



# BUDGET PAPER NO.3



WESTERN AUSTRALIA  
STATE BUDGET 2017-18

**ECONOMIC AND FISCAL OUTLOOK**



# **2017-18 BUDGET**

## **ECONOMIC AND FISCAL OUTLOOK**

**Budget Paper No. 3**

**PRESENTED TO THE LEGISLATIVE ASSEMBLY  
ON 7 SEPTEMBER 2017**

**2017-18 Economic and Fiscal Outlook  
(Budget Paper No.3)**

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# 2017-18 BUDGET

## ECONOMIC AND FISCAL OUTLOOK

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# Under Treasurer's Certification

The *Government Financial Responsibility Act 2000* (GFRA) requires that the Treasurer release a Government Financial Strategy Statement at least once every year (section 11), and a Government Financial Projections Statement when the Budget Papers are tabled in the Legislative Assembly (section 12). The required content of these statements is detailed in sections 11 and 12 of the GFRA.

For the purposes of these GFRA requirements:

- the Government Financial Strategy Statement and associated financial targets disclosures are detailed in Chapter 3: *Fiscal Outlook and Strategy* in this Budget Paper;
- Chapters 1 to 7 and Appendix 1 in this Budget Paper, and the Government's summary Budget strategy detailed in Budget Paper No 1: *Budget Speech*, together form the 2017-18 Government Financial Projections Statement required by sections 12(1) and (2) of the GFRA. In particular:
  - Appendix 1 details the projections required by section 12(2)(a) of the GFRA;
  - Chapters 1, 2 and 3 detail the economic and other assumptions underlying the Budget projections (section 12(2)(b));
  - Chapter 3 details the compliance of the projections with the Government's financial targets (section 12(2)(c)); and
  - the Statement of Risks in Chapter 3 details the sensitivity of the projections to various economic and financial assumptions and other risks (sections 12(2)(d) and (e)); and
- this certification gives effect to the requirements of sections 12(2)(f) and 12(8).

The Government Financial Projections Statement presented in this Budget is based upon Government decisions that I was aware of or that were made available to me by the Treasurer, together with other relevant information known to Treasury, on or before the Budget planning cut-off date of 7 August 2017 and which have a material effect on the State's financial projections.



It has been prepared in accordance with applicable Australian Accounting Standards and Government Finance Statistics principles, and is based on the economic forecasts and assumptions outlined in Chapter 1: *Overview*, Chapter 2: *Economic Outlook* and Chapter 3: *Fiscal Outlook and Strategy*. These assumptions were finalised by Treasury, under my direction, on 7 August 2017.

Estimated actual data for 2016-17 included in this Budget are based on estimates prepared by agencies. Final audited outcomes for 2016-17 will be available in the *Annual Report on State Finances* (ARSF), to be released by 28 September 2017. While agencies have sought to align wherever possible their estimates for 2016-17 with final results, there will be variations between the estimated actuals in this Budget and the final audited outcomes to be reported in the ARSF as end of year accruals, valuations and actuarial assessments are finalised. Key variations will be detailed in the ARSF.

A handwritten signature in black ink, appearing to read 'A. Barnes', written in a cursive style.

Michael Barnes  
UNDER TREASURER

7 September 2017

# Overview

## HIGHLIGHTS

- After bottoming at just 0.25% in 2016-17, growth in the State's economy is forecast to recover to 3% in 2017-18. Employment growth is also forecast to recover, with nearly 20,000 jobs expected to be created in 2017-18.
- However, the State's revenue base remains under considerable pressure, with the general government revenue estimates revised down by a total of \$5 billion over the period 2016-17 to 2019-20 since the *Pre-election Financial Projections Statement* (PFPS).
- In response, the Government has constrained average annual expense growth to just 1.9% over the forward estimates period and implemented a comprehensive package of Budget repair measures that reduces net debt by \$3.5 billion, and ensures that the whole community contributes as fairly and evenly as possible to the critical task of repairing the State's finances.
- In addition, the 2017-18 Budget accommodates \$3.7 billion in election commitments, but the net debt impact of these commitments has been contained to \$603 million due to offsetting savings and reprioritisation of existing spending.
- The Government has also adopted a new set of financial targets in this Budget. Consistent with these targets, the general government operating balance is expected to improve in each year of the forward estimates period, from an estimated \$3 billion deficit in 2016-17 to a \$2.3 billion deficit in 2017-18 and a forecast return to surplus (of \$1.3 billion) in 2020-21.

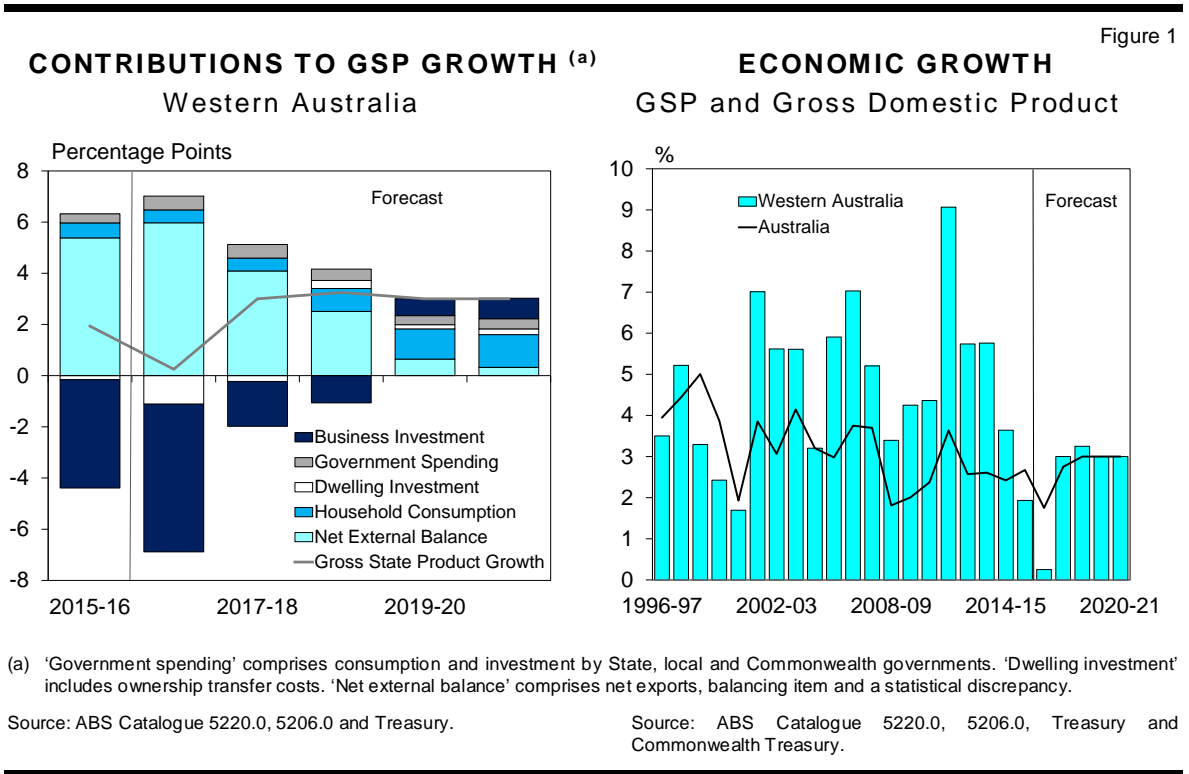
## Economic and Fiscal Outlook

The Western Australian economy is showing signs of recovery, with economic growth (as measured by Gross State Product (GSP)) forecast to lift to 3% in 2017-18, after bottoming at an estimated 0.25% in 2016-17. This reflects continued strong growth in net exports, as well as reduced 'drag' from business investment (figure below, left-hand panel).

The tapering decline in business investment (from an estimated \$14.8 billion fall in 2016-17 to a \$4.5 billion fall in 2017-18) reflects that the State's large LNG projects are moving into their final stages of construction and commissioning.

Reflecting trends in investment, the rate at which the domestic economy (as measured by State Final Demand) is contracting is also expected to moderate in 2017-18, after an estimated record decline of 7% in 2016-17.

Recent signs of recovery in the labour market are expected to continue, with employment forecast to start growing again in 2017-18. However, elevated spare capacity in the labour market is expected to keep wage growth contained which, combined with continued weakness in the State’s housing market, is expected to see growth in the Consumer Price Index remain below trend over the forecast period.



Following the moderation in economic growth over the past five years, the Western Australian economy is expected to continue to expand in every year of the forecast period, at a rate broadly in line with the national economy (figure above, right-hand panel).

The economic assumptions underpinning the 2017-18 Budget are outlined in the table below.

Table 1

**KEY BUDGET ASSUMPTIONS**  
Western Australia

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
Real Gross State Product growth (%)	1.9	0.25	3.0	3.25	3.0	3.0
Real State Final Demand growth (%)	-4.0	-7.0	-1.5	1.0	3.25	4.0
Employment growth (%) <sup>(a)</sup>	-0.4	-0.8	1.5	1.5	2.0	2.25
Unemployment rate (%) <sup>(b)(c)</sup>	6.0	6.2	6.0	6.0	5.5	5.5
Wage Price Index growth (%) <sup>(c)</sup>	1.9	1.4	1.5	1.75	2.75	3.0
Perth Consumer Price Index growth (%) <sup>(c)</sup>	1.0	0.6	1.0	1.5	2.0	2.5
Iron ore price, \$US/t, CFR <sup>(b)(c)(d)</sup>	50.9	68.5	67.2	61.0	57.2	59.2
Iron ore volumes (million tonnes)	748	795	817	827	830	835
Crude oil price (\$US per barrel) <sup>(b)(c)</sup>	43.4	49.7	51.6	53.1	53.8	54.8
Exchange rate \$US/\$A (US cents) <sup>(b)(c)</sup>	72.8	75.4	79.0	78.7	78.3	77.8
Population growth (%)	0.7	0.7	1.0	1.2	1.5	1.8
Interest rate assumptions (%): <sup>(b)</sup>						
- Public Bank Account interest earnings	2.4	2.1	1.9	1.8	1.8	1.8
- Consolidated Account borrowings	3.5	3.1	3.0	3.1	3.2	3.4

(a) Employment actuals for 2015-16 and 2016-17 differ from those published by the ABS as they include Treasury's estimate of the impact of the downward revision to Western Australia's population as a result of the 2016 Census. The ABS is not expected to include the Census impact into the labour force estimates until late 2018.

(b) Data expressed as annual average during the financial year.

(c) Actual value for 2016-17.

(d) The benchmark (62% Fe) iron ore price delivered to north China inclusive of cost and freight (CFR).

Despite the outlook for a strengthening domestic economy over the Budget period, the general government revenue estimates have been revised down by \$5 billion over 2016-17 to 2019-20 since the PFPS (excluding new revenue policy measures and the impact of Machinery of Government changes). This primarily reflects downward revisions to:

- royalty income (down \$1.8 billion), mainly as a result of lower iron ore prices and a higher \$US/\$A exchange rate since the PFPS;
- GST grants (down \$1.7 billion), due largely to the impact of the 2016 Census (which revised down the previous estimate of the State's population by almost 60,000 people) and a lower than forecast GST relativity for 2017-18 (of 34.4%, compared to 38% forecast in the PFPS);
- taxation revenue (down \$777 million), mainly due to lower than previously expected collections of land tax, payroll tax and insurance duty; and
- other (non-GST) grants from the Commonwealth (down \$572 million), largely reflecting changes to tied funding arrangements in the Commonwealth's 2017-18 Budget.

