<b>2.0</b>	<b>2.9</b>	<b>2.0</b>	<b>3.0</b>	<b>3.1</b>	<b>5.0</b>	<b>1.7</b>	<b>2.5</b>	<b>2.5</b>
Construction	7.1	6.2	7.8	6.1	7.0	5.0	7.6	7.0	6.9
Wholesale trade	5.4	5.7	5.0	4.3	3.9	3.4	2.1	1.9	5.0
Retail trade	6.2	6.4	8.0	6.4	5.6	7.7	5.0	5.3	6.5
Accommodation, cafes and restaurants	2.7	1.8	3.2	2.3	1.6	2.8	2.7	2.3	2.4
Transport and storage	4.2	4.0	4.9	4.6	4.6	4.5	4.0	2.3	4.3
Communication services	3.0	3.7	2.7	2.7	2.5	2.8	2.7	2.9	3.0
Finance and insurance	10.0	8.7	5.0	5.8	3.9	5.8	2.6	3.6	7.5
Property and business services	15.2	13.7	10.2	10.2	10.9	5.9	8.5	13.4	12.8
Government administration and defence	3.4	2.3	4.0	3.2	2.2	5.4	7.3	26.4	3.6
Education	4.2	4.7	4.4	4.7	3.1	5.0	3.9	5.7	4.3
Health and community services	6.1	6.7	6.0	7.6	5.7	8.8	5.8	6.1	6.4
Cultural and recreational services	1.6	1.6	1.0	1.4	1.0	1.1	1.8	2.6	1.4
Personal and other services	1.8	1.8	2.0	2.2	1.7	1.9	2.0	2.7	1.9
Ownership of dwellings	9.2	8.1	8.2	8.6	6.4	7.3	8.8	8.7	8.3
General government(a)	1.9	1.7	2.4	2.0	1.6	2.6	2.9	4.4	2.0

— nil or rounded to zero (including null cells)

Source: Australian National Accounts: 2004–05 (cat. no. 5220.0), Analysis of results (page 6).

(a) State details for general government gross operating surplus by industry are not available.

INTRODUCTION

Statistics in this chapter relate to the electricity supply industry as defined by the *Australian and New Zealand Standard Industrial Classification (ANZSIC)*, 1993 edition. ANZSIC defines the electricity supply industry as consisting of those businesses mainly engaged in electricity generation and/or transmission and/or distribution. These data are presented at the ABN unit / TAU level and, therefore, can contain data about activities normally associated with industries other than electricity supply. (See Explanatory Notes paragraphs 5–20 for further details.) The commentary refers mainly to the tables in this chapter, preceded by some industry background material. The Glossary provides definitions for the more specific terms used.

INDUSTRY BACKGROUND

Since 1991, governments in Australia have been introducing a competitive market for electricity, referred to as the National Electricity Market (NEM), into the southern and eastern states. In 1994, the introduction of competitive wholesale and retail electricity markets through the NEM resulted in trading across state borders. (Please see <<http://www.nemmco.com.au>>, the website of the National Electricity Market Management Company, for more details.) Western Australia has also experienced the effects of privatisation but is not part of the NEM, for reasons of geography. Tasmania entered the NEM on 29 May 2005.

Partly as a result, the concept of state bounded entities continues to lose relevance. State data for the electricity supply industry in this publication are allocated on the basis of state of head office (see Explanatory Notes paragraph 31 for more details). Accordingly, the state data presented should be interpreted with caution.

Another continuing trend has been the diversification of energy businesses with the aim of providing their customers with a wider range of energy services. This has seen electricity businesses enter the gas market and, conversely, gas businesses enter the electricity market as opportunities expand within these markets. Because each business unit reporting in ABS surveys is classified to one industry, based on its predominant activity, such diversification can affect the statistics in this chapter and those in Chapter 3 Gas Supply Industry.

Deregulation has also allowed new entities to come into the market and compete for customers. It has also resulted in a number of long established entities being dismantled or sold off. Disaggregation has tended to involve the creation of new entities specialising in electricity generation, transmission, distribution, wholesaling or retailing, to replace single entities which previously undertook all or most of these functions. The effect on industry structure has been to change single entities wholly classified to the electricity supply industry into a number of smaller entities, most of which are classified to the electricity supply industry, but some of which may be classified to other industries. Those entities classified to other industries do not contribute to the statistics for the electricity supply industry. Examples of activities formerly carried out by businesses

## INDUSTRY BACKGROUND

*continued*

classified to the electricity supply industry, but which are now largely carried out by specialist businesses classified to other industries, are network construction, repair and maintenance of electricity transmission towers, and power pole inspection.

*Effect on these data*

These changes to business structures have a direct impact on the data presented in this publication, but not all impacts are in the same direction. Where several smaller specialist business units wholly classified to the electricity supply industry have been created from one vertically integrated business, transactions between these businesses are recorded in the statistics (such as sales from the generating business to the distributing business). Previously, such transactions were internal to a single business and generally were not recorded in the statistics. This situation tends to increase sales and purchases values for the industry, but should have little direct effect on statistics for industry value added, operating profits or capital expenditure. On the other hand, the estimates of several data items (wages and salaries and capital expenditure in particular) for the electricity supply industry will be reduced if activities such as those mentioned in the previous paragraph are now carried out by businesses classified to other industries.

Generally, private sector businesses which are engaged in the electricity supply industry and conduct their own construction and maintenance operations tend to do so through separate business units (typically classified to ANZSIC Division E, CONSTRUCTION), which employ most of the staff engaged in those activities. Government owned businesses in this industry, by contrast, are more likely to employ these staff in a business unit which is classified to the electricity supply industry.

Ownership changes and restructuring in the electricity supply industry continued during 2004–05. In a partial reversal of the disaggregation that has characterised the industry since 1991, some privatised electricity businesses have been sold by their original purchasers to operators that are already involved in a different segment of the electricity supply industry in Australia.

The Australian Bureau of Agricultural and Resource Economics (ABARE) reports that electricity consumption in Australia increased by 4.3% (from 242,744 GWh in 2003–04 to 253,117 GWh in 2004–05). Consumption grew across Australia, with Victoria recording the largest increase, of 3,643 GWh (6.7%). The *Consumer Price Index* relating to electricity (weighted average of eight capital cities) indicates that prices for household consumers were 2.8% higher in 2004–05 than in 2002–03.

## SUMMARY

Major indicators for the Australian electricity supply industry showed increases, in current price terms, from 2003–04 to 2004–05. These increases related to employment (6%), wages and salaries (18%), sales and service income (6%), industry value added (8%), operating profit before tax (6%), and net capital expenditure (35%).

## EMPLOYMENT

Employment in the electricity supply industry nationally increased by 2,295 persons, to 39,304 persons, at the end of June 2005. Of those states and territories available for publication, the greatest increase was in Queensland (1,028 persons, or 12%) in absolute and percentage terms. South Australia was the only state/territory that recorded a decrease in employment, of 227 persons (or 9%).

EMPLOYMENT <i>continued</i>	<p>At the end of June 2005, employment in the electricity supply industry nationally was 11% (or 3,794 persons) higher than at the end of June 2002.</p>
LABOUR COSTS	<p>In percentage terms, the increase in wages and salaries paid by the electricity supply industry in 2004–05 surpassed its increase in employment. Wages and salaries rose by 18% (\$470m) in 2004–05.</p> <p>Wages and salaries per person employed increased by 11%, from \$71,700 to \$79,500, during 2004–05.</p> <p>Over the period from 2001–02 to 2004–05, the electricity supply industry's wages and salaries have increased in current price terms by 27%, and by 15% on a per person employed basis.</p> <p>The broader measure of selected labour costs increased by 16% (from \$2.9b to \$3.4b), in 2004–05, and by 9% on a per person employed basis.</p>
PROFITABILITY AND EARNINGS	<p>At \$34.1b, sales and service income of the Australian electricity supply industry in 2004–05 was 6% (\$2.0b) greater than in 2003–04.</p> <p>Most indicators of profitability for the industry either increased slightly or were stable during 2004–05. Trading profit rose by 6% (or \$703m), resulting from a 6% (\$2.0b) increase in sales and service income and a 6% (\$1.3b) increase in cost of sales. Earnings before interest and tax increased by 4% (\$299m), whereas operating profit before tax (OPBT) increased by 6% to \$3.7b. The electricity supply industry's increase of \$1.8b (5%) in total income during 2004–05 was nearly matched by its increase in total expenses (up \$1.7b, or 5%).</p> <p>The estimated profit margin of the industry declined marginally, from 11.0% to 10.9%, between 2003–04 and 2004–05. Note that this ratio differs in concept from the trading profit margin presented in previous issues of this publication.</p>
INDUSTRY VALUE ADDED	<p>The electricity supply industry's \$13.9b of industry value added in 2004–05 represented an increase of 8% (or \$1.1b) over the preceding year.</p> <p>As well as the increase in sales and service income mentioned above, capital work done for own use increased by \$1.8b (109%). Offsetting this were increases in purchases of goods and materials (\$2.5b, or 18%) and other intermediate input expenses (up \$389m, or 5%).</p>
CAPITAL EXPENDITURE	<p>Net capital expenditure for the electricity supply industry in 2004–05 increased by \$1.7b (35%) to \$6.4b, reflecting substantial investment in upgrading networks, increasing capacity, and improving reliability of supply.</p> <p>Acquisition of dwellings, other buildings and structures by the electricity supply industry increased by 45%, or \$873m, between 2003–04 and 2004–05. An increase of 13%, or \$417m, occurred in outlays on plant, machinery and equipment.</p>

CAPITAL EXPENDITURE  
*continued*

The greatest increase in net capital expenditure (\$1.2b, or 134%) occurred in Queensland, mainly through acquisition of plant, machinery and equipment (up \$639m, or 94%). Net capital expenditure rose by \$519m (or 41%) in New South Wales and by \$236m (22%) in Victoria.

## 2.1 KEY DATA

	<i>Employment at end of June</i>	<i>Wages and salaries (a)</i>	<i>Sales and service income (b)</i>	<i>Industry value added</i>	<i>Wages and salaries per person employed</i>	<i>Wages and salaries to sales and service income</i>	<i>Sales and service income per person employed</i>	<i>Industry value added per person employed</i>
	no.	\$m	\$m	\$m	\$'000	ratio	\$'000	\$'000
NEW SOUTH WALES								
2001-02	12 161	873	9 583	3 305	71.8	0.09	788.1	271.7
2002-03	12 681	924	9 932	3 569	72.9	0.09	783.2	281.5
2003-04	13 294	988	10 575	3 861	74.3	0.09	795.5	290.4
2004-05	14 095	1 087	11 570	4 238	77.1	0.09	820.8	300.7
VICTORIA								
2001-02	6 206	455	7 061	3 770	73.3	0.06	1 137.8	607.5
2002-03	6 382	484	8 939	3 443	75.9	0.05	1 400.6	539.4
2003-04	5 894	460	7 905	3 396	78.1	0.06	1 341.2	576.2
2004-05	5 962	460	8 289	3 935	77.2	0.06	1 390.3	660.1
QUEENSLAND								
2001-02	8 542	590	6 352	2 436	69.1	0.09	743.6	285.2
2002-03	8 653	604	6 688	2 551	69.8	0.09	772.8	294.8
2003-04	8 645	622	6 723	2 625	72.0	0.09	777.7	303.6
2004-05	9 673	797	7 267	2 598	82.4	0.11	751.3	268.5
SOUTH AUSTRALIA								
2001-02	2 385	150	2 551	867	63.0	0.06	1 069.3	363.3
2002-03	2 646	173	2 755	954	65.5	0.06	1 041.2	360.7
2003-04	2 589	181	2 824	1 008	69.8	0.06	1 090.9	389.3
2004-05	2 362	171	2 512	1 004	72.6	0.07	1 063.4	425.2
WESTERN AUSTRALIA								
2001-02	np	np	np	np	np	np	np	np
2002-03	np	np	np	np	np	np	np	np
2003-04	np	np	np	np	np	np	np	np
2004-05	np	np	np	np	np	np	np	np
TASMANIA								
2001-02	np	np	np	np	np	np	np	np
2002-03	np	np	np	np	np	np	np	np
2003-04	np	np	np	np	np	np	np	np
2004-05	np	np	np	np	np	np	np	np
NORTHERN TERRITORY								
2001-02	np	np	np	np	np	np	np	np
2002-03	np	np	np	np	np	np	np	np
2003-04	np	np	np	np	np	np	np	np
2004-05	np	np	np	np	np	np	np	np

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Excludes the drawings of working proprietors.