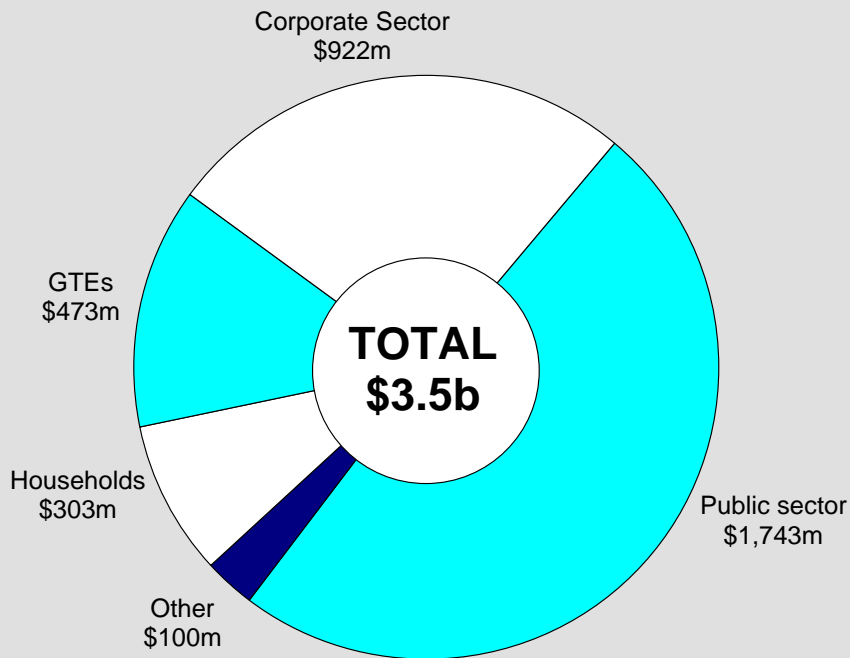
The impact of these substantial write-downs in the State's revenue projections has been mitigated by the \$3.5 billion Budget repair package introduced in this Budget (see feature box below).

### Budget Repair

In response to ongoing weakness in the State’s revenue outlook, and in order to limit further increases in the State’s debt burden, the Government has implemented a range of Budget repair measures. These measures spread the burden of Budget repair across the public sector, corporate sector and the broader community (see figure below), and are projected to deliver \$3.5 billion in net debt savings across the forward estimates period.

Figure 2

#### CONTRIBUTIONS TO BUDGET REPAIR Net Debt Improvements to 30 June 2021



### Service Priority Review

The Government announced a Service Priority Review (SPR) and wide-ranging Machinery of Government (MoG) changes shortly after the March 2017 election. These initiatives will deliver targeted savings of \$763 million to 30 June 2021, and comprise the following measures.

#### *\$1,000 Wages Policy*

On 12 May 2017, the Government revised the public sector wages policy to cap increases in wages and associated conditions at \$1,000 per annum. The new policy applies to all new and replacement agreements from the date of announcement, and is projected to result in savings totalling \$498 million over the forward estimates period.

*Salaries and Allowances Tribunal (SAT) Freeze*

A wage freeze for all positions determined by the SAT for the next four years, which includes Parliamentarians, the Judiciary and the Special Division of the Public Service and Prescribed Office Holders, was announced on 12 May 2017 and is projected to save \$16 million (compared to 1.5% increases) over the forward estimates period.

*Remaining Service Priority Review Savings*

Remaining SPR savings of \$249 million will encompass:

- the MoG changes announced on 28 April 2017, with savings associated with this reform expected to be facilitated by a Voluntary Targeted Separation Scheme (see below); and
- the Government’s commitment to reduce the number of Senior Executive Service positions by 20%.

**Government Trading Enterprises Efficiency Measures**

The following efficiency measures have been introduced for Government Trading Enterprises (GTEs):

- increased dividend payout ratios for a number of GTEs, which are estimated to deliver a \$440 million improvement to the general government sector net operating balance over the forward estimates period. Dividend payout ratios have been increased from 65% to 75% of Net Profit After Tax (NPAT) from 2016-17, except for:
  - the Mid West Ports Authority and Southern Ports Authority, where dividend payout ratios have been increased from 65% to 100% of NPAT from 2016-17;
  - the Pilbara Ports Authority, where the dividend payout ratio has been increased to 90% of NPAT for 2016-17 only, declining to 75% thereafter; and
  - the Water Corporation (85%) and Gold Corporation (75%), where dividend payout ratios are unchanged (more information on dividend ratios for GTEs is provided in Appendix 8: *Public Corporations and Major Tariffs, Fees and Charges*);
- the 2016-17 interim dividend payments by the electricity corporations and port authorities have been deferred to 2017-18;
- a net debt reduction target for most GTEs totalling \$473 million over the Budget period, based on the application of a staggered dividend on discretionary operating expenditure of 2% in 2017-18, 3% in 2018-19, 4% in 2019-20 and 5% in 2020-21. GTEs have flexibility in how the target is achieved and will report back on its implementation as part of the 2018-19 Budget process;
- Synergy will provide a special dividend of \$100 million in 2017-18; and
- the Tariff Adjustment Payment operating subsidy paid to Synergy will cease after 2017-18. This change is expected to drive ongoing efficiencies in the Synergy business and result in a general government operating balance benefit of \$56 million in 2018-19.

### **New Progressive Payroll Tax Scale for Large Employers**

A progressive payroll tax scale will apply from 1 July 2018 for a finite period of five years. The new scale introduces a marginal rate of 6% (compared to the current rate of 5.5%) for payrolls above \$100 million and a marginal rate of 6.5% for payrolls above \$1.5 billion. This measure is projected to result in an additional \$435 million in payroll tax revenue over the three years to 2020-21, and will only impact the top 8% of payroll tax paying employers.

### **Gold Royalty Changes**

An additional \$392 million in royalty revenue is projected over the Budget period as a result of the Government's decision to introduce a tiered royalty rate from 1 January 2018. The current 2.5% *ad valorem* rate will apply for each month when the gold price (averaged over the month) is A\$1,200/ounce or less, and an increased rate of 3.75% will apply (on the full royalty value) when the price is above A\$1,200/ounce. At the current gold price, the increased royalty equates to around \$20/ounce. The additional revenue also reflects the decision to remove from 1 July 2018 the gold royalty exemption on the first 2,500 ounces of production for mines producing more than 2,500 ounces per year. These changes are consistent with the previous Government's Mineral Royalty Rate Analysis, with the exception that the increased royalty rate only applies when the price is above A\$1,200/ounce.

### **Voluntary Targeted Separation Scheme**

The 2017-18 Budget includes a Voluntary Targeted Separation Scheme targeting 3,000 full-time equivalent (FTE) general government sector employees. While the scheme will be open to all general government employees, priority will be given to agencies impacted by the recent MoG changes.

Achievement of 3,000 FTE separations is expected to deliver around \$1 billion in gross savings across the forward estimates period. However, 20% of gross savings will be retained by participating agencies to reinvest in workforce renewal. After allowing for implementation costs, incentive funding for agencies, and a contribution to the achievement of MoG savings under the SPR (discussed above), the Voluntary Targeted Separation Scheme is expected to result in net additional savings of \$355 million.

### **Remove Non-salaries Indexation**

The 2017-18 Budget removes indexation for non-salary expenses over the period 2017-18 to 2020-21 (these expenses were previously indexed at 1% per annum). This measure is estimated to result in a net debt improvement of \$300 million over the forward estimates period.

### **Household Fees and Charges**

On 22 June 2017, the Government announced the 2017-18 household tariffs, fees and charges to apply from 1 July 2017. As a result, total expenditure by the 'representative' household increases by \$438 or 7.7% on 2016-17 levels. The additional revenue from these changes to household fees and charges is expected to improve the State's net debt position by \$200 million over the forward estimates period. These savings are partly offset by the \$44 million Utilities Concession Package which was also announced by the Government on 22 June 2017.

### **Health Agency Expenditure Review Savings**

Savings for WA Health resulting from non-hospital Agency Expenditure Review measures announced in the 2016-17 Budget were previously to be retained and reallocated by the Department. These savings will now be returned to the Consolidated Account, resulting in a \$199 million improvement to net debt over the Budget period.

### **Increase in Pilbara Ports Authority Port Dues**

A 17% increase in port dues in 2017-18 (to be applied no later than 1 October 2017) for the Pilbara Ports Authority is projected to result in an estimated net debt improvement of \$95 million over the forward estimates period.

### **\$100 Rebate Cap for Local Government Rates and Water Service Charges**

On 22 June 2017, the Government announced a reduction in the 25% rebate cap to \$100 for WA Seniors Card holders from 2017-18 for local government rates (previously capped at \$289) and water service charges (previously \$375). This new cap also applies to the 25% rebate for the underground electricity connection charge (previously \$289). This measure results in an estimated net debt improvement of \$82 million by 30 June 2021.

### **Government Office Accommodation Reform Program**

The Government Office Accommodation Reform Program is expected to reduce net debt by \$78 million by 30 June 2021. The program involves a range of initiatives largely focusing on space reduction (through more efficient utilisation) and lease and outgoings cost reductions.

### **Point of Consumption Wagering Tax**

This Budget includes a new point of consumption wagering tax from a target date of 1 January 2019. The final commencement date and other details will be subject to development of a nationally consistent point of consumption wagering tax by the Council on Federal Financial Relations and the Department of Treasury's consultation with industry stakeholders. This measure will replace all current wagering tax arrangements and apply to all forms of wagering. It is estimated to raise \$52 million over the forward estimates period (net of industry compensation and implementation costs).

### **State Fleet Policy and Procurement Initiatives**

Changes to State Fleet policy and procurement settings are expected to reduce net debt by \$49 million by 30 June 2021.

### **Foreign Owner Duty Surcharge**

A new 4% foreign owner duty surcharge on purchases of residential property by foreigners (including individuals, corporations and trusts) will commence from 1 January 2019. This measure is projected to reduce net debt by \$48 million by 30 June 2021 (net of implementation costs).



### Early Cessation of First Home Owner Grant Boost

The temporary \$5,000 increase in the First Home Owner Grant payment on purchases of new homes, which was previously scheduled to cease on 31 December 2017, stopped on 30 June 2017. This is expected to result in a \$22 million improvement in net debt over the Budget period.

Table 2

### 2017-18 BUDGET REPAIR

	General Government Net Operating Balance <sup>(a)</sup>					Net Debt	
	2016-17	2017-18	2018-19	2019-20	2020-21	Total	30 June 2021
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Service Priority Review	1	32	171	243	316	763	-763
\$1,000 wages policy	1	31	87	156	223	498	-498
Freeze Salaries and Allowances Tribunal determined salaries	-	1	3	5	7	16	-16
Service Priority Review provision	-	-	81	83	86	249	-249
Government Trading Enterprises efficiency measures	-295	583	202	158	159	807	-473
Increased dividend payout ratios	3	155	97	97	89	440	-
Deferral of interim dividends	-298	302	1	-	-	5	-
Net debt targets	-	25	48	62	71	205	-473
Special dividends	-	100	-	-	-	100	-
Removal of Synergy's Tariff Adjustment Payment	-	-	56	-	-	56	-
<b>Other Measures</b>							
New progressive payroll tax scale for large employers	-	-	135	145	155	435	-435
Gold royalty changes	-	60	123	113	96	392	-392
Voluntary Targeted Separation Scheme	-	-185	180	180	180	355	-355
Remove non-salaries indexation	-	25	59	90	123	297	-300
Household fees and charges	-	59	63	50	7	180	-200
Health Agency Expenditure Review savings	-	47	52	48	50	199	-199
Pilbara Ports Authority port dues	-	14	19	19	19	72	-95
\$100 rebate cap for local government rates and water service charges	-	19	20	21	22	82	-82
Government Office Accommodation Reform Program	-	5	12	23	38	77	-78
Point of Consumption Wagering Tax	-	-	10	21	22	53	-52
State Fleet policy and procurement initiatives	-	3	13	14	14	44	-49
Foreign Owner Duty Surcharge	-	-	6	21	22	49	-48
Early cessation of First Home Owner Grant Boost	-2	19	3	1	-	22	-22
<b>TOTAL</b>	<b>-296</b>	<b>681</b>	<b>1,069</b>	<b>1,147</b>	<b>1,224</b>	<b>3,825</b>	<b>-3,542</b>

(a) General government operating impact includes both revenue and spending effects.

Based on the Budget's interest rate assumptions, the Budget repair measures are expected to reduce total public sector interest costs by a total of \$120 million over the four years to 2020-21, and to further reduce interest by around the same amount each year thereafter.

The 2017-18 Budget incorporates spending of \$3.7 billion to implement the majority of the Government's election commitments, with most of this funded through offsetting savings or reprioritisation of existing funding. As a result, the net debt impact of the Government's election commitments is contained to \$603 million over the four years to 30 June 2021. A number of remaining election commitments will be considered in the 2017-18 Mid-year Review and the 2018-19 Budget following further planning and business case development.

Despite the Budget repair package, the size of the revenue revisions has led to an increase in the forecast general government operating deficit in 2017-18 to \$2.3 billion, up from the \$1.5 billion deficit forecast in the PFPS. However, consistent with the Government's financial targets, the size of the general government operating deficit reduces in each year to 2019-20, with a forecast return to surplus (of \$1.3 billion) in 2020-21.

### KEY BUDGET AGGREGATES Western Australia

Table 3

	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate
<b>GENERAL GOVERNMENT SECTOR</b>						
<b>Net Operating Balance (\$m)</b>	<b>-2,021</b>	<b>-3,039</b>	<b>-2,340</b>	<b>-1,666</b>	<b>-1,114</b>	<b>1,260</b>
Revenue (\$m)	26,485	26,672	28,457	28,743	30,103	33,272
Revenue Growth (%)	-3.3	0.7	6.7	1.0	4.7	10.5
Expenses (\$m)	28,506	29,710	30,797	30,408	31,218	32,012
Expense Growth (%)	2.4	4.2	3.7 <sup>(a)</sup>	-1.3	2.7	2.5
Net Debt at 30 June (\$m)	13,717	19,377	24,105	27,613	29,779	29,259
General Government Net Debt as a Share of Total Public Sector Net Debt (%)	50.2	59.6	63.8	66.7	68.0	67.0
<b>TOTAL PUBLIC SECTOR</b>						
Net Debt at 30 June (\$m)	27,347	32,500	37,810	41,425	43,784	43,638
Asset Investment Program (\$m)	5,237	5,181	6,001	5,949	5,348	5,021
Cash Surplus/Deficit (\$m)	-4,731	-4,491	-4,682	-3,434	-2,176	271

(a) Underlying expense growth of 2.4%.

Although this Budget includes a number of new Budget repair measures, the most effective path back to surplus is constrained expense growth. Underlying expense growth (excluding the impact of the Machinery of Government changes and the up-front cost of the Voluntary Targeted Separation Scheme) is expected to remain low, with estimated growth of 2.4% in 2017-18. Average expense growth of 1.9% per annum is expected over the Budget period, which compares favourably to average annual growth of 7.3% over the previous decade.

The weaker revenue outlook relative to the PFPS is projected to result in additional borrowings. As a result, total public sector net debt is expected to increase from an estimated \$37.8 billion at 30 June 2018 to \$43.6 billion at 30 June 2021.

## Budget Objectives

### Sustainable Finances: Responsible Financial Management and Better Service Delivery

In addition to the Budget repair package outlined earlier, this Budget includes a number of other initiatives to improve the management of the State's finances, including:

- new financial targets to guide the Government's decision making in addressing the fiscal challenges (see Chapter 3: *Fiscal Outlook and Strategy*); and

- establishment of a Debt Repayment Account, which will be credited with unanticipated or windfall revenue to be used for the repayment of outstanding Consolidated Account borrowings (see Appendix 5: *Special Purpose Accounts*).

The Government has also commenced a number of important service delivery reforms to improve the effectiveness and efficiency of public sector service delivery, and improve how spending decisions are made, including the establishment of:

- the *Service Priority Review*, to examine the functions, operations and culture of the public sector;
- the *Inquiry into Government Programs and Projects*, to identify measures the Government can introduce to ensure greater rigour and transparency in future procurement processes;
- the *Sustainable Health Review*, to ensure a patient-first, innovative and sustainable health system for Western Australia;
- the *Target 120* intervention program, targeted at high risk and recidivist juvenile offenders and their families to help turn lives around and reduce the rate of offending in the community; and
- a *Justice Pipeline Model*, to improve integrated decision-making by simulating and forecasting activity across the entire justice system, and estimating the downstream impact of future policy and parameter changes.

### **Future Jobs and Skills: Grow and Diversify the Economy, Create Jobs and Support Skills Development**

The Government is funding initiatives to promote growth and a more diversified economy, and to ensure Western Australia has a skill-ready workforce able to capitalise on emerging industries and fill local jobs, including:

- \$87 million in additional funding over the forward estimates period for events and destination marketing to support the tourism industry. This brings spending on events and destination marketing to a total of \$425 million over five years;
- \$39 million from 2016-17 to 2018-19 on the Local Projects Local Jobs election commitment, which provides grants to community organisations to deliver over 750 projects across the State;
- \$20 million over five years for the establishment of a Collie Futures Fund to develop economic opportunities and create new jobs in Collie;
- \$20 million over five years from 2017-18 to establish an Aboriginal Ranger Program. The program will focus on jobs for rangers looking after State Parks, Indigenous Protected Areas and other Indigenous tenures;
- \$19.5 million over the next four years to establish a Wave Energy Research Centre in Albany and support the deployment of a full-scale wave energy prototype;

- \$17 million over the Budget period for the New Industries Fund, which will generate opportunities for jobs and business growth through support for emerging businesses and new technologies;
- \$12 million to convert targeted primary school classrooms into science labs and a further \$2 million to upskill teachers so they can integrate software coding into their teaching;
- \$10.5 million to develop serviced land at Kemerton and Shotts Industrial Parks to help attract new businesses and job opportunities; and
- \$4 million over four years on the Industry Participation Plan Advisory Service to increase employment opportunities for local businesses when they tender for government projects.

### **Strong Communities: Safer Communities and Support for Families**

Providing safe communities and improving support for families is a key focus of the 2017-18 Budget, with new initiatives including:

- \$83.5 million over 2017-18 to 2020-21 to establish a Meth Border Force to reduce the supply of methamphetamine coming into the State. In addition, over the Budget period:
  - \$9.6 million will be invested in the State’s first alcohol and other drugs rehabilitation prison at the Wandoo Facility;
  - \$2.4 million will be spent to establish a triage unit within the metropolitan courts to identify suitable offenders to be diverted to the alcohol and other drugs rehabilitation prison; and
  - \$1.9 million has been allocated to establish drug detection capabilities at the Wandoo Facility; and
- \$12.4 million over the next four years to introduce a *Stopping Family and Domestic Violence* package, with major initiatives including:
  - \$5 million over 2018-19 to 2019-20 to establish two new Women’s Refuges in the South West metropolitan corridor and the Peel region, with an additional \$3.3 million in recurrent expenditure to enable the operation of the services; and
  - \$1.7 million over 2017-18 to 2020-21 to expand existing culturally appropriate support services to Aboriginal and culturally and linguistically diverse victims of family and domestic violence.

In total, \$8.9 billion will be spent in 2017-18 to deliver health care for all Western Australians. Investment in public hospital services in 2017-18 is forecast to provide for over 652,000 inpatient episodes of care, an increase of 1.4% compared to 2016-17. The Budget also includes a range of election commitments aimed at building a better health system in Western Australia, including:

- \$2.8 million over 2017-18 to 2019-20 to expand the *Ear Bus Program* to provide an ear screening service in the Kimberley;

- \$2.1 million over the next four years to pilot the *Let's Prevent Program*, which educates participants to make lifestyle changes to help avoid chronic health conditions; and
- \$1.7 million in 2020-21 for the operation of a step up/step down mental health facility in Kalgoorlie.

Spending to meet election commitments and support the education of Western Australian students includes:

- \$48.3 million over 2017-18 to 2020-21 to recruit an additional 300 Education Assistants for schools;
- \$31.7 million over the next four years to support selected Level 3 teachers mentor and share knowledge with less experienced teachers;
- \$13.2 million from 2017-18 to 2020-21 to deliver additional resources to approximately 300 schools for specialised mental health programs;
- an additional \$10.6 million over four years will provide for the recruitment of 50 Aboriginal and Islander Education Officers; and
- \$5.2 million over the next four years on the recruitment of 10 additional Independent Learning Coordinators in selected regional senior high schools.

The Government is also investing in improving school infrastructure, allocating an additional \$362 million for the construction, refurbishment, and expansion of public schools across Western Australia, including:

- \$67.8 million over 2017-18 to 2019-20 for the construction of the Inner City College to address student enrolment pressures in the inner city suburbs;
- \$50 million to increase the permanent student accommodation and upgrade all specialist facilities and general classrooms at Balcatta Senior High School;
- \$21.5 million over 2019-20 and 2020-21 (with a further \$28.5 million beyond 2020-21) to increase the permanent student capacity of John Forrest Secondary College, and for the construction of additional specialist facilities; and
- \$20 million for the refurbishment and upgrade of facilities and expansion of permanent student accommodation at Broome Senior High School.

### **Better Places: A Quality Environment with Liveable and Affordable Communities**

Investment in infrastructure to reduce traffic congestion and improve public transport is a feature of this Budget, with \$1.3 billion approved for METRONET Stage 1 projects over 2017-18 to 2020-21. This spending includes the Yanchep rail extension (\$441 million), the Thornlie-Cockburn Link (\$423 million), and the acquisition of new rail cars (\$323 million).

Other major transport initiatives include:

- \$237 million for the Armadale Road – North Lake Road Bridge at Kwinana Freeway;

- \$118 million to extend Leach Highway between Carrington Street and Stirling Highway as a dual carriageway;
- \$112.5 million towards the improvement of road access to the Murdoch Activity Centre;
- \$86 million to construct a grade-separated interchange at Roe Highway and Kalamunda Road;
- \$50 million to upgrade the Karratha to Tom Price Road, which will encourage more visitors to the area and create more local jobs;
- \$34 million to replace Transperth’s existing Smartrider ticketing system;
- \$33 million in recurrent spending over 2017-18 to 2020-21 to develop the State’s network of Principal Shared Paths for pedestrians and cyclists; and
- \$30 million to upgrade the South Coast Highway between Albany and Jerramungup.

The 2017-18 Budget also includes a number of new environmental programs, including:

- \$20 million to establish the Aboriginal Ranger Program, which will focus on looking after State Parks;
- \$19.5 million for the establishment of a Wave Energy Research Centre;
- \$1.5 million to develop a comprehensive estuary protection plan for the Peel-Harvey Estuary; and
- \$0.9 million on restoration projects by volunteer groups for the Swan and Canning Rivers.



# Economic Outlook

## HIGHLIGHTS

- The State's economic growth is forecast to recover to 3% in 2017-18, after bottoming at an estimated 0.25% in 2016-17.
- This reflects continuing strong growth in net exports being accompanied by a much smaller decline in business investment, as the State's large LNG projects move into their final stages of construction and commissioning.
- It is estimated that more than 90% of the total forecast contraction in business investment from its peak in 2012-13 will have occurred by the end of 2017-18. 'Backfill' investments required to maintain production at existing iron ore and LNG projects are forecast to support a return to modest growth in business investment by 2019-20.
- Recent signs of recovery in the State's labour market are expected to continue over 2017-18, with employment forecast to return to growth of 1.5%. The rise in employment is anticipated to be supported by modest growth across a range of service-related industries, as well as smaller declines in the mining, construction and related sectors.
- While buoyant economic conditions in China have supported the iron ore price in recent months, the continued expansion of global supply is expected to outpace demand and place downward pressure on the iron ore price over the medium term.