(b) Includes rent, leasing and hiring income.

Note: State data should be interpreted with caution. See paragraph 31 in the Explanatory Notes for more information.

**2.1**KEY DATA *continued*

	<i>Employment at end of June</i>	<i>Wages and salaries(a)</i>	<i>Sales and service income(b)</i>	<i>Industry value added</i>	<i>Wages and salaries per person employed</i>	<i>Wages and salaries to sales and service income</i>	<i>Sales and service income per person employed</i>	<i>Industry value added per person employed</i>
	no.	\$m	\$m	\$m	\$'000	ratio	\$'000	\$'000
.....								
AUSTRALIAN CAPITAL TERRITORY								
2001-02	np	np	np	np	np	np	np	np
2002-03	np	np	np	np	np	np	np	np
2003-04	np	np	np	np	np	np	np	np
2004-05	np	np	np	np	np	np	np	np
.....								
AUSTRALIA								
2001-02	35 510	2 452	29 230	12 075	69.0	0.08	823.1	340.0
2002-03	36 709	2 578	32 197	12 336	70.2	0.08	877.1	336.0
2003-04	37 009	2 655	32 175	12 799	71.7	0.08	869.4	345.8
2004-05	39 304	3 125	34 136	13 852	79.5	0.09	868.5	352.4

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Excludes the drawings of working proprietors.

(b) Includes rent, leasing and hiring income.

Note: State data should be interpreted with caution. See paragraph 31 in the Explanatory Notes for more information.

## 2.2 FINANCIAL PERFORMANCE, 2003–04 and 2004–05

	NSW		VIC.		QLD		SA		WA	
	03–04	04–05	03–04	04–05	03–04	04–05	03–04	04–05	03–04	04–05
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Sales and service income(a)	10 575	11 570	7 905	8 289	6 723	7 267	2 824	2 512	np	np
Less										
Purchases of goods and materials	5 150	5 904	2 479	2 980	3 628	4 250	956	1 065	np	np
Rent, leasing and hiring expenses	45	42	23	21	29	34	9	4	np	np
Freight and cartage expenses	3	3	^ 7	2	17	18	16	15	np	np
Motor vehicle running expenses	33	48	11	8	18	31	4	4	np	np
Repair and maintenance expenses	112	93	179	139	70	75	27	26	np	np
Contract, subcontract and commission expenses	1 555	1 679	1 333	1 328	1 177	1 365	^ 787	662	np	np
Other selected expenses	434	583	702	616	242	351	241	171	np	np
Purchases and selected expenses	7 332	8 353	4 734	5 093	5 181	6 125	2 040	1 946	np	np
Plus										
Opening inventories	319	286	162	164	150	174	65	64	np	np
Less										
Closing inventories	288	305	172	174	169	208	65	67	np	np
Less										
Capitalised purchases	287	568	76	564	549	818	174	386	np	np
Cost of sales	7 077	7 766	4 648	4 519	4 614	5 273	1 866	1 558	np	np
<b>Trading profit</b>	<b>3 498</b>	<b>3 804</b>	<b>3 257</b>	<b>3 770</b>	<b>2 109</b>	<b>1 994</b>	<b>958</b>	<b>954</b>	np	np
Plus										
Funding from government for operational costs	88	91	1	1	257	258	^ 6	6	np	np
Interest income	112	64	291	308	72	69	30	38	np	np
Other income	281	296	^ 245	–233	171	432	85	87	np	np
<b>Total income</b>	<b>11 057</b>	<b>12 020</b>	<b>8 442</b>	<b>8 365</b>	<b>7 223</b>	<b>8 027</b>	<b>2 946</b>	<b>2 643</b>	np	np
Less										
Wages and salaries(b)	988	1 087	460	460	622	797	181	171	np	np
Employer contributions into superannuation	80	82	43	40	46	52	13	11	np	np
Workers' compensation premiums/costs	14	14	5	5	4	6	—	—	np	np
Selected labour costs	1 082	1 183	508	504	672	855	194	183	np	np
Less										
Depreciation and amortisation	928	986	847	858	815	840	280	246	np	np
Insurance premiums	54	52	62	60	32	34	13	14	np	np
Natural resource royalties expenses	—	—	15	16	^ 8	7	^ 1	2	np	np
Bad and doubtful debts	21	23	^ 28	28	8	16	^ 7	—	np	np
Plus										
Capitalised wages and salaries	170	224	77	75	213	294	^ 30	33	np	np
<b>Earnings before interest and tax</b>	<b>2 065</b>	<b>2 234</b>	<b>2 411</b>	<b>2 455</b>	<b>1 288</b>	<b>1 296</b>	<b>614</b>	<b>672</b>	np	np
Less										
Interest expenses	727	717	1 733	1 848	547	511	486	544	np	np
<b>Total expenses</b>	<b>9 687</b>	<b>10 522</b>	<b>7 775</b>	<b>7 768</b>	<b>6 501</b>	<b>7 277</b>	<b>2 818</b>	<b>2 518</b>	np	np
<b>Operating profit before tax</b>	<b>1 338</b>	<b>1 517</b>	<b>677</b>	<b>606</b>	<b>741</b>	<b>784</b>	<b>128</b>	<b>128</b>	np	np

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Includes rent, leasing and hiring income.

(b) Excludes the drawings of working proprietors.

Note: State data should be interpreted with caution. See paragraph 31 in the Explanatory Notes for more information.

## 2.2 FINANCIAL PERFORMANCE, 2003–04 and 2004–05 *continued*

	TAS.		NT		ACT		AUST.	
	03–04	04–05	03–04	04–05	03–04	04–05	03–04	04–05
	\$m	\$m						
Sales and service income(a)	np	np	np	np	np	np	32 175	34 136
Less								
Purchases of goods and materials	np	np	np	np	np	np	13 721	16 213
Rent, leasing and hiring expenses	np	np	np	np	np	np	135	145
Freight and cartage expenses	np	np	np	np	np	np	139	59
Motor vehicle running expenses	np	np	np	np	np	np	83	109
Repair and maintenance expenses	np	np	np	np	np	np	459	437
Contract, subcontract and commission expenses	np	np	np	np	np	np	5 395	5 660
Other selected expenses	np	np	np	np	np	np	1 896	2 119
<i>Purchases and selected expenses</i>	np	np	np	np	np	np	21 827	24 743
Plus								
Opening inventories	np	np	np	np	np	np	831	823
Less								
Closing inventories	np	np	np	np	np	np	827	928
Less								
Capitalised purchases	np	np	np	np	np	np	1 159	2 709
<i>Cost of sales</i>	np	np	np	np	np	np	20 671	21 929
<b>Trading profit</b>	np	np	np	np	np	np	<b>11 503</b>	<b>12 207</b>
Plus								
Funding from government for operational costs	np	np	np	np	np	np	462	488
Interest income	np	np	np	np	np	np	540	519
Other income	np	np	np	np	np	np	989	799
<b>Total income</b>	np	np	np	np	np	np	<b>34 165</b>	<b>35 941</b>
Less								
Wages and salaries(b)	np	np	np	np	np	np	2 655	3 125
Employer contributions into superannuation	np	np	np	np	np	np	249	257
Workers' compensation premiums/costs	np	np	np	np	np	np	44	31
<i>Selected labour costs</i>	np	np	np	np	np	np	2 947	3 412
Less								
Depreciation and amortisation	np	np	np	np	np	np	3 385	3 441
Insurance premiums	np	np	np	np	np	np	192	195
Natural resource royalties expenses	np	np	np	np	np	np	24	26
Bad and doubtful debts	np	np	np	np	np	np	90	72
Plus								
Capitalised wages and salaries	np	np	np	np	np	np	530	819
<b>Earnings before interest and tax</b>	np	np	np	np	np	np	<b>7 385</b>	<b>7 685</b>
Less								
Interest expenses	np	np	np	np	np	np	3 857	3 957
<b>Total expenses</b>	np	np	np	np	np	np	<b>30 634</b>	<b>32 319</b>
<b>Operating profit before tax</b>	np	np	np	np	np	np	<b>3 528</b>	<b>3 727</b>

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Includes rent, leasing and hiring income.

(b) Excludes the drawings of working proprietors.

Note: State data should be interpreted with caution. See paragraph 31 in the Explanatory Notes for more information.

## 2.3 INDUSTRY VALUE ADDED, 2003–04 and 2004–05

	NSW		VIC.		QLD		SA		WA	
	03–04	04–05	03–04	04–05	03–04	04–05	03–04	04–05	03–04	04–05
	\$m	\$m	\$m							
Sales and service income	10 575	11 570	7 905	8 289	6 723	7 267	2 824	2 512	np	np
Plus										
Funding from government for operational costs	88	91	1	1	257	258	^ 6	6	np	np
Capital work done for own use	457	792	153	639	761	1 112	204	419	np	np
Change in inventories	^-31	19	^ 10	10	19	34	—	3	np	np
Less										
Purchases of goods and materials	5 150	5 904	2 479	2 980	3 628	4 250	956	1 065	np	np
Other intermediate input expenses	2 078	2 329	2 193	2 024	1 507	1 824	1 070	870	np	np
<b>Industry value added</b>	<b>3 861</b>	<b>4 238</b>	<b>3 396</b>	<b>3 935</b>	<b>2 625</b>	<b>2 598</b>	<b>1 008</b>	<b>1 004</b>	np	np

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

— nil or rounded to zero (including null cells)

np not available for publication but included in totals where applicable, unless otherwise indicated

Note: State data should be interpreted with caution. See paragraph 31 in the Explanatory Notes for more information.

## 2.3 INDUSTRY VALUE ADDED, 2003–04 and 2004–05 *continued*

	TAS.		NT		ACT		AUST.	
	03–04	04–05	03–04	04–05	03–04	04–05	03–04	04–05
	\$m	\$m						
Sales and service income	np	np	np	np	np	np	32 175	34 136
Plus								
Funding from government for operational costs	np	np	np	np	np	np	462	488
Capital work done for own use	np	np	np	np	np	np	1 689	3 528
Change in inventories	np	np	np	np	np	np	**–4	104
Less								
Purchases of goods and materials	np	np	np	np	np	np	13 721	16 213
Other intermediate input expenses	np	np	np	np	np	np	7 803	8 191
<b>Industry value added</b>	np	np	np	np	np	np	<b>12 799</b>	<b>13 852</b>

\*\* estimate has a relative standard error greater than 50% and is considered too unreliable for general use

np not available for publication but included in totals where applicable, unless otherwise indicated

Note: State data should be interpreted with caution. See paragraph 31 in the Explanatory Notes for more information.

## 2.4 ACQUISITION AND DISPOSAL OF ASSETS, 2003–04 and 2004–05 .....

	NSW		VIC.		QLD		SA		WA	
	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Capital expenditure on(a)										
Plant, machinery and equipment	564	1 014	704	461	678	1 317	356	218	np	np
Dwellings, other buildings and structures	707	729	329	801	581	823	^ 107	191	np	np
Other (including land and intangible assets)	46	68	52	56	29	45	30	37	np	np
<b>Total</b>	<b>1 317</b>	<b>1 811</b>	<b>1 085</b>	<b>1 318</b>	<b>1 288</b>	<b>2 184</b>	<b>492</b>	<b>446</b>	np	np
Disposal of assets	57	32	12	9	402	113	4	3	np	np
<b>Net capital expenditure</b>	<b>1 261</b>	<b>1 780</b>	<b>1 073</b>	<b>1 309</b>	<b>886</b>	<b>2 071</b>	<b>489</b>	<b>443</b>	np	np

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Items listed include value of capital work done for own use – reported in table 2.3.

Note: State data should be interpreted with caution. See paragraph 31 in the Explanatory Notes for more information.