## Western Australia

### Gross State Product

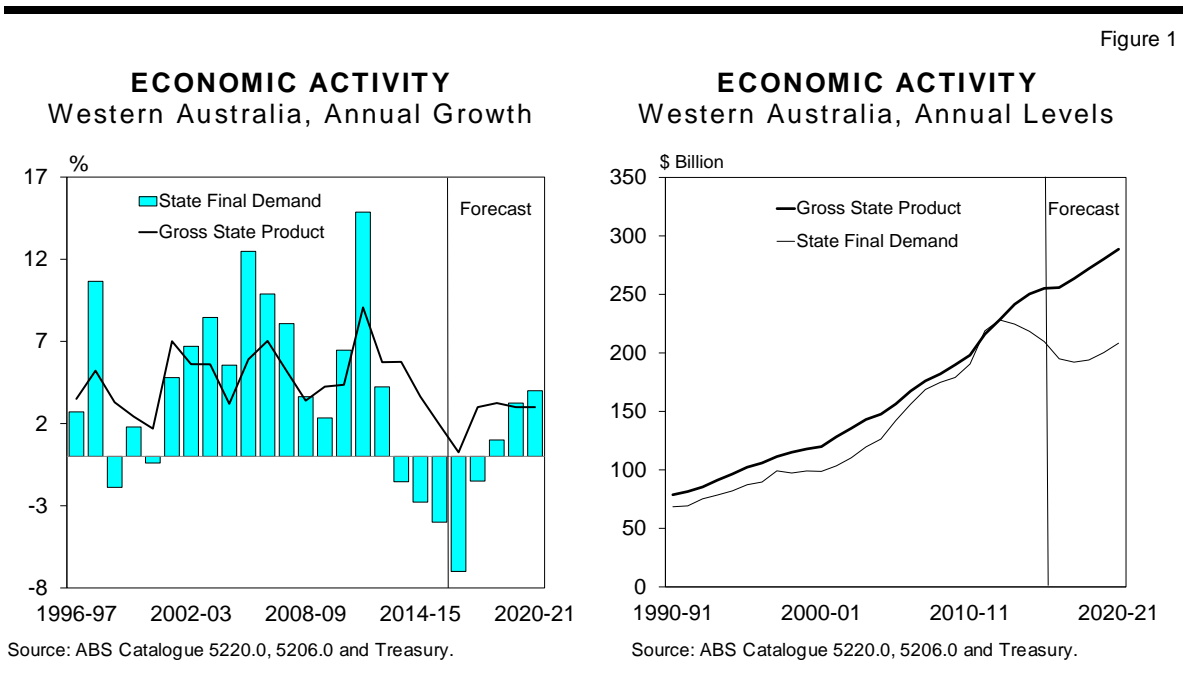
The Western Australian economy is showing signs of recovery after a protracted slowdown in economic growth over the past five years. Growth in **Gross State Product** (GSP) is forecast to lift to 3% in 2017-18, after an estimated record low of 0.25% in 2016-17 (figure below, left-hand panel). While net exports are expected to remain the largest contributor to growth in 2017-18, the strong rebound in GSP growth relative to 2016-17 is largely due to a much smaller drag on growth from falling business investment.



Reflecting trends in investment, the rate of contraction in **State Final Demand** (SFD) is also expected to abate in 2017-18, after an estimated record decline of 7% in 2016-17. However, the pace of recovery in the domestic economy is anticipated to be slower than previously forecast. This includes a softer outlook for household demand, with slower wage growth and moderating house prices causing consumers to contain spending on goods and homes.

While the State’s overall economy is forecast to expand at around 3% per annum across the forward estimates period, this remains below long-run average growth of 4.7% per annum. Although SFD growth is expected to recover towards its long-run average by 2020-21, the size of the domestic economy is forecast to remain around \$20 billion lower than at its peak in 2012-13 (figure below, right-hand panel).

Figure 1



The vast majority of the total forecast decline in **business investment** from its peak in 2012-13 is expected to be over, as the State’s large LNG projects are now in their final stages of construction and commissioning. In dollar terms, the largest annual fall in investment is estimated to have occurred in 2016-17 (\$14.8 billion), with the decline expected to taper to just \$4.5 billion in 2017-18.

Table 1

**ECONOMIC FORECASTS**  
Western Australia, Annual Growth (%)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
<b>Demand and Output</b> <sup>(a)</sup>						
Household Consumption	1.4	1.25	1.25	2.25	3.0	3.25
Dwelling Investment	1.3	-21.5	-2.5	5.0	3.5	3.25
Business Investment	-16.4	-28.25	-12.0	-8.5	6.0	7.0
Government Consumption	2.9	2.75	2.5	2.25	2.5	2.25
Government Investment	-6.0	6.0	6.0	4.25	1.0	3.25
State Final Demand	-4.0	-7.0	-1.5	1.0	3.25	4.0
Merchandise Exports	6.1	8.0	7.5	5.0	2.5	2.0
Merchandise Imports	-11.1	-10.75	-3.25	-1.5	3.0	3.25
Net Exports <sup>(b)</sup>	18.1	19.0	12.0	7.25	2.5	1.75
Gross State Product <sup>(c)</sup>	1.9	0.25	3.0	3.25	3.0	3.0
<b>Labour market</b> <sup>(d)</sup>						
Employment <sup>(e)</sup>	-0.4	-0.8	1.5	1.5	2.0	2.25
Unemployment Rate <sup>(f)</sup>	6.0	6.2	6.0	6.0	5.5	5.5
Participation Rate <sup>(e)(f)</sup>	68.2	67.4	67.8	68.1	68.1	68.5
<b>Population</b>						
Population	0.7	0.7	1.0	1.2	1.5	1.8
Working Age Population (15-64)	0.0	0.0	0.1	0.4	0.9	1.3
<b>Prices</b>						
Consumer Price Index <sup>(d)</sup>	1.0	0.6	1.0	1.5	2.0	2.5
Wage Price Index <sup>(d)</sup>	1.9	1.4	1.5	1.75	2.75	3.0
SFD Deflator	1.3	0.4	1.2	1.7	2.0	2.3
GSP Deflator	-6.1	5.4	-2.7	-0.1	0.8	2.4
Perth Median House Price	-2.7	-2.8	-1.3	0.7	1.5	2.7
<b>Other key parameters</b> <sup>(d)(f)</sup>						
Exchange Rate \$US/\$A (US cents)	72.8	75.4	79.0	78.7	78.3	77.8
Iron Ore Price (\$US/t) cost and freight inclusive (CFR)	50.9	68.5	67.2	61.0	57.2	59.2
Crude Oil Price (\$US/barrel)	43.4	49.7	51.6	53.1	53.8	54.8

(a) Based on 2015-16 annual State Accounts data, updated with the latest State Final Demand data for the March quarter 2017.

(b) Net exports include international trade in both goods and services.

(c) Forecasts for ownership transfer costs, international trade in services and the balancing item are not separately reported.

(d) Actual value for 2016-17.

(e) Employment and participation rate actuals for 2015-16 and 2016-17 differ from those published by the Australian Bureau of Statistics (ABS) as they include Treasury's estimate of the impact of the downward revision to Western Australia's population as a result of the 2016 Census. The ABS is not expected to include the Census impact into the labour force estimates until late 2018.

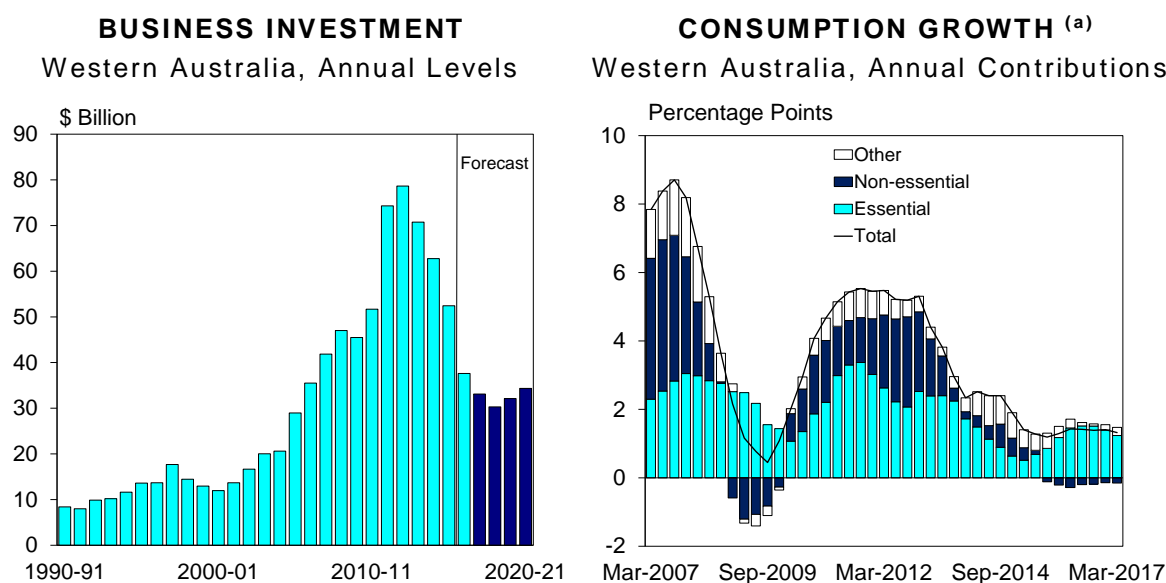
(f) Data expressed as annual average during the financial year.

Business investment is projected to lift in the final two outyears, supported by 'backfill' investments in the iron ore and LNG sectors that are required to maintain production at existing projects. In level terms, the forecast profile represents a broad stabilisation of investment over the forecast period (figure below, left-hand panel).

Soft labour market conditions and weak wage growth continue to restrain **household consumption**, which grew by an annual average of just 1.3% in the March quarter 2017. Growth was underpinned by spending on essential goods and services (such as health and housing services), while non-essential spending (such as the purchase of new vehicles, and recreation and culture) declined over the same period (figure below, right-hand panel).

Consumer spending growth is expected to remain subdued at 1.25% in both 2016-17 and 2017-18, constrained by a weak outlook for wealth and income growth, as well as slow population growth. While an improvement in these indicators from 2018-19 is projected to support consumer spending over the forward estimates period, growth is expected to remain below the long-run average of 4% per annum. Nevertheless, given the size of household spending as a proportion of the economy, this growth will mean household spending becomes the largest contributor to GSP growth by the end of the forecast period.

Figure 2



(a) 'Other' consumption includes insurance and other financial services, other goods and services, and net expenditure interstate.

Source: ABS Catalogue 5206.0 and Treasury.

Source: ABS Catalogue 5206.0.

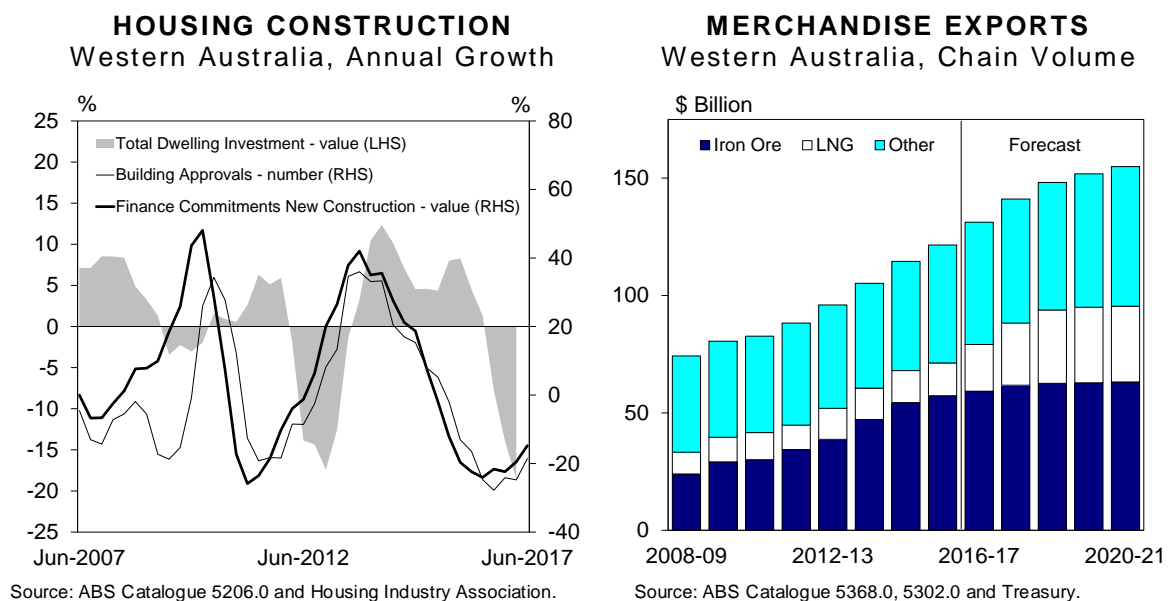
A notable slowdown in population growth and softening labour market conditions in recent years have coincided with three years of large additions to the housing supply, which has created spare capacity in the housing market. In response to these conditions, **dwelling investment** declined by an annual average of 18.5% in the March quarter 2017. Expenditure fell for both new dwelling construction, and alterations and additions to existing homes (which often tends to offset weakness in new dwelling investment).

Dwelling investment is expected to contract further in both 2016-17 and 2017-18, in line with further falls in leading indicators of investment, such as building approvals and housing finance commitments (figure below, left-hand panel). Total dwelling investment is expected to resume growing from 2018-19 onwards, in line with a recovery in labour market conditions and income, and a lift in population growth.

Growth in **government consumption** is expected to remain relatively subdued across the forecast period, averaging 2.4% per annum. This reflects the Government's focus on public sector reforms and efficiency measures in the context of weak revenue growth and rising debt. **Public investment** is projected to increase by 6% in 2017-18, before moderating to average growth of around 3% per annum across the forward estimates period, in line with trends in the Government's Asset Investment Program, outlined in Chapter 3: *Fiscal Outlook and Strategy*.

**Merchandise exports** are expected to be a key driver of economic growth in coming years, although the contribution to growth is expected to fall towards the end of the forecast period. Exports are estimated to have grown by 8% in 2016-17, supported by increases in LNG, iron ore and gold exports. In 2017-18, forecast growth of 7.5% reflects a significant increase in LNG exports (as production from the Gorgon LNG project ramps up and Wheatstone begins production), and a further increase in iron ore exports. Growth in merchandise exports is projected to gradually moderate to 2% by 2020-21, as LNG and iron ore projects reach expected production capacity, while exports of gold and oil are expected to decline due to depletion at existing projects.

Figure 3



From 2015-16 to 2020-21, LNG exports are projected to more than double (from around 20 to almost 50 million tonnes). By 2020, Western Australia is expected to have the third largest installed LNG production capacity in the world, after Qatar and the US. The real value of Western Australia’s total exports is forecast to increase from around \$120 billion in 2015-16 to \$155 billion in 2020-21 (figure above, right-hand panel).

**Merchandise imports** are forecast to decline in each year from 2016-17 to 2018-19, as continued falls in business investment result in fewer imports of large capital goods required for the construction of major projects. Imports are expected to resume growing by 2019-20, in line with the projected pick-up in both consumption and business investment.

The net impact of increasing exports and declining imports is strong growth in **net exports** of 19% in 2016-17 and 12% in 2017-18, which more than offsets the contraction in the domestic economy (as measured by SFD).

## Housing Market

Conditions in Western Australia's housing market remain subdued, with the **Perth median house price** declining by 2.8% in 2016. This follows a fall of 1.2% in 2015. The modest declines in house prices reflect an overhang of supply, as a result of a very high level of housing completions in the period 2013-14 to 2015-16. The large additions to supply were triggered by a period of strong population growth. However, the rate of population growth has subsequently fallen rapidly, reducing the rate of growth in demand for housing.

The supply overhang is projected to place further downward pressure on the Perth median house price, which is anticipated to decline by 1.3% in 2017-18. This is consistent with a relatively high number of properties listed for sale over the past year (although this number remains below past peak levels) and a large rise in the rental vacancy rate to 7.3% in the June quarter 2017, well above what is seen by industry commentators as the market equilibrium (3%).

The median house price is expected to stabilise in 2018-19 and grow modestly across the forward estimates period, as declines in new dwelling construction in 2016-17 and 2017-18 limit excess supply, and demand lifts modestly in line with a gradual recovery in population growth and labour market conditions.

## Labour Market

Western Australia's labour market softened further over 2016-17, consistent with a large estimated contraction in the domestic economy. **Employment** in the State fell by an estimated 0.8% in 2016-17<sup>1</sup>, the largest decline in a financial year since the early 1990s.

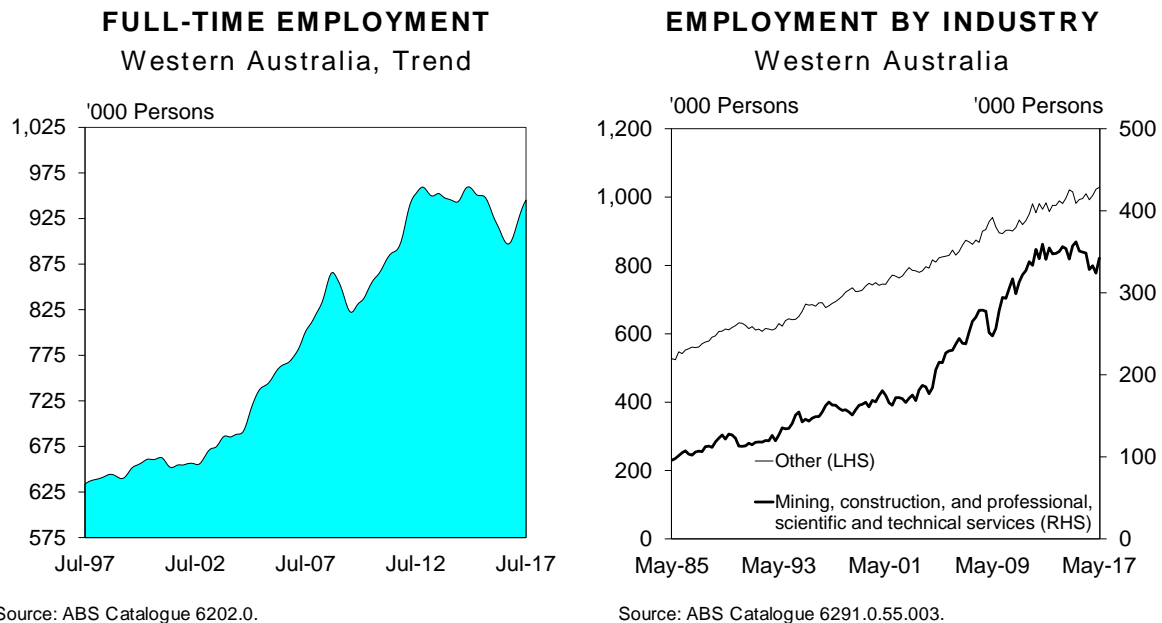
In 2017-18, employment is expected to rebound to grow by 1.5%. This is consistent with recent strength in full-time employment, which has increased for ten consecutive months in trend terms to July 2017 (figure below, left-hand panel), and an improvement in lead indicators of labour demand (such as business confidence and advertised job vacancies). Employment is expected to be supported by growth across a range of industries, particularly in the services sector. In addition, declines in employment in the mining, construction and related sectors are expected to lessen in 2017-18 (figure below, right-hand panel).

Beyond this, employment growth is forecast to strengthen to 2.25% by 2020-21, corresponding with a recovery in the domestic economy (and particularly, a return to growth in business investment from 2019-20).

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<sup>1</sup> This differs from the 0.4% decline in 2016-17 in the official ABS labour force estimates, as it includes Treasury's estimate of the impact of the downward revision to Western Australia's population as a result of the 2016 Census. The ABS is not expected to include the Census impact into the labour force estimates until late 2018. Treasury's analysis only provides an indication of the likely revisions to Western Australia's labour force estimates, and the actual revisions incorporated by the ABS may be different.

Figure 4



Consistent with a fall in employment, the **unemployment rate** rose from 6% in 2015-16 to 6.2% in 2016-17, the highest rate in 15 financial years. Despite this, the unemployment rate continues to mask the full extent of spare capacity in the labour market, with the underemployment rate (which captures employed persons who would like to work more hours) at a near record high of 10.4% in May 2017<sup>2</sup> (figure below, left-hand panel).

With employment expected to rebound in 2017-18, it is likely that the annual unemployment rate has now peaked. As such, the unemployment rate is forecast to fall to 6% in 2017-18 and to 5.5% towards the end of the forecast period, as labour demand strengthens further.

The State's **participation rate** moderated to an estimated 67.4% in 2016-17<sup>3</sup> (down 0.8 percentage points from the previous year), with a lower number of job opportunities likely discouraging people from actively seeking work. However, with hiring and wage growth forecast to strengthen over the forward estimates period, this is expected to encourage workers to join the labour force. As a result, the participation rate is forecast to increase to 68.5% by 2020-21 (notwithstanding the ageing of the population, which is anticipated to place downward pressure on the participation rate over the forecast period).

**Wage growth** in Western Australia remains weak, with the Wage Price Index (WPI) growing at a record low rate of 1.4% in 2016-17, consistent with high spare capacity in the labour market (figure below, right-hand panel) and weak inflation.

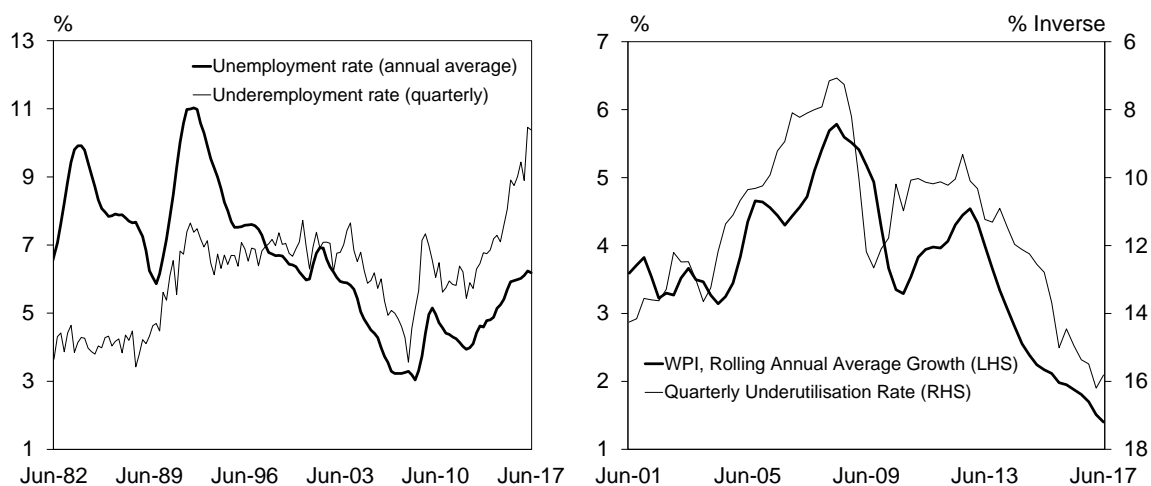
<sup>2</sup> Latest seasonally adjusted estimate.

<sup>3</sup> This differs from the 67.5% participation rate in 2016-17 according to the official ABS data. This reflects that the release of the 2016 Census is also likely to result in slight revisions to Western Australia's participation rate.

Soft wage growth primarily reflects a fall in private sector WPI growth, which increased by just 1.2% in 2016-17. While public sector wage growth slowed to 2.1% over the same period, further falls are expected as the Government’s new public sector wages policy replaces a number of expiring agreements.

Figure 5

**LABOUR MARKET SPARE CAPACITY      WAGES AND UNDERUTILISATION (a)**  
Western Australia                                  Western Australia



(a) The underutilisation rate is the sum of the number of persons unemployed and the number of persons in underemployment, expressed as a proportion of the labour force.

Source: ABS Catalogue 6202.0.

Source: ABS Catalogue 6345.0 and 6202.0.

Wage growth is expected to recover gradually across the forward estimates period, consistent with a pick-up in domestic economic activity. Despite expectations of soft wage growth in the short-term, incomes remain elevated, reflecting the rapid wage growth experienced in recent years. In May 2017, average weekly earnings<sup>4</sup> in Western Australia (\$1,333) were higher than any other State, and well above the national level (\$1,179).

**Consumer Price Index**

Growth in Perth’s Consumer Price Index (CPI) moderated to just 0.6% in 2016-17, from 1% in 2015-16. This largely reflects price rises for tobacco, insurance and financial services, and healthcare, partially offset by persistent weakness in both housing and communication prices.

Inflation is projected to lift to 1% in 2017-18, supported by increases to administered prices (including for electricity, public transport, water, and vehicle registration), the Commonwealth’s tobacco excise, and health insurance premiums. However, soft housing market conditions are expected to continue to drag on inflation in 2017-18, as an elevated rental vacancy rate is likely to place further downward pressure on rental prices.

<sup>4</sup> Average weekly earnings is a measure of the average value of wages and salaries paid to employees by an employer at a point in time. Movements in average weekly earnings can be affected by changes in the level of earnings, as well as the composition of the labour force (such as movements between full-time and part-time employment, and across industries).