## 2.4 ACQUISITION AND DISPOSAL OF ASSETS, 2003–04 and 2004–05 *continued* .....

	TAS.		NT		ACT		AUST.	
	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05
	\$m	\$m						
Capital expenditure on(a)								
Plant, machinery and equipment	np	np	np	np	np	np	3 118	3 535
Dwellings, other buildings and structures	np	np	np	np	np	np	1 945	2 818
Other (including land and intangible assets)	np	np	np	np	np	np	195	245
<b>Total</b>	np	np	np	np	np	np	<b>5 258</b>	<b>6 598</b>
Disposal of assets	np	np	np	np	np	np	503	177
<b>Net capital expenditure</b>	np	np	np	np	np	np	<b>4 755</b>	<b>6 421</b>

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) Items listed include value of capital work done for own use – reported in table 2.3.

Note: State data should be interpreted with caution. See paragraph 31 in the Explanatory Notes for more information.

**2.5** SELECTED PERFORMANCE MEASURES, 2003–04 to 2004–05 .....

		NSW		VIC.		QLD		SA		WA	
		03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05
		<b>Labour</b>									
Industry value added to selected labour costs	times	3.6	3.6	6.7	7.8	3.9	3.0	5.2	5.5	np	np
Selected labour costs per person employed	\$'000	81.4	83.9	86.2	84.6	77.7	88.4	74.8	77.3	np	np
<b>Profitability</b>											
Profit margin(a)	%	12.7	13.1	8.6	7.3	11.0	10.8	4.5	5.1	np	np
<b>Debt</b>											
Interest coverage	times	2.8	3.1	1.4	1.3	2.4	2.5	1.3	1.2	np	np
<b>Capital expenditure</b>											
Investment rate (value added)	%	34.1	42.7	32.0	33.5	49.1	84.1	48.9	44.4	np	np

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) This ratio differs in concept from the trading profit margin presented in previous issues of this publication. For the definition, see the Glossary.

Note: State data should be interpreted with caution. See paragraph 31 in the Explanatory Notes for more information.

**2.5** SELECTED PERFORMANCE MEASURES, 2003–04 to 2004–05 *continued* .....

		TAS.		NT		ACT		AUST.	
		03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05
		<b>Labour</b>							
Industry value added to selected labour costs	times	np	np	np	np	np	np	4.3	4.1
Selected labour costs per person employed	\$'000	np	np	np	np	np	np	79.6	86.8
<b>Profitability</b>									
Profit margin(a)	%	np	np	np	np	np	np	11.0	10.9
<b>Debt</b>									
Interest coverage	times	np	np	np	np	np	np	1.9	1.9
<b>Capital expenditure</b>									
Investment rate (value added)	%	np	np	np	np	np	np	41.1	47.6

np not available for publication but included in totals where applicable, unless otherwise indicated

(a) This ratio differs in concept from the trading profit margin presented in previous issues of this publication. For the definition, see the Glossary.

Note: State data should be interpreted with caution. See paragraph 31 in the Explanatory Notes for more information.

INTRODUCTION

Statistics in this chapter relate to the gas supply industry as defined by the *Australian and New Zealand Standard Industrial Classification (ANZSIC)*, 1993 edition. These data are presented at the ABN unit / TAU level and, therefore, can contain data about activities normally associated with industries other than gas supply. (See Explanatory Notes paragraphs 5–20 for further details.) The commentary refers mainly to the tables in this chapter, and to the key data presented in table 1.1, preceded by some industry background material. The Glossary provides definitions for the more specific terms used.

INDUSTRY BACKGROUND

The current gas supply industry reflects the results of the restructuring which began in the early 1990s. Most states and territories have committed, under the terms of the *1997 National Gas Pipelines Access Agreement*, to work towards implementing full retail contestability (FRC) to give all gas users their choice of supplier. FRC was introduced in NSW and the ACT in January 2002, and in Victoria in October 2002. Western Australia introduced market reforms to the retail gas market in May 2004. These reforms include the introduction of FRC and several new customer protection mechanisms. South Australia implemented FRC in July 2004 and it will be introduced in Queensland from July 2007. Natural gas has recently been introduced into Tasmania by pipeline from Victoria and FRC is operating now for connections to the embryonic distribution network.

As in the electricity supply industry, vertically integrated businesses have formed separate business units to undertake various stages of distribution and other activities. Increasingly, competition has been introduced along the various stages of the distribution chain with the entry of new businesses.

These changes to business structures have a direct impact on the data presented in this publication, but not all impacts are in the same direction. Where several smaller specialist business units wholly classified to the gas supply industry have been created from one vertically integrated business, transactions between these businesses are recorded in the statistics (such as sales from the distributing business to the retail business). Previously, such transactions were internal to a single business and generally were not recorded in the statistics.

Over time, as the market continues to develop, businesses have gradually rationalised and restructured their operations. This has resulted in several businesses widening their networks through corporate takeovers to include activities not previously undertaken by gas supply businesses. Conversely, some activities previously undertaken by gas supply businesses are now being undertaken by businesses classified to other industries, in particular, electricity supply and pipeline transport.

## INDUSTRY BACKGROUND

*continued*

Demand for gas was affected by mild weather in many parts of Australia in autumn and early winter of 2005. The volume of gas (natural and manufactured) available for issue through mains declined by 1.1% between 2003–04 and 2004–05, from 808 to 793 Petajoules. (*Manufacturing Production, Australia, June 2006* (ABS cat. no. 8301.0.55.001)). *The Consumer Price Index* relating to Gas and Other Household Fuels (weighted average of eight capital cities) indicates that prices for household consumers were 5.0% higher in 2004–05 than in 2003–04.

## SUMMARY

Major indicators for the Australian gas supply industry showed divergent movements, in current price terms, from 2003–04 to 2004–05. Industry value added, operating profit before tax, trading profit and net capital expenditure all increased, as did employment (despite a decrease in wages and salaries). Sales and service income and earnings before interest and tax showed little change, and total expenses and cost of sales declined.

## EMPLOYMENT

The gas supply industry employed 2,100 persons at the end of June 2005, 100 persons (or 3%) more than twelve months earlier.

## LABOUR COSTS

Wages and salaries paid by the gas supply industry decreased by 14% (\$11m) to \$70m, in 2004–05.

## PROFITABILITY AND EARNINGS

Sales and service income of the gas supply industry in 2004–05 was virtually identical to 2003–04. Total income declined by 2% (\$117m), and total expenses declined by 3% (\$154m) reflecting reductions in most expense items. As a result, operating profit before tax (OPBT) rose by \$41m (9%) to \$521m. Trading profit increased by \$95m (or 10%) to \$1.1b, reversing the decline of the preceding year, and earnings before interest and tax (EBIT) was stable.

In 2004–05, the profit margin of this industry reached its highest value for the past four years. Note that this ratio is based on OPBT, whereas previous issues of this publication presented trading profit margin.

## INDUSTRY VALUE ADDED

At \$1.1b, gas supply industry value added in 2004–05 returned to the level of 2002–03, and was 10% (or \$96m) higher than in 2003–04. This increase reflects a decline of \$134m (5%) in purchases of goods and materials, moderated by a \$56m (4%) increase in other intermediate input expenses.

## CAPITAL EXPENDITURE

Construction of new pipelines and other major projects, and acquisition of existing facilities, resulted in a 297% increase to (\$1.1b) in net capital expenditure by the gas supply industry in 2004–05.

Acquisition of plant, machinery and equipment by businesses in the gas supply industry increased by 230%, or \$232m, between 2003–04 and 2004–05. Expenditure on dwellings, other buildings and structures trebled. An almost sixfold increase (of \$216m) occurred in outlays on other assets.

For the first time in four years, net capital expenditure of this industry exceeded its IVA; the usual ratio between them is less than 30%.

## 3.1 FINANCIAL PERFORMANCE

	2001-02	2002-03	2003-04	2004-05
	\$m	\$m	\$m	\$m
Sales and service income(a)	5 737	4 939	5 298	5 299
Less				
Purchases of goods and materials	2 317	2 282	2 768	2 634
Rent, leasing and hiring expenses	20	17	17	12
Freight and cartage expenses	35	37	40	89
Motor vehicle running expenses	18	15	^ 22	15
Repair and maintenance expenses	30	29	^ 47	5
Contract, subcontract and commission expenses	1 670	1 202	^ 1 254	1 300
Other selected expenses	531	294	^ 181	192
<i>Purchases and selected expenses</i>	<i>4 621</i>	<i>3 876</i>	<i>4 330</i>	<i>4 247</i>
Plus				
Opening inventories	33	23	^ 24	23
Less				
Closing inventories	36	28	^ 17	21
Less				
Capitalised purchases	2	4	10	16
<i>Cost of sales</i>	<i>4 616</i>	<i>3 867</i>	<i>4 327</i>	<i>4 233</i>
<b>Trading profit</b>	<b>1 121</b>	<b>1 073</b>	<b>971</b>	<b>1 066</b>
Plus				
Funding from government for operational costs	2	3	^ 3	8
Interest income	15	11	*80	22
Other income	25	30	83	18
<b>Total income</b>	<b>5 780</b>	<b>4 984</b>	<b>5 465</b>	<b>5 348</b>
Less				
Wages and salaries(b)	113	86	81	70
Employer contributions to superannuation	9	7	8	8
Workers compensation premiums	1	2	1	1
<i>Selected labour costs</i>	<i>123</i>	<i>95</i>	<i>91</i>	<i>79</i>
Less				
Depreciation and amortisation	196	185	191	181
Insurance premiums	6	6	^ 9	8
Natural resource royalty expenses	—	—	—	—
Bad and doubtful debts	17	20	^ 10	5
Plus				
Capitalised wages and salaries	—	—	*1	—
<b>Earnings before interest and tax</b>	<b>823</b>	<b>812</b>	<b>837</b>	<b>842</b>
Less				
Interest expenses	353	354	358	321
<b>Total expenses</b>	<b>5 314</b>	<b>4 531</b>	<b>4 979</b>	<b>4 825</b>
<b>Operating profit before tax</b>	<b>470</b>	<b>458</b>	<b>480</b>	<b>521</b>

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

\* estimate has a relative standard error of 25% to 50% and should be used with caution

— nil or rounded to zero (including null cells)

(a) Includes rent, leasing and hiring income.

(b) Excludes the drawings of working proprietors.

## 3.2 INDUSTRY VALUE ADDED

	2001-02	2002-03	2003-04	2004-05
	\$m	\$m	\$m	\$m
Sales and service income(a)	5 737	4 939	5 298	5 299
Plus				
Funding from government for operational costs	2	3	<sup>^</sup> 3	8
Capital work done for own use	2	4	10	17
Change in inventories	4	5	*-6	-2
Less				
Purchases of goods and materials	2 317	2 282	2 768	2 634
Other intermediate input expenses	2 290	1 584	1 551	1 607
<b>Industry value added</b>	<b>1 138</b>	<b>1 087</b>	<b>986</b>	<b>1 081</b>

<sup>^</sup> estimate has a relative standard error of 10% to less than 25% and should be used with caution

\* estimate has a relative standard error of 25% to 50% and should be used with caution

(a) Includes rent, leasing and hiring income.

## 3.3 ACQUISITION AND DISPOSAL OF ASSETS

	2001-02	2002-03	2003-04	2004-05
	\$m	\$m	\$m	\$m
Capital expenditure on(a)				
Plant, machinery and equipment	81	84	101	334
Dwellings, other buildings and structures	79	105	<sup>^</sup> 147	545
Other (including land and intangible assets)	114	93	45	261
<i>Total</i>	274	282	293	1 139
Disposal of assets	12	4	7	4
<b>Net capital expenditure</b>	<b>262</b>	<b>279</b>	<b>286</b>	<b>1 136</b>

<sup>^</sup> estimate has a relative standard error of 10% to less than 25% and should be used with caution

(a) Items listed include value of capital work done for own use – reported in table 3.2.

## 3.4 SELECTED PERFORMANCE MEASURES

		2001-02	2002-03	2003-04	2004-05
<b>Labour</b>					
Industry value added to selected labour costs	times	9.3	11.5	10.9	13.7
Selected labour costs per person employed	\$'000	52.0	49.5	44.9	37.9
<b>Profitability</b>					
Profit margin(a)	%	8.2	9.3	9.1	9.8
<b>Debt</b>					
Interest coverage	times	2.3	2.3	2.3	2.6
<b>Capital expenditure</b>					
Investment rate (value added)	%	24.0	26.0	29.8	105.4

(a) This ratio differs in concept from the trading profit margin presented in previous issues of this publication. For the definition, see the Glossary.

## CHAPTER 4

# WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES INDUSTRY .....

### INTRODUCTION

This chapter presents statistics about the water supply, sewerage and drainage services industry as defined by the *Australian and New Zealand Standard Industrial Classification (ANZSIC)*, 1993 edition. These data are presented at the ABN unit / TAU level and, therefore, can contain data about activities normally associated with industries other than water supply, sewerage and drainage services. (See Explanatory Notes paragraphs 5–20 for further details.)

Both private and government units are included in the scope of the survey. In a manner similar to the electricity and gas supply industries, the water supply, sewerage and drainage services industry is also undergoing a process of reform. At the same time, changes in the structure of public sector units engaged in these activities have affected the statistics over time, by reclassifying such business units between this industry and ANZSIC Division M, GOVERNMENT ADMINISTRATION AND DEFENCE.

The commentary refers mainly to the tables in this chapter, and to the key data presented in table 1.1, preceded by some industry background material.

### INDUSTRY BACKGROUND

The National Water Commission was established in December 2004 as an independent statutory agency responsible for overseeing national water reform, by assisting to implement the *National Water Initiative* and investment in the *Australian Water Fund*.

In 2004–05 much of Australia received below average or average rainfall. Following similar rainfall in 2003–04 and the severe drought of 2002–03, storage levels in the eastern half of Australia remained low.

The Water Services Association of Australia estimates that, despite population growth, the volume of water supplied to Australian capital cities in 2004–05 fell by 2.1% compared to the previous year. Declining water use is mainly attributed to water restrictions and to adoption by consumers of water conservation measures. Although not uniform across Australia, developer contributions and increased prices helped to maintain revenue levels.

The *Consumer Price Index* relating to water and sewerage (weighted average of eight capital cities) indicates that prices for household consumers were 3.2% higher in 2004–05 than in 2003–04.

### EMPLOYMENT

The water supply, sewerage and drainage services industry employed 22,200 persons at the end of June 2005, 800 persons (or 4%) more than twelve months earlier and 2% (or 400 persons) greater than at the end of June 2002.

### INDUSTRY PERFORMANCE

For the water supply, sewerage and drainage services industry, the major indicators of output and profitability either fell or were virtually unchanged in 2004–05.

## INDUSTRY PERFORMANCE

*continued*

Wages and salaries paid by the water supply, sewerage and drainage services industry were virtually the same, at \$1.3b, in 2004–05 as in 2003–04. On a per person employed basis, wages and salaries declined by 2% (from \$59,200 to \$57,900). Over the period from 2001–02 to 2004–05, the industry's wages and salaries costs have increased in current price terms by 20% (and by 18% per person employed).

The industry earned \$7.7b in sales and service income in 2004–05, the same as in 2003–04. IVA also was stable, at \$5.1b, as were earnings before interest and tax and operating profit before tax. Trading profit declined by 4%. All these variables had decreased in the previous year.

## CAPITAL EXPENDITURE

Net capital expenditure for the water supply, sewerage and drainage services industry in 2004–05 maintained the generally stable pattern of the preceding three years.

**4.1** FINANCIAL OPERATIONS, 2001–02 to 2004–05

	2001-02	2002-03	2003-04	2004-05
	\$m	\$m	\$m	\$m
<b>Financial performance</b>				
Sales and service income(a)	7 250	7 992	7 679	7 703
Purchases and selected expenses	3 499	<sup>^</sup> 3 790	3 770	4 103
Trading profit	4 068	4 454	4 198	4 019
Total income	8 929	9 688	9 147	9 425
Selected labour costs	1 296	1 399	1 374	1 443
Earnings before interest and tax	3 175	3 476	3 037	3 019
Total expenses	6 452	6 876	6 711	7 048
Operating profit before tax	2 477	2 816	2 436	2 405
<b>Industry value added</b>	4 883	5 350	5 086	5 101
<b>Acquisition and disposal of assets</b>				
Capital expenditure	2 165	2 064	2 138	2 143
Disposal of assets	138	131	60	71
Net capital expenditure	2 027	1 933	2 078	2 072

<sup>^</sup> estimate has a relative standard error of 10% to less than 25% and should be used with caution

(a) Includes rent, leasing and hiring income.

## EXPLANATORY NOTES .....

### INTRODUCTION

**1** This publication, *Electricity, Gas, Water and Sewerage Operations, Australia, 2004–05* (cat. no. 8226.0), presents estimates of the economic and financial performance of these utilities industries.

**2** These industries, as specified in Division D ELECTRICITY, GAS AND WATER SUPPLY of the *Australian and New Zealand Standard Industrial Classification (ANZSIC)* (cat. no. 1292.0), 1993 edition, comprise:

- ELECTRICITY SUPPLY (ANZSIC Group 361), which relates to the generation, transmission or distribution of electricity
- GAS SUPPLY (ANZSIC Group 362), which relates to the manufacture of town gas from coal and/or petroleum, or the mains distribution of town gas, natural gas or liquefied petroleum gas
- WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES (ANZSIC Group 370), which relates to the storage, purification or supply of water, or the operation of sewerage or drainage systems, including sewage treatment plants.

**3** From 2006–07 reference year the Economic Activity Survey (EAS) results will be presented using the 2006 edition of ANZSIC, an updated version of the industry classification. At the time of release, data for some previous years will also be made available on a 2006 ANZSIC basis, as an aid to analysis.

**4** The utilities industries collection is conducted annually as a component of the ABS's Economic Activity Survey (EAS):

- A sample of 523 utilities industries businesses were asked by the ABS to provide employment details and data obtained from their financial statements, mainly via mail out questionnaires. (The sample comprised all businesses classified to the electricity and gas supply industries and which were above certain cutoffs (see Technical Note 1); and a sample of businesses classified to the water supply, sewerage and drainage services industry.)
- Key financial data for 1,093 utilities businesses, which had been supplied by them to the Australian Taxation Office (ATO) on business income tax returns (BIT data), were then used to supplement the ABS's directly collected information. Section 16(4)(ga) of the *Income Tax Assessment Act 1936* provides for the ATO to pass information to the Australian Statistician for the purposes of the *Census and Statistics Act 1905*.

### STATISTICAL UNITS USED

**5** Statistical units are those entities from which statistics are collected, or about which statistics are compiled. In ABS economic statistics, the statistical unit is generally the business. All businesses in the EAS are recorded on the ABS Business Register (ABSBR).

**6** The ABS uses an economic statistics units model on the ABSBR to describe the characteristics of businesses, and the structural relationships between related businesses. Within large and diverse business groups, the units model is used also to define reporting units that can provide data to the ABS at suitable levels of detail.

**7** This units model allocates businesses to one of two sub-populations:

- Most businesses and organisations in Australia need to obtain an Australian Business Number (ABN). The vast majority of these businesses are simple in structure and are allocated to the population which is maintained by the ATO. These are termed (by the ABS) ABN units.

## STATISTICAL UNITS USED

*continued*

- The remaining businesses are in the ABS maintained population, and are termed type of activity units, or TAUs.

**8** Together these two sub-populations (of ABN units and TAUs) make up the ABSBR population, from which the EAS samples are taken.

**9** For details about the ABSBR and how ABN units and TAUs contribute to the industry statistics in this publication, see Technical Note 1.

## SCOPE AND COVERAGE

**10** The scope of the 2004–05 utilities industries collection comprises all businesses (including non-employing businesses) on the ABSBR at time of selection, whose industry is classified to ANZSIC Division D ELECTRICITY, GAS AND WATER SUPPLY. This division comprises the following subdivisions and their component groups and classes:

36 Electricity and Gas Supply

361 Electricity Supply

3610 Electricity Supply

362 Gas Supply

3620 Gas Supply

37 Water Supply, Sewerage and Drainage Services

370 Water Supply, Sewerage and Drainage Services

3701 Water Supply

3702 Sewerage and Drainage Services

**11** Statistics in this publication are presented by chapter for each of ANZSIC Groups 361 ELECTRICITY SUPPLY, 362 GAS SUPPLY, and 370 WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES.

**12** The ANZSIC-based industry statistics presented in this publication are compiled differently from activity statistics. Each ABN unit or TAU on the ABSBR has been classified (by the ATO and the ABS respectively) to a single industry irrespective of any diversity of activities undertaken. The industry class allocated is the one which relates to those activities that provide the main source of income. For example, a business which derives most of its income from electricity generation activities would have all operations included in the aggregates and ratios for ELECTRICITY SUPPLY, even if significant secondary activities (such as water supply, coal mining, or retailing) were also undertaken. This particularly occurs in both the Australian Capital Territory and the Northern Territory, where water, sewerage and drainage data exclude data for their major water suppliers, because those businesses are classified to the electricity supply industry. However, where a business makes a significant economic contribution to different ANZSIC industries, the ABS includes the business in the ABS maintained population, and 'splits' the TAU's reported data between the industries involved. Significance is determined using total income.

**13** Some electricity is generated by businesses mainly engaged in other activities (e.g. manufacturing) solely, or in part, to provide power for those activities. Such electricity generation is not treated as part of the electricity supply industry and, therefore, does not contribute to these statistics.

**14** Businesses mainly engaged in the distribution of liquefied petroleum gas in bulk or in containers are not treated as part of the gas supply industry, as they are classified to ANZSIC Division F WHOLESALE TRADE.

**15** The ABS maintained population of the ABSBR includes all organisations classified to the general government sector according to the *Standard Institutional Sector Classification of Australia (SISCA)*. Where a general government authority operates a number of business units, each coinciding with a 'division' or 'line of business' with separate and comprehensive accounts, then each of these business units is recorded as a separate TAU on the ABSBR. Each TAU is then classified by industry according to its predominant activity. Such TAUs classified to the WATER SUPPLY, SEWERAGE AND DRAINAGE

## SCOPE AND COVERAGE

*continued*

SERVICES subdivision are then in scope of the utilities industries collection. For example, a local government council might be recorded on the ABSBR as comprising separate TAUs covering its general services, electricity supply, water supply, and sewerage operations. The last two TAUs are in scope of the utilities industries collection, but the first two TAUs are not.

**16** Prior to recent industry reforms, the electricity supply industry was largely vertically integrated, i.e. the activities of generation, transmission and distribution of electricity were conducted within a single business. After restructuring following the industry reforms, these activities are now more often conducted by separate businesses. This has resulted in increases to some data items, e.g. the sale of electricity may be recorded by both the generator and the distributor. The gas supply industry has undergone similar reform and restructuring.

**17** Unincorporated joint ventures (UJVs) within the utilities industries are arrangements which allow the sharing of expertise, resources and risk associated with specific projects. This occurs through the participation of a number of organisations (by investment) in a specific operation (e.g. a power station). Some of these organisations may not otherwise be involved in that industry.

**18** The utilities industries collection includes such businesses which are operators and/or participants in any UJVs. Generally, each participant supplies data of its share of income, while the operator reports all expenses and employment.

**19** The ABS attempts to maintain a current understanding of the structure of the large, complex and diverse business groups that form the ABS maintained population on the ABSBR, through direct contact with those businesses. Resultant changes in their structures on the ABSBR can affect:

- the availability of such businesses (or units within them) for inclusion in the annual economic collections
- the delineation of the units, within those groups, for which data are to be reported.

**20** The ABS attempts to obtain data for those businesses which ceased operation during the year, but it is not possible to obtain data for all of them.

## REFERENCE PERIOD

**21** The period covered by each collection is, in general, the 12 months ended 30 June. Where businesses are unable to supply information on this basis, an accounting period for which data can be provided is used for data other than that relating to employment. Such businesses make a substantial contribution to some of the estimates presented in this publication. As a result, the estimates can reflect trading conditions that prevailed in periods outside the twelve months ended June in the relevant year.

**22** It should be noted that, although financial data estimates relate to the full twelve months, employment estimates relate to the last pay period ending in June of the given year. As such, any estimates of wages and salaries per person employed will be affected by any fluctuations in employment during the reference period.