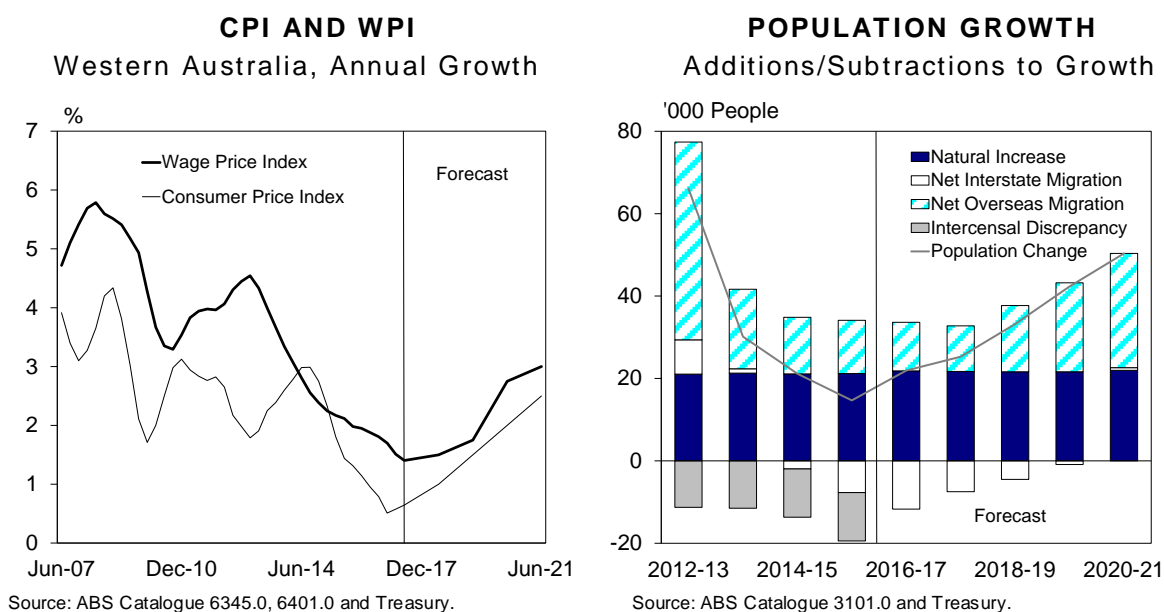
As housing market conditions begin to recover in 2018-19, in line with a recovery in general economic conditions, inflation is anticipated to lift to 1.5%, before gradually returning to the middle of the Reserve Bank of Australia’s target band of between 2-3% by 2020-21 (figure below, left-hand panel).

**Population**

The rate of population growth in Western Australia has continued to slow from a financial year peak of 3.1%<sup>5</sup> in 2012-13 to just 0.6% (or around 16,000 people) in 2016. While net overseas migration was the key driver of Western Australia’s population growth over the past decade (increasing by an average of around 33,000 people per annum), it increased by only 12,921 persons in 2016. At the same time, net interstate migration has turned from a peak net inflow of 3,395 persons in the March quarter 2012, to a net outflow of 3,665 persons in the December quarter 2016.

The State’s population growth is expected to remain subdued at 1% in 2017-18 and 1.2% in 2018-19, reflecting the continued economic transition from a labour-intensive phase of growth driven by the domestic economy, to a less labour-intensive phase driven by exports. As such, natural increase is expected to be the primary driver of population growth until 2019-20 (figure below, right-hand panel).

Figure 6



Population growth is projected to gradually lift over the forward estimates period to 1.8% by 2020-21 (broadly in line with the long-run average rate of growth), as Western Australia’s share of national net overseas migration increases and net interstate migration begins to recover, in line with improvements in the domestic economy.

<sup>5</sup> Historical population growth rates have changed as a result of the 2016 Census.



## Domestic Risks

Key risks to the economic outlook are the magnitude and timing of expected declines in **business investment**, which have flow-on implications for the timing of exports, and the outlook for labour demand and population growth.

The business investment forecasts are particularly sensitive to the continued tapering of LNG construction expenditure as these projects enter the final stages of construction. Business investment forecasts assume that some prospective major projects will be approved, or that currently identified projects will emerge across the forecast period. However, if this does not occur, business investment may be lower than forecast.

Changes in the timing of capital expenditure on major projects can flow through to delays in the commissioning and ramp-up of these projects to full capacity, particularly for complex LNG operations. Longer than expected delays could result in lower **export** volumes and lower than forecast growth in GSP.

**Employment** growth has been above average in recent months, led by growth in full-time hiring. As such, if monthly employment growth continues at its current rate, employment levels may be stronger than projected (which would likely flow through to a lower than anticipated unemployment rate).

The consumer is expected to be a more important contributor to economic activity by the end of the forecast period, as growth in **household consumption** picks up in line with stronger labour market conditions and population growth. While this is a positive trend, it does raise the risks associated with any future rise in interest rates, given that household debt remains high and income growth is anticipated to remain subdued.

Due to substantial spare capacity in the **established housing market**, forecast declines in dwelling investment and house prices in 2016-17 and 2017-18 could be more pronounced if population and income growth are weaker than expected. In addition, further regulations imposed by the Australian Prudential Regulation Authority in March 2017 (aimed at improving the quality of new mortgage lending, and moderating the growth of investor lending) could place upward pressure on mortgage rates, independent of official rates.

The future path of **population growth** also creates an element of uncertainty to the domestic demand outlook. For example, if overseas migration to Western Australia remains at current levels, rather than lifting as anticipated, growth in consumer spending and dwelling investment may be lower than forecast.

## Global Outlook and Risks

Global economic growth slowed to 3.2% in 2016, from 3.4% in 2015, according to International Monetary Fund (IMF) estimates<sup>6</sup>. This was largely driven by renewed weakness in advanced economies, which as a group expanded by 1.7%, compared to 2.1% in 2015. The IMF projects that economic growth will recover in 2017 (3.5%) and 2018 (3.6%), underpinned by modest increases in activity from both emerging and advanced economies. In the short-term, economic activity will likely be supported by China and some upward momentum in the euro area and advanced East Asian economies. However, longer-term growth prospects remain clouded by structural risks in China, and sustained below-trend growth in advanced economies.

### Advanced Economies

While economic growth in advanced economies has largely stabilised, the outlook is relatively weak according to institutional forecasters. The IMF expects advanced economies will grow by around 1.8% per annum from 2016 to 2022, which is below recent historical averages<sup>7</sup>.

The primary cause of this weak outlook is likely a lack of demand, as price pressures have remained very low despite emergency monetary policies in many countries, including quantitative easing and low interest rates. There are a number of factors which have likely reduced demand in advanced economies, including a rising share of income for the highest earners, significant debt burdens on both households and governments, and the continuing legacy of the Global Financial Crisis (GFC)<sup>8</sup>.

The **US economy** continues to expand slowly, with the IMF forecasting growth of 2.1% in 2017 and an average of around 1.9% per annum to 2022. This compares to a pre-GFC average annual growth rate of around 2.9%<sup>9</sup>. The labour market has continued to improve, with the unemployment rate near pre-GFC lows of around 4%. However, the prime working age (25-55 years) employment to population ratio is still below what it was prior to the GFC and the early 2000s recession, and hourly wage growth has been relatively subdued in recent years. This indicates the economy, while steadily expanding, is yet to reach its potential. It is likely that underlying conditions in the US labour market are weaker than the headline unemployment rate suggests (as outlined above), and this may slow the speed of monetary policy normalisation in the US.

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<sup>6</sup> *World Economic Outlook Update*, July 2017.

<sup>7</sup> Average over 1979 to 2016 is 2.4%, over 1979 to 2008 is 2.8%.

<sup>8</sup> Higher income households are more likely to save their income than lower income households, higher debt levels encourages balance sheet repair rather than consumption and investment, and historical analysis shows that systemic financial crises such as the GFC have long lasting impacts on investment, demand and output.

<sup>9</sup> Over the period 1979 to 2008.

The **euro area** continues to slowly recover from the GFC and subsequent European Debt Crisis, with unemployment declining, but still at 9.3% in May 2017. The IMF is forecasting a modest economic expansion, with GDP growth of around 1.6% per annum across the remainder of the forecast period. Weak domestic demand has been a major factor in the poor economic performance of the euro area, with the gradual economic recovery supported by the emergence of a large trade surplus. Notwithstanding the subdued outlook and ongoing risks within the region, the IMF notes some positive momentum in its July update, with first quarter GDP estimates in many cases better than expected.

Stronger growth is expected for most advanced **East Asian** economies, except for Japan where a declining population is contributing to low growth. However, unfavourable demographic trends and relatively elevated debt levels pose challenges to some of these jurisdictions in the medium-term.

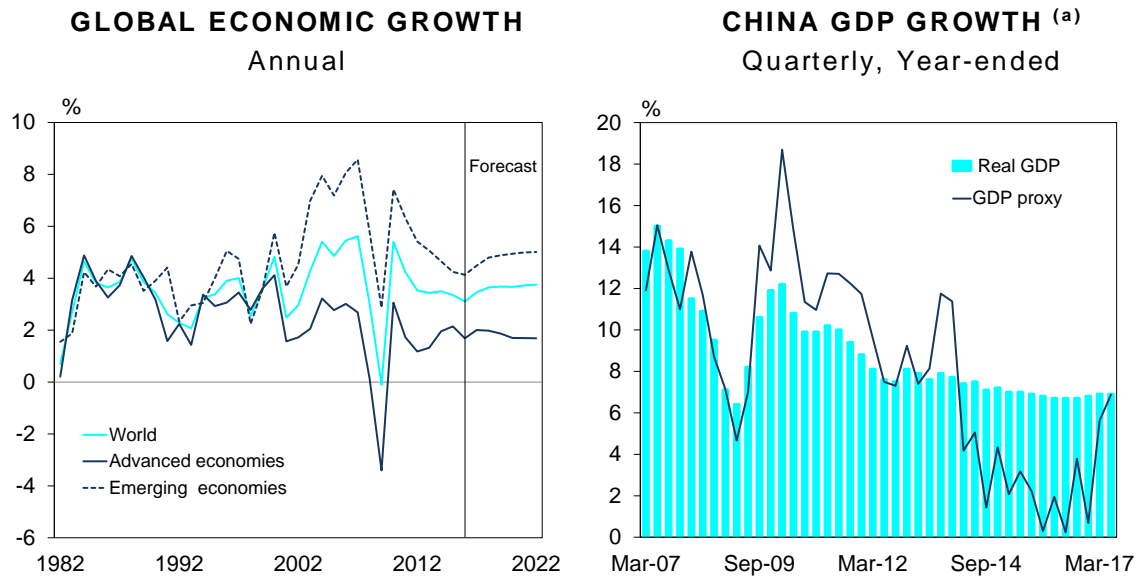
## China

The IMF has increased its forecasts for Chinese GDP growth by 0.1 percentage points in 2017 (to 6.7%) and 0.2 percentage points in 2018 (to 6.4%). This reflects continued policy stimulus, and efforts from the central government to curtail excess industrial capacity, which will allow for a more efficient allocation of resources. However, these forecasts are based on China's official GDP data, which many economists believe understate cyclical movements in the economy. A range of other indicators, summarised in a proxy measure of GDP growth (see figure below, right-hand panel), suggest that growth slowed in 2014 and 2015, and it is therefore likely that growth was weaker than stated by official statistics over this period. However, in 2016 and 2017, these indicators rebounded suggesting that economic activity was picking up.

Leading indicators of activity such as credit growth, new manufacturing orders and property sales, suggest that economic activity may remain buoyant over the remainder of 2017. It is likely that policy settings will also remain relatively accommodative over this period, as a reshuffle of key Chinese political positions is expected at the National Party Congress later in the year.

Over the medium to longer-term, economic growth in China is expected to face significant challenges. Demographics were very favourable for growth in recent years, with the working age population (20-64 years) increasing by 114 million persons from 2005 to 2015. However, the United Nations expects this cohort will decline by 23 million persons over the 10 years to 2025. China's development has been rapidly catching up with wealthier countries, and therefore its potential rate of growth is also declining, in a broadly similar pattern to Japan and South Korea at similar stages of development. Reflecting these dynamics, the IMF is forecasting that growth in China will gradually slow from 6.7% in 2017 to 5.7% in 2022.

Figure 7



(a) The GDP proxy is an index comprising: electricity consumption; a construction material index (steel, glass and cement); freight volumes; passenger travel (kms); and throughput at major harbours.

Source: IMF World Economic Outlook (April 2017).

Source: CEIC, Datastream and Treasury.