**23** Financial data presented incorporate all units in scope of the particular utilities industries collection that were in operation at any time during the year. They also include any temporarily inactive units, i.e. those units which were in the development stage or which were not in production, but which still existed and held assets and liabilities and/or incurred some non-operating expenses (e.g. depreciation, administration costs).

## RELIABILITY OF ESTIMATES

**24** For information about this subject, see Technical Notes 2 and 3.

## INDUSTRY PERFORMANCE MEASURES

**25** This publication presents a wide range of data that can be used to analyse business and industry performance.

INDUSTRY PERFORMANCE  
MEASURES *continued*

**26** Differences in accounting policy and practices across businesses and industries can lead to some inconsistencies in the data input to the statistics. Although much of the accounting process is subject to standards, there is still a great deal of flexibility left to individual managers and accountants in the accounting policies and practices that they adopt. For example, the way profit is measured is affected by management policy about such issues as depreciation rates, bad debt provisions and write off, and goodwill write off. The varying degree to which businesses consolidate their accounts may also affect any industry performance measures calculated.

**27** A range of performance measures, usually expressed as ratios, can be produced from the data available from businesses' financial statements. Others, relating to labour inputs, can be derived by expressing financial or economic variables on a per person employed basis. The performance measures presented in this publication comprise:

- profitability ratios, which measure the rate of profit on sales
- debt ratios, which indicate the ability of businesses to meet the cost of debt financing
- labour measures, which relate output, labour costs and employment
- capital expenditure ratios, which indicate the extent of business investment in capital assets.

**28** A further explanation of each ratio can be found in the Glossary. Please note that some of the ratios are new to this issue of the publication.

**29** Those ratios compiled from a combination of flow (whole period) and level (beginning or end of period) items need to be treated with additional caution. Ratios which include both level and flow items in their derivation may be volatile due to the timing differences involved. It may, therefore, be preferable to base any analysis on a range of data presented rather than focusing on one variable.

**30** The above limitations are not meant to imply that analysis based on these data should be avoided, only that they should be borne in mind when interpreting the data presented in this publication.

STATE AND TERRITORY  
ESTIMATES

**31** State and territory estimates for the electricity supply industry are presented in Chapter 2. To enable the production of these estimates, state or territory data for businesses included in the mail out survey were allocated to the state/territory of their head office (rather than the reported state/territory of activity). Care should, therefore, be taken in interpreting state/territory movements for this industry. This is because the state/territory data can be affected by any interstate changes in the head office of individual businesses, as well as by actual increases/decreases in activity. The relevant data for all other businesses, including those whose contribution was sourced from BIT data, were allocated to their state/territory of operations as recorded on the ABSBR.

## NEW BUSINESSES

**32** Data in this publication have been adjusted to allow for lags in processing new businesses to the ABSBR. The effects of these adjustments on Australian estimates of sales and service income are:

- for ELECTRICITY SUPPLY, an increase of 0.8%, with most states and territories being affected to a similar degree
- for GAS SUPPLY, an increase of 0.4%
- for WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES, an increase of 0.1%.

## ACKNOWLEDGMENT

**33** ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued co-operation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the *Census and Statistics Act 1905*.

## RELATED PUBLICATIONS

**34** The ABS produces industry estimates for a range of selected industries (including utilities) and these results are to be available in *Australian Industry, 2004–05* (cat. no. 8155.0) expected to be released on 21 December 2006. National estimates of income, expenditure and associated ratios will be available at the ANZSIC division level (with a greater range of data available via the ABS web site in spreadsheet form). Some data presenting greater detail are considered experimental at this stage, while the methodology used to produce them is reviewed and improved. These consist of national estimates of income, expenses, operating profit before tax (OPBT), and wages and salaries, at the ANZSIC class level, and state/territory estimates of these items at the ANZSIC division level.

**35** The following publications and electronic releases also contain information about the utilities industries:

*Australian Bureau of Statistics Business Register, Counts of Businesses – Summary*

*Tables*, cat. no. 8161.0.55.001, released on 7 October 2005 – Annual release

*Australian Industry, 2003–04*, cat. no. 8155.0, released on 9 August 2006

– Annual publication

*Australian Labour Market Statistics*, cat. no. 6105.0 – Quarterly publication

*Australian National Accounts: National Income, Expenditure and Product*,

cat. no. 5206.0 – Quarterly publication

*Australian National Accounts: State Accounts, 2004–05*, cat. no. 5220.0,

released on 9 November 2005 – Annual publication

*Business Indicators, Australia*, cat. no. 5676.0 – Quarterly publication

*Directory of Electricity, Gas, Water and Sewerage Statistics*, cat. no. 1140.0,

released on 1 May 2001 – Irregular publication

*Energy and Greenhouse Gas Emissions Accounts, Australia, 1992–93 to 1997–98*,

cat. no. 4604.0, released on 16 May 2001 – Irregular publication

*Energy Statistics, Australia, 2001–02*, cat. no. 4649.0.55.001,

released on 19 December 2003 – Irregular publication

*Household Expenditure Survey, Australia: Summary of Results, 2003–04*, cat. no. 6530.0,

released on 11 August 2005 – Quinquennial publication

*Job Vacancies, Australia*, cat. no. 6354.0 – Quarterly publication

*Labour Costs, Australia, 2002–03*, cat. no. 6348.0.55.001, released on 11 June 2004

– Irregular electronic publication

*Manufacturing Production, Australia*, cat. no. 8301.0.55.001

– Quarterly electronic publication

*Mining Operations, Australia, 2003–04*, cat. no. 8415.0, released on 22 June 2006

– Annual publication

*Private New Capital Expenditure and Expected Expenditure, Australia*,

cat. no. 5625.0 – Quarterly publication

*Research and Experimental Development, Businesses, Australia, 2004–05*,

cat. no. 8104.0, released on 28 August 2006 – Annual publication

*Water Account, Australia, 2000–01*, cat. no. 4610.0, released on 19 May 2004

– Irregular publication

*Water Use on Australian Farms, 2004–05*, cat. no. 4618.0, released on 25 July 2006

– Irregular publication

*Year Book Australia, 2006*, cat. no. 1301.0, released on 20 January 2006

– Annual publication

**36** Current publications and other products released by the ABS are listed in the *Catalogue of Publications and Products* (cat. no. 1101.0). The catalogue is available from any ABS office or the ABS web site <<http://www.abs.gov.au>>. The ABS also issues a daily Release Advice on the web site which details products to be released in the week ahead.

NON-ABS DATA

**37** There are a number of external organisations that collect and present data about these industries. Users requiring further information should contact:

Energy Supply Association of Australia Ltd., Melbourne (03) 9670 0188

website <<http://www.esaa.com.au>>

(for key data, see the ESAA's annual publication Electricity Gas Australia)

Australian Water Association Ltd., Sydney 1300 361 426

website <<http://www.awa.asn.au>>

Water Services Association of Australia, Melbourne (03) 9606 0678

website <<http://www.wsaa.asn.au>>

(for key data, see the WSA's annual publication

Australia's Urban Water Industry: WSA Facts)

Productivity Commission, Melbourne (03) 9653 2100 and Canberra (02) 6240 3200

website <<http://www.pc.gov.au>>.

ABS DATA AVAILABLE ON  
REQUEST

**38** As well as the statistics included in this and related publications, the ABS may have other relevant data available on request and for a charge. Inquiries should be made to the National Information and Referral Service on 1300 135 070.

ROUNDING

**39** Where figures have been rounded, discrepancies may occur between totals and the sums of the component items. Due to data being adjusted for lags in processing new businesses to the ABS Business Register (see paragraph 32), this 'rounding rule' also applies to employment estimates.

**40** Proportions, ratios and other calculated figures shown in this publication have been calculated using unrounded estimates and may be different from, but are more accurate than, calculations based on the rounded estimates.

## TECHNICAL NOTE 1      **METHODOLOGY** .....

### INTRODUCTION

**1** The industry estimates in this publication are produced using a combination of ABS directly collected data and Business Income Tax (BIT) data sourced from the Australian Taxation Office (ATO).

**2** The directly collected data have been reported by a sample of utilities businesses, as recorded on the ABS Business Register (ABSBR). The ABS uses an economic statistics units model on the ABSBR to describe the characteristics of businesses, and the structural relationships between related businesses. Within large and diverse business groups, the units model is used also to define reporting units that can provide data to the ABS at suitable levels of detail.

### STATISTICAL UNITS DEFINED ON THE ABS BUSINESS REGISTER

**3** The current economic statistics units model was introduced in mid 2002, to better use the information available as a result of The New Tax System (TNTS). This units model allocates businesses to one of two sub-populations. The vast majority of businesses are in what is called the ATO maintained population, while the remaining businesses are in the ABS maintained population. Together, these two sub-populations make up the ABSBR population.

### ATO MAINTAINED POPULATION

**4** Most businesses and organisations in Australia need to obtain an Australian Business Number (ABN). They are then included on the whole-of-government register of businesses, the Australian Business Register (ABR), which is maintained by the ATO. Most of these businesses have simple structures; therefore, the unit registered for an ABN will satisfy ABS statistical requirements. For these businesses, the ABS has aligned its statistical units structure with the ABN unit. The businesses with simple structures constitute the ATO maintained population, and the ABN unit is used as the statistical unit for all ABS economic collections.

### ABS MAINTAINED POPULATION

**5** For the population of businesses where the ABN unit is not suitable for ABS statistical requirements, the ABS maintains its own units structure through direct contact with the business. These businesses constitute the ABS maintained population. This population consists typically of large, complex and diverse businesses. The statistical units model described below caters for such businesses.

*Enterprise group:* This is a unit covering all the operations in Australia of one or more legal entities under common ownership and/or control. It covers all the operations in Australia of legal entities which are related in terms of the current Corporations Law (as amended by the *Corporations Legislation Amendment Act 1991*), including legal entities such as companies, trusts and partnerships. Majority ownership is not required for control to be exercised.

*Enterprise:* An institutional unit comprising:

- (i) a single legal entity or business entity, or
- (ii) more than one legal entity or business entity within the same enterprise group and in the same institutional sub-sector (i.e. they are all classified to a single Standard Institutional Sector Classification of Australia (SISCA) sub-sector).

ABS MAINTAINED  
POPULATION *continued*

*Type of activity unit (TAU):* The TAU comprises one or more business entities, sub-entities or branches of a business entity within an enterprise group that can report production and employment data for similar economic activities. When a minimum set of data items are available, a TAU is created which covers all the operations within an industry subdivision (and the TAU is classified to the relevant subdivision of the ANZSIC). Where a business cannot supply adequate data for each industry, a TAU is formed which contains activity in more than one industry subdivision.

**6** For more information about the effects of the introduction of this economic statistics units model, refer to *Information Paper: Improvements in ABS Economic Statistics [Arising from The New Tax System]* (cat. no. 1372.0). The ABN and TAU statistical units were introduced from 2001–02.

CONTRIBUTION OF THE  
STATISTICAL UNITS TO THE  
ESTIMATES

**7** The following paragraphs outline the way in which these categories of statistical units contribute to the estimates of financial and economic variables presented in this publication. Estimates of employment are derived in a different manner; see paragraph 14 below.

TAUs

**8** All units in the ABS maintained population (i.e. TAUs) classified to the utilities industries were eligible to be selected for direct collection. Direct collection of data from these units is necessary because:

- many large and complex employing businesses have more than one legal entity, making it difficult to identify all legal entities for that business in the BIT data
- BIT data do not include all of the detailed information that the ABS requires from large and complex businesses.
- 'tax exempt' businesses that are not required to complete business income tax returns would otherwise not contribute to the statistics.

ABN units

**9** The balance of units on the ABSBR classified to the utilities industries were ABN units, from the ATO maintained population. Cut-offs were established which determined the way in which each ABN unit contributed to the statistics:

- First, ABN units with annualised Business Activity Statement (BAS) total sales (used in lieu of EAS total income) at or greater than the cut-offs set for individual ANZSIC categories were eligible to be selected for direct collection of data by the ABS. If selected, they were sent the same mail out questionnaire for completion that was sent to selections from the ABS maintained population.
- Second, ABN units with annualised BAS total sales below the cut-offs were excluded from direct collection. For these units, BIT data were obtained and added to the directly collected estimates to produce the statistics in this publication.

CUT-OFFS FOR ABN UNITS

**10** Cut-offs for ABN units were originally established for the 2001–02 collection year, which was the first to incorporate BIT data from the ATO. These are reviewed annually, with the result that the cut-off for ANZSIC Subdivision 36 was altered with effect from the 2004–05 collection year. More information about how the initial cut-offs were set is shown in Appendix 1: Survey Changes in the 2001–02 and 2002–03 issue of this publication.

**11** The current cut-offs are:

- \$1,400,000 for ANZSIC Subdivision 36
- \$1,000,000 for ANZSIC Subdivision 37.

PRODUCING UTILITIES  
INDUSTRY ESTIMATES

**12** Therefore, the 2004–05 utilities industries estimates have been derived as follows:

- A mail-out survey (which included a sample component for businesses classified to WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES) was used to estimate the contribution of:
  - all businesses in the ABS maintained population

PRODUCING UTILITIES  
INDUSTRY ESTIMATES *continued*

- those businesses at or above the cut-offs in the ATO maintained population
- 'tax exempt' businesses, that are not required to complete business income tax returns (and so would otherwise not contribute to the statistics).
- For the balance of businesses (i.e. in the ATO maintained population below the cut-offs for their ANZSIC category), their contribution was sourced from BIT data, with some more detailed breakdowns produced using proportional relationships derived from the sample survey. The derivation of employment estimates is discussed below.

*Income contribution by unit type*

**13** An indication of the importance of these populations to the data can be gained from their contribution to the national estimate of sales and service income. The following table shows their proportional contributions to this estimate for each of the utilities industries.

CONTRIBUTION TO SALES AND SERVICE INCOME (a)

	ELECTRICITY SUPPLY UNITS USING			GAS SUPPLY UNITS USING			WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES UNITS USING		
	<i>ATO BIT data</i>	<i>Directly collected data</i>	<i>Total</i>	<i>ATO BIT data</i>	<i>Directly collected data</i>	<i>Total</i>	<i>ATO BIT data</i>	<i>Directly collected data</i>	<i>Total</i>
	%	%	%	%	%	%	%	%	%
<i>ABSBR unit</i>	0.2	4.2	4.4	1.1	9.5	10.6	1.3	5.6	6.8
<i>ABN unit</i>	—	95.6	95.6	—	89.4	89.4	—	93.2	93.2
<b>Total</b>	<b>0.2</b>	<b>99.8</b>	<b>100.0</b>	<b>1.1</b>	<b>98.9</b>	<b>100.0</b>	<b>1.3</b>	<b>98.8</b>	<b>100.0</b>

— nil or rounded to zero (including null cells)

(a) Includes rent, leasing and hiring income.

EMPLOYMENT ESTIMATES

**14** One implication of the use of BIT data in these statistics is that no direct measure of employment is available for those units which contribute to the estimates through the BIT source. This is because the ATO does not collect information about employment numbers. Unlike financial variables, which have a direct relationship to the data available from the BIT files, employment data are not amenable to being modelled using the same techniques. Hence a different methodology is used in order to estimate employment for those units whose data are sourced from the BIT files. For each business, an estimate of employee numbers is derived from its value of wages and salaries (if any) using industry averages. For unincorporated businesses, these employee numbers are then added to an estimate of its number of working proprietors or partners, to produce an estimate of the total employment of the business. These estimates are then aggregated to the directly collected data to produce the estimates in this publication.

## TECHNICAL NOTE 2      **DATA RELIABILITY** .....

### ABS SURVEY DATA

**1** For 2004–05, the utilities collection was, in part, a sample survey designed primarily to deliver estimates at the industry group level for Australia. State and territory estimates for ANZSIC Group 361 ELECTRICITY SUPPLY are also produced.

### SAMPLE ERROR

**2** The majority of data in this publication have been obtained from a sample of utilities industries businesses. As such, these data are subject to sampling variability; that is, they may differ from the figures that would have been produced if the data had been obtained from all utilities industries businesses in the population. The measure of the likely difference as used by the ABS is given by the standard error, which indicates the extent to which an estimate might have varied by chance because the data were obtained from only a sample of units. There are about two chances in three that a sample estimate will differ by less than one standard error from the figure that would have been obtained if the data had been obtained from all units, and about 19 chances in 20 that the difference will be less than two standard errors.

**3** The standard error can also be expressed as a percentage of the estimate, and this is known as the relative standard error (RSE). RSEs at the industry group level for selected data items representing the full range of data contained in this publication are shown in Technical Note 3. Detailed RSEs can be made available on request.

**4** Note that RSEs for ANZSIC Groups 361 ELECTRICITY SUPPLY and 362 GAS SUPPLY are generally very small: this is because the only sampled contribution to these estimates has been from BIT data. See Technical Note 1 paragraph 13 for details.

**5** The size of the RSE may be a misleading indicator of the reliability of some of the estimates for trading profit, OPBT, EBIT and IVA. Estimates of these variables may legitimately include positive and negative values, reflecting the financial performance of individual businesses. In these cases, the aggregated estimate can be small relative to the contribution of individual businesses, resulting in a standard error which is large relative to the estimate.

### NON-SAMPLE ERROR

**6** All data presented in this publication are subject to non-sample error.

**7** The imprecision due to sampling variability, which is measured by the standard error, should not be confused with inaccuracies that may occur because of inadequacies in available sources from which the population frame was compiled, imperfections in reporting by providers, errors made in collection such as in recording and coding data, and errors made in processing data. Inaccuracies of this kind are referred to collectively as non-sampling error and may occur in any enumeration, whether a full census or a sample.

**8** Although it is not possible to quantify non-sampling error, every effort is made to reduce it to a minimum. Collection forms are designed to be easy to complete and assist businesses to report accurately. Efficient and effective operating procedures and systems are used to compile the statistics. The ABS compares data from different ABS (and non-ABS) sources relating to the one industry, to ensure consistency and coherence.

TECHNICAL NOTE 3      **RELATIVE STANDARD ERRORS** .....

RELATIVE STANDARD  
ERRORS, KEY DATA,  
2004-05

	<i>Employment at end of June</i>	<i>Sales and service income(a)</i>	<i>Wages and salaries(b)</i>	<i>Industry value added</i>
	%	%	%	%
.....				
361 ELECTRICITY SUPPLY				
NSW	—	0.1	0.1	0.1
Vic.	0.4	0.2	0.5	0.4
Qld	0.4	0.4	0.3	0.8
SA	—	—	—	—
WA	0.2	0.9	0.1	0.9
Tas.	—	—	—	—
NT	—	—	—	—
ACT	—	0.1	—	0.3
<b>Aust.</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>
.....				
362 GAS SUPPLY				
<b>Aust.</b>	<b>0.1</b>	—	<b>0.1</b>	<b>0.1</b>
.....				
370 WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES				
<b>Aust.</b>	<b>2.0</b>	<b>2.1</b>	<b>1.7</b>	<b>2.0</b>
.....				

— nil or rounded to zero (including null cells)  
(a) Includes rent, leasing and hiring income.  
(b) Excludes the drawings of working proprietors.

## GLOSSARY

Data presented in this publication have been compiled from the standard financial accounts of businesses; therefore, the definition of each reported item aligns closely with that adopted in standard business accounting practice. Definitions of particular terms, as used in this publication, are also included.

<b>ABN unit</b>	The statistical unit used by the ABS to represent businesses, and for which statistics are reported, in most cases. The ABN unit is the business unit which has registered for an ABN, and thus appears on the ATO administered Australian Business Register. In most cases, the ABN unit represents the legal entity. This unit is suitable for ABS statistical needs when the business is simple in structure. For more significant and diverse businesses where the ABN unit is not suitable for ABS statistical needs, the statistical unit used is the type of activity unit (TAU).
<b>Acquisitions</b>	See the various capital expenditure entries.
<b>Bad and doubtful debts</b>	Represents the amount of bad and doubtful debts written-off, net of bad and doubtful debts previously written-off but recovered.
<b>Business</b>	<p>A business is generally considered to be a person, partnership, or corporation engaged in business or commerce; for example, an electricity generating business.</p> <p>In this publication, the term represents the ABN unit or type of activity unit (TAU), which are the two standard statistical units for the 2004–05 utilities collection (these two units are explained under separate entries). For details, see Explanatory Notes paragraphs 5–9.</p>
<b>Business Activity Statement (BAS) total sales</b>	Represented by the form item G1 <i>Total sales</i> on businesses' Business Activity Statements, supplied by them to the ATO. This item comprises all payments and other consideration (including GST) received during the nominated tax period for supplies made in the course of business.
<b>Capital expenditure on dwellings, other buildings and structures</b>	Capital expenditure incurred acquiring dwellings, other buildings and structures, including roads, warehouses, offices, transmission lines, pipelines, mine development, pumping stations, dams and bridges. Represents expenditure before deduction of trade-in allowances, and includes expenses (except capitalised interest) incurred during the year in acquiring such assets.
<b>Capital expenditure on other assets (including land and intangible assets)</b>	Capital expenditure incurred acquiring other assets (including land and intangible assets). Intangible asset purchases may include items such as patents, licences and goodwill. Also included is computer software capitalised, including capitalised computer software licence fees, installation costs, the purchase or development of large databases, software developed in-house (but excluded is software maintenance expenditure), and capitalised payments to contractors and consultants for software development. Note that if the cost of software and hardware cannot be separated, the total cost is included in acquisition of plant, machinery and equipment.
<b>Capital expenditure on plant, machinery and equipment</b>	Capital expenditure incurred acquiring plant, machinery and other equipment, including motor vehicles. Includes expenses (except capitalised interest) incurred during the year in acquiring such assets.
<b>Capital work done for own use</b>	Capitalised work done by the employees or proprietors of a business in manufacturing, constructing, installing or repairing assets, in mineral and petroleum exploration activities, and the in-house development of computer software, for use by the business or for rental or lease. This work is valued at the capitalised costs of the materials and the wages and salaries involved.

<b>Capitalised purchases</b>	Goods drawn from inventories for use as fixed tangible assets in capital work done by the employees or proprietors of a business for use by the business or for rental or lease.
<b>Capitalised wages and salaries</b>	Capitalised payments for work done by employees of a business in manufacturing, constructing, installing or repairing assets, in mineral and petroleum exploration activities, and in the in-house development of computer software, for use by the business or for rental or lease.
<b>Chain volume measures</b>	<p>Annually-reweighted chain Laspeyres volume indexes referenced to the current price values in a chosen reference year (i.e. the year when the quarterly chain volume measures sum to the current price annual values). Chain Laspeyres volume measures are compiled by linking together (compounding) movements in volumes, calculated using the average prices of the previous financial year, and applying the compounded movements to the current price estimates of the reference year. Quarterly chain volume estimates are benchmarked to annual chain volume estimates, so that the quarterly estimates for a financial year sum to the corresponding annual estimate.</p> <p>Generally, chain volume measures are not additive. In other words, component chain volume measures do not sum to a total in the way original current price components do. In order to minimize the impact of this property, the ABS uses the latest base year as the reference year. A change in reference year changes levels but not growth rates, although some revision to recent growth rates can be expected because of the introduction of a more recent base year (and revisions to the current price estimates underlying the chain volume measures).</p> <p>For details, see <i>Australian National Accounts: National Income, Expenditure and Product, June Quarter 2006</i> (cat. no. 5206.0).</p>
<b>Change in inventories</b>	The value of total closing inventories less total opening inventories.
<b>Closing inventories</b>	The value of all inventories of finished goods (including mineral ores), work-in-progress (less progress payments billed), raw materials, fuels and containers at the end of the reporting period.
<b>Contract, subcontract and commission expenses</b>	Payments to other businesses and self-employed persons for work done or sales made on a contract or commission basis. Payments to persons paid by commission without a retainer are also included. For the electricity supply industry, includes transmission fees, distribution fees, network charges and grid fees. (Pipeline charges are included in freight and cartage expenses.)
<b>Cost of sales</b>	The sum of purchases, selected expenses and opening inventories less closing inventories. Any capitalised purchases or capitalised wages and salaries are excluded.
<b>Current prices</b>	Estimates at current prices are valued at the prices of the period to which the observation relates. For example, estimates for 2004–05 are valued using 2004–05 prices. This contrasts to chain volume measures, where the prices used in valuation refer to the prices of a previous period.
<b>Depreciation and amortisation</b>	Depreciation/amortisation allowed on tangible and intangible assets. Includes, for lessees only, depreciation/amortisation in respect of finance leases.
<b>Disposal of assets</b>	Proceeds from the sale of tangible assets (plant, machinery, equipment, land, dwellings, other buildings and structures), and intangible assets (such as patents, licences and goodwill). Includes the disposal of motor vehicles.
<b>Earnings before interest and tax (EBIT)</b>	Profit prior to the deduction of interest expenses and income tax.
<b>Electricity supply industry</b>	Comprises businesses classified to ANZSIC Group 361 ELECTRICITY SUPPLY. This group consists of units mainly engaged in the generation, transmission or distribution of electricity. It excludes units mainly engaged in the construction, repair or maintenance of electricity transmission towers or lines, power station buildings or water storage dams; included in Division E CONSTRUCTION.