## Other Emerging Markets

Populous emerging markets in South and South East Asia generally have positive growth outlooks. From 2016 to 2022, the IMF forecasts that India, Vietnam, the Philippines and Bangladesh will grow by at least 6% per annum. Moreover, Indonesia is projected to grow by at least 5% per annum, as is Pakistan from 2017 onwards. Combined, these countries account for around 2.1 billion people<sup>10</sup> which, given their proximity to the State, represent a significant long-term trade potential.

## Global Risks

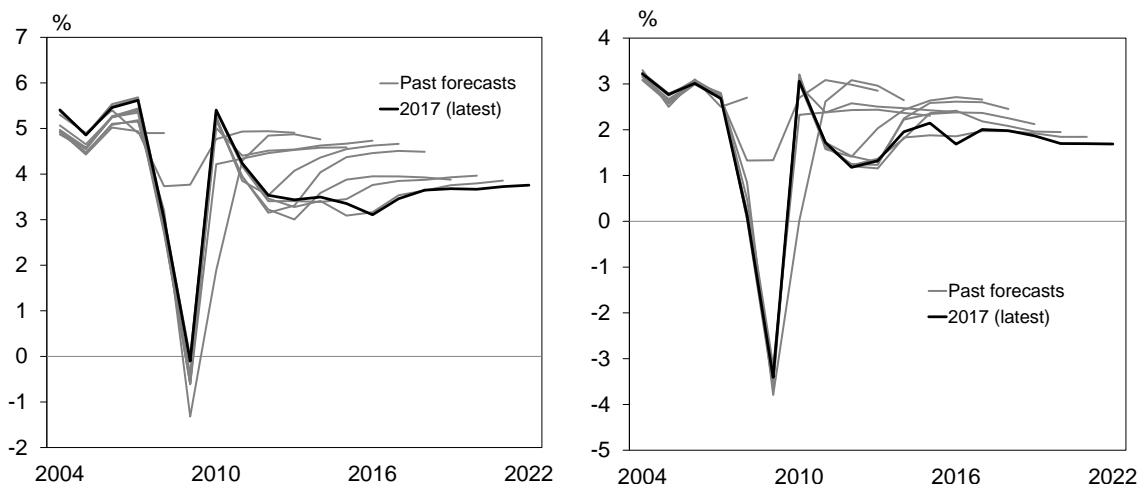
As noted in the IMF April 2016 World Economic Outlook, titled ‘Too Slow for Too Long’, there is a risk that low rates of growth in advanced economies will persist in the long term, causing much of the world to enter a prolonged period of stagnation characterised by low growth and deficient aggregate demand. In November 2016, the IMF warned that Australia was not immune to the ‘New Mediocre’<sup>11</sup>, that is evident throughout much of the world. It is worth noting that the IMF has regularly over-estimated economic growth over the past ten years. Therefore, there is a significant risk that even the subdued outlook from official forecasters will prove overly optimistic (figure below).

<sup>10</sup> Of which India comprises 1.3 billion people.

<sup>11</sup> Source: IMF, *Australia: IMF Staff Concluding Statement of the 2016 Article Mission*, 15 November 2016.

Figure 8

**INTERNATIONAL MONETARY FUND ECONOMIC GROWTH FORECASTS**  
 Global GDP Growth      Advanced Economy GDP Growth



Source: IMF World Economic Outlook, April updates from 2007 to 2017.

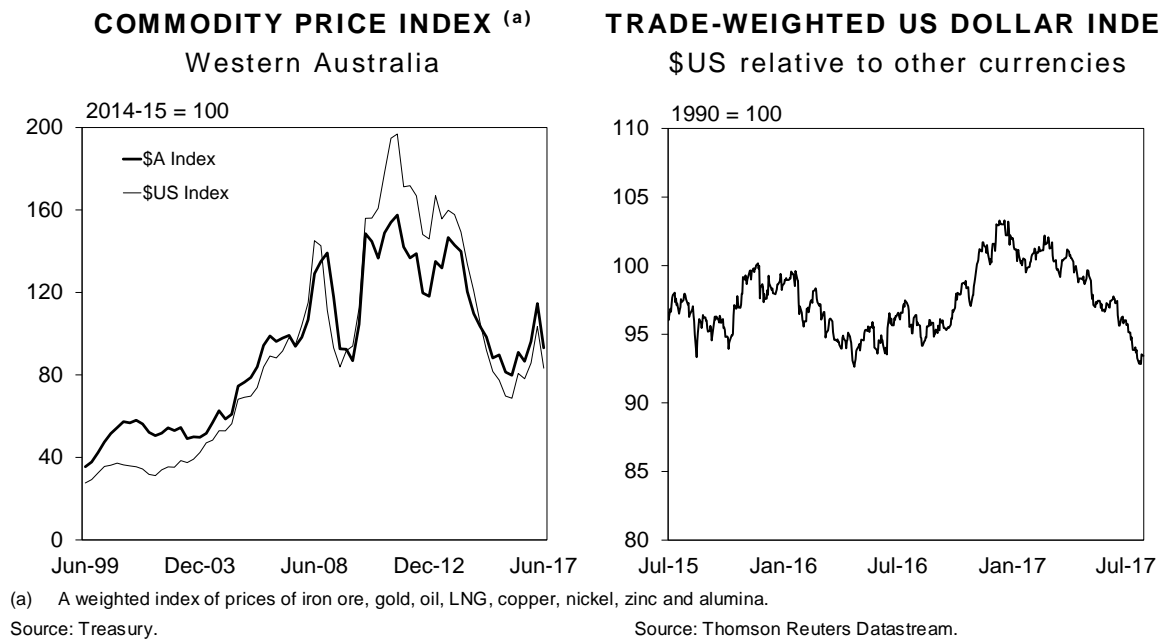
China is by far the most important trading partner for Western Australia, accounting for around 50% of the State’s merchandise exports. Therefore, changes in the country’s domestic economy can have a major impact on the State’s economic outlook. A key risk for the Chinese economy relates to its unsustainable rate of debt accumulation to fund fixed investment. Such rapid accumulations of debt and capital investment are often associated with significant misallocations of resources, which can reduce economic growth potential over subsequent years.

Notwithstanding the medium to long-term downside risks outlined above, there has been some positive economic growth momentum emerging from several key economies. Notably, in its July 2017 update, the IMF revised up growth projections for the euro area and Japan. As noted earlier, Chinese growth was also revised up, supported by continued policy stimulus. Over the short-term there is a risk that this growth momentum will exceed expectations.

**Commodity Markets**

After trending down sharply over 2014 and 2015, commodity prices (as measured by an index of the commodities most relevant to Western Australia) reached a low in early 2016 (figure below, left-hand panel). Commodity prices have since temporarily rebounded to a recent high in the March quarter 2017. Since the 2016-17 *Pre-election Financial Projections Statement* (PFPS), price forecasts have been revised down for most commodities, including iron ore, oil and gas. Price assumptions and mining revenue estimates can be found in Chapter 4: *General Government Revenue*.

Figure 9



The US dollar has weakened over the first half of 2017 (figure above, right-hand panel) as a result of soft US inflation and wage data, which has reduced expectations of interest rate rises. This has been a key factor behind the rise in the \$US/\$A exchange rate in recent months, which has contributed to weaker royalty estimates relative to the PFPS.

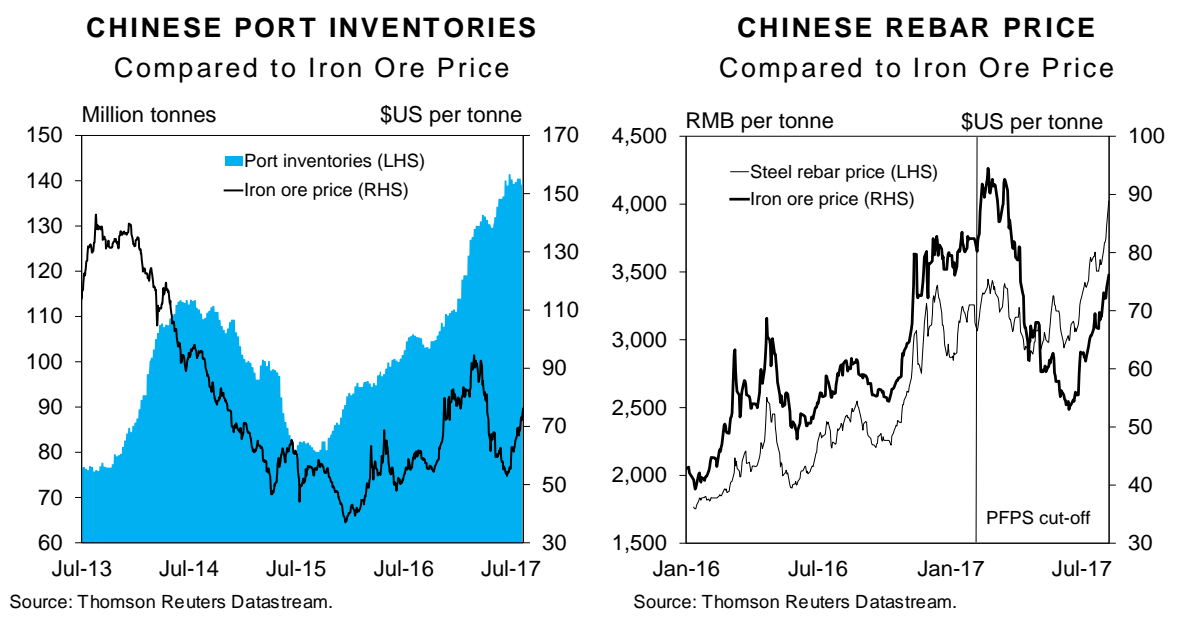
### Iron ore

The iron ore price increased through 2016, after falling to a 12-year low of \$US37 per tonne in December 2015. A cyclical upswing in Chinese economic conditions, led by the property sector, was supported by accommodative macroeconomic policies from the Chinese government. This provided a significant boost to steel and iron ore demand, and bolstered sentiment on derivative markets, with speculative trading potentially amplifying price growth. Furthermore, new additions of low-cost iron ore supply were significantly lower in 2016 than in the previous three years.

In November 2016, the iron ore price increased rapidly to around \$US80 per tonne. The price largely remained within the \$US80-\$US90 per tonne range until April 2017, on expectations of continued strength in Chinese demand and supportive government policies in 2017. High prices incentivised the return of iron ore supply that had previously exited the market, including from Chinese domestic producers, as well as from India and non-traditional producers such as Iran.

Combined with further additions from the major iron ore producers, supply outpaced demand in the June quarter 2017, despite the latter growing at its fastest rate since 2013. Chinese iron ore imports rose by 9.2% year-on-year in the first six months of 2017, while Chinese crude steel output increased by 4.6% over the same period. Consequently, the iron ore market returned to surplus, reflected by a rapid accumulation in Chinese port inventories (figure below, left-hand panel), which rose to record levels of more than 140 million tonnes. This placed downward pressure on the benchmark 62%Fe iron ore price, which fell sharply from over \$US90 per tonne in late March 2017 to a low of \$US53 per tonne in mid-June, a decline of more than 40%.

Figure 10



Reflecting an abundance of supply, and steel mills preferring to use higher grade ores, the discount for lower quality iron ore products increased substantially in the first half of 2017. For example, the discount between the 62%Fe and 58%Fe benchmarks widened from an average of 13% in 2016 to 26% in the June quarter 2017. This reduced the price received for lower grade products sold by a number of Western Australian producers, and has affected royalty income, given around one quarter of Western Australian iron ore production has an iron content of 58% or less.

In contrast to iron ore, steel prices continued to improve in 2017, underpinned by growth in steel-intensive industries including property construction and manufacturing. New starts in residential property construction grew by 14.9% in the first six months of 2017, relative to 2016, while China’s official manufacturing purchasing managers index has been at its strongest in five years. In addition, government-imposed cuts to Chinese steel capacity, particularly for smaller induction furnaces, supported steel prices and steel mill margins.

The iron ore price has increased since mid-June to around \$US75 per tonne in early August (higher than the assumed price of \$US67.2 per tonne in 2017-18), as a result of continued strength in Chinese demand and the replacement of steel production from induction furnaces (which use steel scrap as feed), to basic oxygen furnaces, which predominantly use iron ore as feedstock.