<b>Employer contributions into superannuation</b>	Includes salary sacrifice. Also includes all employer contributions to superannuation funds (including the employer productivity contribution) and provisions for employer contributions to superannuation funds. Employee contributions are excluded.
<b>Employment at end of June</b>	<p>Number of persons working for utilities industries businesses during the last pay period ending in June of the given year. Includes working proprietors and partners, employees absent on paid or prepaid leave, employees on workers' compensation who continue to be paid through the payroll, and contract miners paid through the payroll. Excludes persons paid by commission only, non-salaried directors, and self-employed persons such as consultants and contractors.</p> <p>For details of how employment estimates have been derived, see Technical Note 1 paragraph 14.</p>
<b>Enterprise</b>	<p>An institutional unit comprising:</p> <ul style="list-style-type: none"> <li>■ a single legal entity or business entity, or</li> <li>■ more than one legal entity or business entity within the same enterprise group and in the same institutional sub-sector (i.e. they are all classified to a single Standard Institutional Sector Classification of Australia (SISCA) sub-sector).</li> </ul>
<b>Enterprise group</b>	A unit covering all the operations in Australia of one or more legal entities under common ownership and/or control. It covers all the operations in Australia of legal entities which are related in terms of the current Corporations Law (as amended by the <i>Corporations Legislation Amendment Act 1991</i> ), including legal entities such as companies, trusts and partnerships. Majority ownership is not required for control to be exercised.
<b>Freight and cartage expenses</b>	Includes pipeline charges, and handling charges and payments to owner/drivers for delivery of minerals. Excludes the cost of delivery by own vehicles and employees, overseas freight and cartage on goods exported, and payments to couriers.
<b>Funding from government for operational costs</b>	Funding from federal, state and/or local government for operational costs (e.g. wages and salaries, rent, food). Includes bounties, subsidies, export grants, apprenticeship and traineeship schemes, community service obligation, and amounts reimbursed under the Australian Government's Energy Grants (Credits) Scheme.
<b>Funding from government for specific capital items</b>	Includes capital grants, and low interest or interest free loans made by government to businesses to encourage expenditure on specific equipment (e.g. environmental protection equipment).
<b>Gas supply industry</b>	<p>Comprises businesses classified to ANZSIC Group 362 GAS SUPPLY. This group consists of units mainly engaged in the manufacture of town gas from coal and/or petroleum or in the distribution of manufactured town gas, natural gas or liquefied petroleum gas through a system of mains, including pipelines operated on own account.</p> <p>It excludes units mainly engaged in:</p> <ul style="list-style-type: none"> <li>■ treating natural gas to produce purified natural gas or liquefied hydrocarbon gases, or operating natural gas absorption or separation plants; included in Division B MINING</li> <li>■ manufacturing liquefied petroleum gases in conjunction with petroleum refining; included in Division C MANUFACTURING</li> <li>■ construction, repair or maintenance of gas mains; included in Division E CONSTRUCTION</li> <li>■ wholesaling or retailing liquefied petroleum gas in bottles or bulk (except through a mains system); included in Division F WHOLESALE TRADE</li> <li>■ operating pipelines for the transport of gas on a contract or fee basis; included in Division I TRANSPORT AND STORAGE.</li> </ul>
<b>Gross value added</b>	The value of output at basic prices minus the value of intermediate consumption at purchasers' prices. The term is used to describe gross product by industry and by institutional sector. Basic prices valuation of output removes the distortion caused by variations in the incidence of commodity taxes and subsidies across the output of

<b>Gross value added <i>continued</i></b>	individual industries. For details, please refer to <i>Australian National Accounts: National Income, Expenditure and Product, June Quarter 2006</i> (cat. no. 5206.0).																
<b>Industry value added (IVA)</b>	<p>IVA represents the value added by an industry to the intermediate inputs used by the industry. IVA is the measure of the contribution by utilities industries businesses to gross domestic product.</p> <p>The derivation of IVA is as follows:</p> <table border="0" style="margin-left: 20px;"> <tr> <td></td> <td>Sales and service income</td> </tr> <tr> <td><i>plus</i></td> <td>Funding from federal, state and/or local government for operational costs</td> </tr> <tr> <td><i>plus</i></td> <td>Capital work done for own use</td> </tr> <tr> <td><i>plus</i></td> <td>Closing inventories</td> </tr> <tr> <td><i>less</i></td> <td>Opening inventories</td> </tr> <tr> <td><i>less</i></td> <td>Purchases of goods and materials</td> </tr> <tr> <td><i>less</i></td> <td>Other intermediate input expenses (for details, see the entry for total expenses)</td> </tr> <tr> <td><i>equals</i></td> <td>IVA</td> </tr> </table> <p>However, it should be noted that IVA is a measure of economic activity and is not equivalent to operating profit before tax (OPBT). Wage and salary expenses and most other labour costs are not taken into account in its calculation, and nor are most insurance premiums, interest expenses or depreciation and a number of lesser expenses (see the entry for total expenses for further detail). On the income side, OPBT includes total income whereas IVA only includes sales and service income.</p> <p>The industry value added variable is related to, but different from, the national accounting variable gross value added immediately above.</p> <p>For national accounts purposes, gross value added is calculated by adjusting industry value added to include General Government units and to also account for some other effects.</p>		Sales and service income	<i>plus</i>	Funding from federal, state and/or local government for operational costs	<i>plus</i>	Capital work done for own use	<i>plus</i>	Closing inventories	<i>less</i>	Opening inventories	<i>less</i>	Purchases of goods and materials	<i>less</i>	Other intermediate input expenses (for details, see the entry for total expenses)	<i>equals</i>	IVA
	Sales and service income																
<i>plus</i>	Funding from federal, state and/or local government for operational costs																
<i>plus</i>	Capital work done for own use																
<i>plus</i>	Closing inventories																
<i>less</i>	Opening inventories																
<i>less</i>	Purchases of goods and materials																
<i>less</i>	Other intermediate input expenses (for details, see the entry for total expenses)																
<i>equals</i>	IVA																
<b>Industry value added per person employed</b>	IVA of utilities industries businesses which operated during the given year ended 30 June divided by the number of persons employed by utilities industries businesses during the last pay period ending in June of that same year.																
<b>Industry value added to selected labour costs</b>	IVA of utilities industries businesses which operated during the given year ended 30 June divided by their selected labour costs, i.e. industry value added / selected labour costs.																
<b>Insurance premiums</b>	Premiums for fire, general, accident, public liability, optional third-party and comprehensive motor vehicle insurance, professional indemnity insurance, and common law liability. Excludes workers' compensation insurance premiums/costs (included in labour costs), compulsory third party motor vehicle insurance premiums (included in motor vehicle running expenses), and reinsurance premiums paid.																
<b>Interest coverage</b>	The number of times that businesses can meet their interest expenses from their earnings before interest and tax, i.e. earnings before interest and tax / interest expenses.																
<b>Interest expenses</b>	Includes interest paid on loans from banks, finance companies, partners, and related or unrelated businesses, and in respect of finance leases. Also includes interest equivalents such as hedging costs, and expenses associated with discounted bills. Excludes bank charges other than interest, and capital repayments.																
<b>Interest income</b>	Includes interest received from deposits in banks and non-bank financial institutions, loans, advances, finance leases and earnings on discounted bills. Excludes capital payments received, and charges between companies in the same TAU.																
<b>Intermediate input expenses</b>	For details, see the entry for total expenses.																

<b>Intermediate inputs</b>	<p>Intermediate inputs consist of materials and certain services which are used up in the production process.</p> <p>The calculation is:</p> <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">Intermediate input expenses (for details, see the entry for total expenses)</td> </tr> <tr> <td style="text-align: right;"><i>plus</i></td> <td style="text-align: right;">Opening inventories</td> </tr> <tr> <td style="text-align: right;"><i>less</i></td> <td style="text-align: right;">Closing inventories</td> </tr> <tr> <td style="text-align: right;"><i>equals</i></td> <td style="text-align: right;">Intermediate inputs</td> </tr> </table>		Intermediate input expenses (for details, see the entry for total expenses)	<i>plus</i>	Opening inventories	<i>less</i>	Closing inventories	<i>equals</i>	Intermediate inputs
	Intermediate input expenses (for details, see the entry for total expenses)								
<i>plus</i>	Opening inventories								
<i>less</i>	Closing inventories								
<i>equals</i>	Intermediate inputs								
<b>Inventories – opening/closing</b>	The value of all inventories of finished goods (including mineral ores), work-in-progress (less progress payments billed), raw materials, fuels and containers at the beginning and end of the reporting period respectively.								
<b>Investment rate (value added)</b>	The proportion of industry value added (IVA) used to acquire capital, i.e. (capital expenditure / IVA) x 100.								
<b>Motor vehicle running expenses</b>	Includes expenditure on registration fees, compulsory third-party insurance premiums, fuel, and repair and maintenance expenses. Excludes expenses for off-road motor vehicles (e.g. fork lifts, mobile plant), and lease payments, optional third party and comprehensive motor vehicle insurance premiums, and depreciation.								
<b>Natural resource royalties expenses</b>	Includes payments under mineral lease arrangements, and resource rent taxes and royalties. Excludes payments for royalties from intellectual property (e.g. patents and copyrights) and expensed computer software licence fees (both of which are included under other operating expenses), and capitalised computer software licence fees (included under capital expenditure). See the entry for total expenses for the definition of other operating expenses.								
<b>Net capital expenditure</b>	The value of total capital expenditure less proceeds received from the disposal of assets.								
<b>Opening inventories</b>	The value of all inventories of finished goods (including mineral ores), work-in-progress (less progress payments billed), raw materials, fuels and containers at the beginning of the reporting period.								
<b>Operating profit before tax (OPBT)</b>	Profit before extraordinary items are brought to account and prior to the deduction of income tax and appropriations to owners (e.g. dividends paid), i.e. total income – total expenses + change in inventories.								
<b>Other income</b>	Includes natural resource royalties income, dividend income and other income such as net profit (or loss) on the sale of fixed tangible assets, net profit (or loss) resulting from variations in foreign exchange rates/transactions, and funding from federal, state and/or local government for specific capital items. It excludes extraordinary profits or losses, i.e. those not associated with the normal operations of the business and of a non-recurring nature.								
<b>Other intermediate input expenses</b>	Comprises intermediate input expenses less current purchases of goods, materials and services used in production (i.e. excludes any capitalised purchases). Further detail is included in the entry for total expenses.								
<b>Other selected expenses</b>	Includes expenditure on management fees/charges paid to related and unrelated businesses, bank charges other than interest, audit and other accounting expenses, legal fees, advertising expenses, postal and telecommunication expenses, office supplies and printing expenses, travelling, accommodation and entertainment expenses, staff training, payments for royalties from intellectual property (e.g. patents and copyrights), payments to employment agencies for staff, payroll tax, fringe benefits tax, land tax, land rates, and computer software expenses not capitalised. Some of these expense items are treated as intermediate input expenses in the calculation of industry value added. For details, see the entry for total expenses.								
<b>Production volumes</b>	See the entry for chain volume measures.								

<b>Profit margin</b>	The percentage of sales and service income available as operating profit before tax (OPBT), i.e. $(OPBT / \text{sales and service income}) \times 100$ .
<b>Purchases and selected expenses</b>	Purchases of goods and materials, rent, leasing and hiring expenses, freight and cartage expenses, motor vehicle running expenses, repair and maintenance expenses, contract, subcontract and commission expenses, and other selected expenses.
<b>Purchases of goods and materials</b>	Purchases of materials, components, explosives, containers, packaging materials, fuels, electricity and water, and purchases of other goods for resale (including water for distribution). Also includes capitalised purchases. Excludes purchases of parts and fuels for motor vehicles, but includes fuels for off-road vehicles, such as forklifts and mobile plant.
<b>Reference period</b>	For each collection year, businesses are asked to report data for the financial year ended 30 June. However, if a business has a different financial year, it is asked to report (apart from employment) for the 12 month period which ends between 1 October of the previous year and 30 September of the current year. This period is then used as a substitute for the financial year ended 30 June. For example, for the 2004–05 collection, a business may have reported data for the year ended 31 December 2004.
<b>Rent, leasing and hiring expenses</b>	Payments for the rent, leasing and hiring of land, dwellings, other buildings and structures, motor vehicles, plant, machinery and other equipment (including telecommunication equipment). Includes operating lease payments; excludes finance lease payments.
<b>Rent, leasing and hiring income</b>	For details, see the entry for sales and service income.
<b>Repair and maintenance expenses</b>	Includes computer and communication software and hardware maintenance, and repair and maintenance of off-road motor vehicles. Excludes wages and salaries of own employees and the repair and maintenance costs of on-road motor vehicles.
<b>Sales and service income</b>	Includes: <p><i>Sales of goods</i></p> <ul style="list-style-type: none"> <li>■ whether or not produced by the business (including goods produced for the business on a commission basis). Includes sales or transfers to related businesses or to overseas branches of the business, progress payments relating to long term contracts if they are billed in the period, delivery charges not separately invoiced to customers, and sales of goods produced by the business from crude materials purchased. Excludes excise and duties received on behalf of the Government, sales of assets, royalties income, interest income, and delivery charges separately invoiced to customers. Exports are valued free on board (f.o.b.) (i.e. export freight charges are excluded).</li> <li>■ includes income from 'specific' rates (e.g. water, sewerage, irrigation and drainage rates).</li> </ul> <p><i>Income from services</i></p> <ul style="list-style-type: none"> <li>■ includes income from consulting services, repair, maintenance and service income and fees, contract, subcontract and commission income, management fees/charges from related and unrelated businesses, installation charges, delivery charges separately invoiced to customers and royalties from intellectual property (e.g. patents and copyrights). For the electricity supply and gas supply industries, also includes transmission and distribution income. Excludes natural resource royalties income, interest income, and delivery charges not separately invoiced to customers. Under current international standards, rent, leasing and hiring income (except from finance leases) is also classified as service income.</li> </ul>

<b>Sales and service income</b> <i>continued</i>	<p><i>Rent, leasing and hiring income</i></p> <ul style="list-style-type: none"> <li>■ derived from the ownership of land, dwellings, buildings and other structures, motor vehicles, plant, machinery and other equipment. Excludes royalties from mineral leases, income from finance leases and payments received under hire purchase arrangements. This item is included in sales and service income, but is not separately published.</li> <li>■ These are valued net of discounts given and exclusive of goods and services tax (GST). Extraordinary items are also excluded.</li> </ul>
<b>Sales and service income per person employed</b>	The value of sales and service income of utilities industries businesses which operated during the given year ended 30 June divided by the number of persons employed by utilities industries businesses during the last pay period ending in June of that same year.
<b>Selected expenses</b>	See the entry for purchases and selected expenses.
<b>Selected labour costs</b>	See the entry for total expenses.
<b>Selected labour costs per person employed</b>	The value of selected labour costs paid by utilities industries businesses which operated during the given year ended 30 June divided by the number of persons employed by utilities industries businesses during the last pay period ending in June of that same year.
<b>Standard Institutional Sector Classification of Australia (SISCA)</b>	The SISCA is the central classification among ABS Standard Economic Sector Classifications. It is based on the System of National Accounts 1993 (SNA93) institutional sector classification, and includes the sectors: non-financial corporations, financial corporations, general government, households, non-profit institutions serving households, and rest of the world (which includes only non-resident units, these being excluded from all other sectors). For more information, please refer to <i>Standard Economic Sector Classifications of Australia (SESCA)</i> (cat. no. 1218.0).
<b>Superannuation</b>	See the entry for employer contributions into superannuation.
<b>Total expenses</b>	<p>For the purposes of calculating economic and accounting variables for industries, expenses incurred by businesses are divided into several categories. However, some expenses are excluded entirely from all such calculations: excluded are capital repayments, costs associated with the transfer of real estate, dividends, donations, export freight charges, extraordinary losses, foreign exchange losses, goods and services tax (GST), excise and duties payable to governments, income tax and other direct taxes, losses on asset sales, and unrealised gains/losses from revaluations of assets.</p> <p>Those expenses used for calculations are categorised as follows:</p> <p><i>Intermediate input expenses</i></p> <p>This category covers the major expenses incurred by businesses in producing and distributing goods and services (except labour costs), and comprises two sub-categories of operating expenses:</p> <p>Purchases of goods, materials and services used in production, which include:</p> <ul style="list-style-type: none"> <li>■ purchases of materials, components, explosives, containers and packaging materials, electricity, fuels and water</li> <li>■ purchases of goods, including electricity, gas and water for distribution, for resale</li> <li>■ motor vehicle running expenses</li> <li>■ freight and cartage expenses</li> <li>■ repair and maintenance expenses</li> <li>■ rent, leasing and hiring expenses (excluding finance lease payments)</li> <li>■ contract, subcontract and commission expenses.</li> </ul> <p>Expenses related to the sale of goods and administrative expenses, which include:</p> <ul style="list-style-type: none"> <li>■ management fees/charges paid to related and unrelated businesses</li> <li>■ bank charges other than interest</li> <li>■ audit and other accounting expenses</li> <li>■ legal fees</li> <li>■ advertising expenses</li> </ul>

**Total expenses** *continued*

- postal and telecommunication expenses
- office supplies and printing expenses
- travelling, accommodation and entertainment expenses
- staff training
- payments for royalties from intellectual property (e.g. patents and copyrights)
- payments to employment agencies for staff.

Excluded from intermediate input expenses are selected labour costs and other operating expenses as detailed below:

*Selected labour costs*

- wages and salaries (including provisions for employee entitlements)
- employer contributions into superannuation (including salary sacrifice)
- workers' compensation premiums/costs.

*Other operating expenses*

Some expenses are excluded from the calculation of intermediate input expenses and selected labour costs, but are included in the calculation of the accounting variable operating profit before tax (OPBT).

For the ELECTRICITY SUPPLY and GAS SUPPLY industries, these expense items are included in tables 2.2 and 3.1 as:

individually listed items:

- depreciation and amortisation
- interest expenses
- insurance premiums (except workers' compensation and compulsory third party motor vehicle insurance premiums)
- natural resource royalties expenses
- bad and doubtful debts

part of *other selected expenses*:

- computer software expenses not capitalised by businesses
- land tax and land rates
- mineral/petroleum exploration expenses not capitalised by businesses
- other expenses not capitalised by businesses
- payroll tax and fringe benefits tax.

For the WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES industry, these items are included in table 4.1 as:

part of *purchases and selected expenses*:

- computer software expenses not capitalised by businesses
- land tax and land rates
- mineral/petroleum exploration expenses not capitalised by businesses
- other expenses not capitalised by businesses
- payroll tax and fringe benefits tax

part of *total expenses*:

- depreciation and amortisation
- interest expenses
- insurance premiums (except workers' compensation and compulsory third party motor vehicle insurance premiums)
- natural resource royalties expenses
- bad and doubtful debts.

**Total factor income**

That part of the cost of producing the gross domestic product which consists of gross payments to factors of production (labour and capital). It represents the value added by these factors in the process of production and is equivalent to gross domestic product less taxes plus subsidies on production and imports. For details, please refer to *Australian National Accounts: State Accounts, 2004–05* (cat. no. 5220.0).

<b>Total income</b>	Comprises sales and service income, interest income, funding from government for operational costs, and other income (for details, see the entries for these items).
<b>Trading profit</b>	<p>A measure of profit directly attributable to trading in goods and services. It is derived by subtracting the cost of sales from the value of sales and service income.</p> <p>It should not be inferred that all of this profit is available as surplus, as other expenses such as selected labour costs, depreciation, insurance premiums, royalties, bad debts and interest have not been taken into account. Also, other income items such as funding from government and interest income have not been included.</p>
<b>Type of activity unit (TAU)</b>	<p>The TAU is the statistical unit used by the ABS to represent businesses, and for which statistics are reported, in cases where the ABN unit is not suitable for ABS statistical needs.</p> <p>The TAU comprises one or more business entities, sub-entities or branches of a business entity within an enterprise group that can report production and employment data for similar economic activities. When a minimum set of data items are available, a TAU is created which covers all the operations within an industry subdivision (and the TAU is classified to the relevant subdivision of the ANZSIC). Where a business cannot supply adequate data for each industry, a TAU is formed which contains activity in more than one industry subdivision.</p>
<b>Utilities industries</b>	Businesses classified to ANZSIC Division D ELECTRICITY, GAS AND WATER SUPPLY. This division comprises three industry groups: 361 ELECTRICITY SUPPLY, 362 GAS SUPPLY and 370 WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES. See Explanatory Notes paragraphs 5–20 for details.
<b>Wages and salaries</b>	The gross wages and salaries (including capitalised wages and salaries) of all employees of the business. The item includes severance, termination and redundancy payments, salaries and fees of directors and executives, retainers and commissions of persons who received a retainer, bonuses, and annual and other types of leave. Provision expenses for employee entitlements (e.g. provisions for annual leave and leave bonus, long service leave, sick leave, and severance, termination and redundancy payments) are also included. Payments related to salary sacrifice and payments to self-employed persons such as consultants, contractors and persons paid solely by commission without a retainer are excluded. The drawings of working proprietors are also excluded.
<b>Wages and salaries per person employed</b>	The value of wages and salaries paid by utilities industries businesses which operated during the given year ended 30 June divided by the number of persons employed by utilities industries businesses during the last pay period ending in June of the same year.
<b>Wages and salaries to sales and service income ratio</b>	The wages and salaries paid by utilities industries businesses which operated during the year ended 30 June as a proportion of the sales and service income of utilities industries businesses which operated during the same year.
<b>Water supply, sewerage and drainage services industry</b>	<p>Comprises businesses classified to ANZSIC Group 370 WATER SUPPLY, SEWERAGE AND DRAINAGE SERVICES. This group comprises two classes:</p> <ul style="list-style-type: none"> <li>■ 3701 WATER SUPPLY           <p>This class consists of units mainly engaged in the storage, purification or distribution of water, by pipeline or carrier. It includes the operation of irrigation systems concerned with the supply of water to farms, and the supply of steam or hot water. This class excludes units mainly engaged in:</p> <ul style="list-style-type: none"> <li>■ operating irrigation systems concerned with the distribution of water on farms; included in Division A AGRICULTURE, FORESTRY AND FISHING</li> <li>■ the construction or repair of water storage dams, mains or pumping stations; included in Division E CONSTRUCTION.</li> </ul> </li> </ul>

**Water supply, sewerage and  
drainage services industry**  
*continued*

■ 3702 SEWERAGE AND DRAINAGE SERVICES

This class consists of units mainly engaged in operating sewerage or drainage systems or sewerage treatment plants. It excludes units mainly engaged in the construction or repair of sewerage or storm water drainage systems; included in Division E CONSTRUCTION.

**Workers' compensation  
premiums/costs**

Workers' compensation is a compulsory insurance cover to be taken out by all employers, except for self-insured workers, according to legislative schemes to cover employees suffering injury or disease in the course of or arising out of employment.





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