Volatility in the iron ore price is likely to remain high due to a range of factors, including supply being slow to respond to movements in demand, unexpected policy changes (particularly from China, which is the dominant consumer of iron ore) and rapid changes in market sentiment. Mean consensus estimates project that the iron ore price will average around \$US55-60 per tonne to 2020-21, although the range of forecasts is wide.

While the expansions by the major iron ore producers are largely complete, the ramp-up of Vale's S11D and Hancock Prospecting's Roy Hill projects will add significant tonnages in 2017 and 2018. Increased supply, and the prospect of steadier demand, are expected to place downward pressure on prices over the medium term. Major producers have begun investigating new projects to replace depleted mines to maintain current operating rates, but these are not expected to begin producing until the early 2020s.

### **Oil market**

After falling to a 12-year low in early 2016, the oil price recovered throughout the year on speculation that oil producers may agree to limit production. In late November 2016, Organisation of Petroleum Exporting Countries (OPEC) members and other major producers agreed to reduce output by 1.8 million barrels per day in the first half of 2017. However, despite these cuts, global inventories continued to rise, placing downward pressure on price. The number of oil rigs deployed in the US rose in the first half of 2017, and Nigeria and Libya, both OPEC members but exempt from the supply cuts, increased output in the June quarter.

Despite OPEC members and major producers agreeing to maintain output cuts for a further nine months to March 2018, the oil price fell from around \$US56 per barrel in February to a low of \$44 per barrel in late June. By late July, prices had rebounded to around \$US52 per barrel as US crude oil inventories contracted, and Saudi Arabia indicated it would further cut output. Futures markets suggest an improvement in prices to 2021, underpinned by growth in demand, and moderating increases in conventional supply, as relatively low prices over the last few years act to discourage new investment.

### **Other commodities**

Movements in prices for other commodities have been mixed since the PFPS. The gold price has increased by nearly 5% to around \$US1,260 per ounce, supported by a softer US dollar and an expectation that the US Federal Reserve may raise interest rates at a slower pace than previously anticipated. The copper price has also risen by 7.6% to its highest level in two years, based on stronger anticipated demand from China (the world's largest consumer), and supply interruptions due to labour disputes at two of the world's largest copper mines. The nickel price has remained broadly unchanged, notwithstanding significant volatility as a result of uncertainty regarding supply from Indonesia and the Philippines.





# Fiscal Outlook and Strategy

## HIGHLIGHTS

- The 2017-18 Budget reflects a fresh approach to managing the State's finances, with:
  - a \$3.5 billion package of Budget repair measures (as detailed in Chapter 1: *Overview*);
  - a new suite of financial targets to guide the Government's decision making and return the State's finances to a sustainable position over time;
  - the establishment of a Debt Repayment Special Purpose Account to quarantine windfall revenues for the purposes of repaying Consolidated Account borrowings; and
  - the commencement of a range of reforms to the public sector and the delivery of services.
- With the State's revenue base remaining under considerable pressure, operating deficits are unavoidable in the short term. However, consistent with the Government's financial targets, the general government operating deficit is forecast to reduce each year from 2017-18 (\$2.3 billion) to 2019-20 (\$1.1 billion), before returning to surplus in 2020-21.
- New spending in this Budget is focused on the Government's election commitments, which are largely accommodated through the reprioritisation of existing spending. General government expenses are forecast to grow by an average of just 1.9% per annum over the forward estimates period.

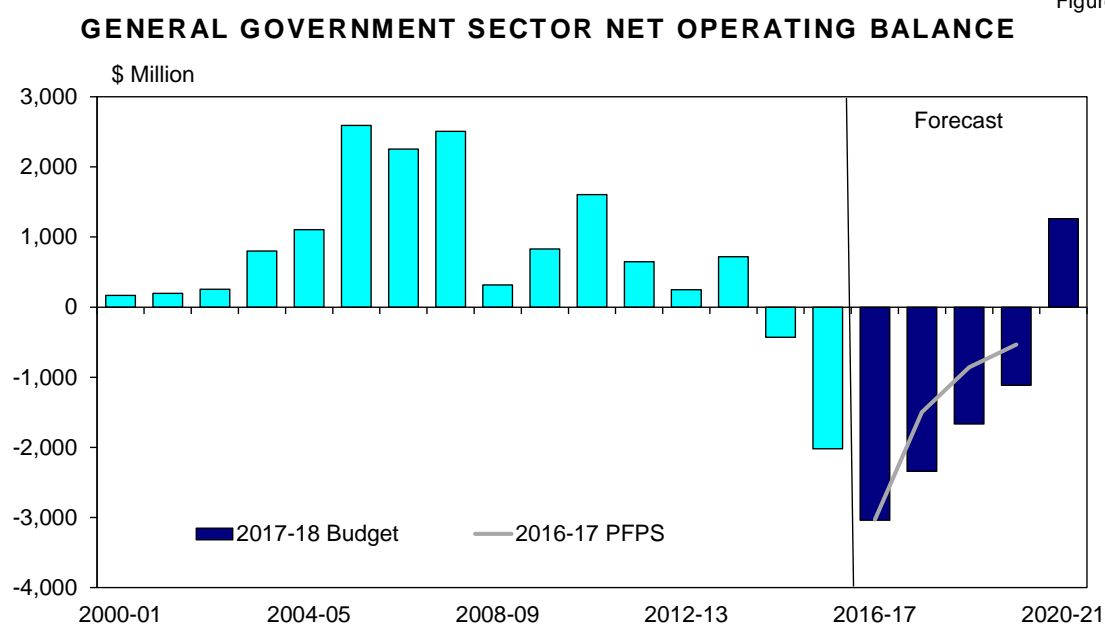
## Fiscal Outlook

### General Government Sector

#### Summary

The general government revenue outlook has deteriorated substantially since the *Pre-election Financial Projections Statement* (PFPS), resulting in larger operating deficits over the period 2017-18 to 2019-20 (see figure below). This is despite new Budget repair measures that reduce total public sector net debt by \$3.5 billion to 30 June 2021, and average general government expense growth of just 1.9% per annum over the forward estimates period (compared to average growth of 7.3% per annum over the previous decade).

Figure 1



The following table summarises the financial outlook for the general government sector.

Table 1

**GENERAL GOVERNMENT**  
Summary Financial Statements

	2015-16 Actual \$m	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<b>OPERATING STATEMENT</b>						
Revenue	26,485	26,672	28,457	28,743	30,103	33,272
Growth (%)	-3.3	0.7	6.7	1.0	4.7	10.5
Expenses	28,506	29,710	30,797	30,408	31,218	32,012
Growth (%)	2.4	4.2	3.7 <sup>(a)</sup>	-1.3	2.7	2.5
<b>Net Operating Balance</b>	<b>-2,021</b>	<b>-3,039</b>	<b>-2,340</b>	<b>-1,666</b>	<b>-1,114</b>	<b>1,260</b>
<b>BALANCE SHEET</b>						
Assets <sup>(b)</sup>	147,566	147,756	150,325	153,430	156,854	161,949
Liabilities <sup>(c)</sup>	32,700	37,152	41,463	44,938	47,647	49,574
<b>Net Worth</b>	<b>114,866</b>	<b>110,604</b>	<b>108,863</b>	<b>108,493</b>	<b>109,206</b>	<b>112,375</b>
<b>STATEMENT OF CASHFLOWS</b>						
Net Cash Flows from Operating Activities	-1,291	-1,977	-977	-297	293	2,494
Asset Investment Program	2,475	2,404	2,865	2,394	1,657	1,312
<b>Cash Surplus/Deficit</b>	<b>-3,664</b>	<b>-4,208</b>	<b>-3,665</b>	<b>-2,542</b>	<b>-1,204</b>	<b>1,380</b>
<i>Memorandum Item: Net Debt</i>	13,717	19,377	24,105	27,613	29,779	29,259

(a) Underlying expense growth of 2.4%.

(b) Includes all physical and financial assets of the general government sector, such as land, buildings, vehicles, cash, ownership interest in public corporations, accounts receivable from third parties, etc.

(c) Includes all general government sector financial obligations such as outstanding borrowings, unfunded superannuation and other employee entitlements, accounts payable, etc.

Note: Columns may not add due to rounding.

Headline expense growth of 3.7% in 2017-18 includes the impact of the recent Machinery of Government (MoG) changes<sup>1</sup> and the up-front cost of the Voluntary Targeted Separation Scheme (VTSS). Excluding these one-off factors, underlying expense growth in 2017-18 is just 2.4%.

Cash deficits are forecast for the period 2016-17 through to 2019-20, with a cash surplus of \$1.4 billion expected in 2020-21, driven in part by the restrained general government expense growth.

General government sector net debt levels are forecast to increase from \$19.4 billion at 30 June 2017 to \$29.8 billion by 30 June 2020, before falling slightly to \$29.3 billion by 30 June 2021.

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<sup>1</sup> In April 2017, the Government announced a range of agency restructures to improve the efficiency of service delivery and streamline the public sector. A total of 41 government departments have been reduced to 25 with effect from 1 July 2017. As part of these changes, the Rottneest Island Authority was transferred to the new Department of Biodiversity, Conservation and Attractions. This results in a reclassification from the public non-financial corporations sector to the general government sector and therefore increased revenue and expenses for the general government sector. Similarly, employees of the Housing Authority (a public non-financial corporation) were transferred to the Department of Communities (effective 1 July 2017), with the Housing Authority supported by a new service delivery agreement with the Department of Communities. This has also had the effect of 'grossing up' general government sector revenue and expenses.

## Operating Statement

The table below summarises changes to general government revenue and expenses since the PFPS.

Table 2

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE  
VARIATIONS SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS  
STATEMENT**

	2016-17	2017-18	2018-19	2019-20	2020-21	Total
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2016-17 PFPS - NET OPERATING BALANCE</b>	<b>-3,028</b>	<b>-1,498</b>	<b>-860</b>	<b>-535</b>		
<b>Revenue</b>						
<i>Revenue Measures:</i>	-295	659	451	500	498	1,812
GTE efficiency measures	-295	583	145	158	159	750
Payroll tax scale changes	-	-	135	145	155	435
Gold royalty changes	-	60	123	113	96	392
Point of Consumption Wagering Tax	-	-	19	40	41	100
Pilbara Ports Authority port dues	-	14	19	19	19	72
4% Foreign Owner Duty Surcharge	-	-	6	21	22	49
Household fees and charges - dividend/TER impact	-	2	3	4	6	14
<i>Machinery of Government Revenue Changes</i>						
Communities/Housing Authority service agreement	-	157	161	161	163	641
Rottnest Island Authority merged into Biodiversity, Conservation and Attractions	-	36	37	37	37	148
<i>Other Revenue Movements</i>						
Taxation	74	-138	-337	-376		-777
- Payroll tax	-1	-67	-107	-113		-287
- Transfer/Landholder duty	154	100	-16	-12		227
- Land tax/MRIT	-20	-82	-128	-158		-389
- Insurance duty	-6	-41	-52	-55		-154
- Gambling taxes	-31	-8	-	-		-39
- Motor vehicle taxes	-23	-28	-23	-18		-93
- Other taxes	1	-12	-11	-20		-42
Commonwealth grants	299	-705	-1,075	-798		-2,280
- GST grants	-26	-366	-783	-533		-1,708
- North West Shelf/condensate compensation	79	-78	-35	-33		-67
- National Health Reform	31	-26	-36	-46		-77
- Grants passed 'through' the State	140	-139	17	31		48
- Students First	-1	-90	-171	-153		-415
- Transport grants	177	-143	-127	-39		-132
- Housing grants	-94	117	4	-		27
- Other Commonwealth grants	-7	19	56	-25		44
Royalty income	-299	-188	-491	-781		-1,758
- Iron ore	-303	-185	-489	-771		-1,748
- Other royalties	4	-3	-2	-10		-10
Hepatitis C drug program	-67	-69	-70	-72		-278
Revenue from public corporations	-12	-73	-14	9		-90
All other	31	20	61	45		157
<b>TOTAL REVENUE</b>	<b>-269</b>	<b>-301</b>	<b>-1,278</b>	<b>-1,275</b>		<b>-3,122</b>

Note: Columns/rows may not add due to rounding.

Table 2 (cont.)

**SUMMARY OF GENERAL GOVERNMENT REVENUE AND EXPENSE  
VARIATIONS SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS  
STATEMENT**

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m	Total \$m
<b>Expenses</b>						
Savings Measures:	1	-23	-618	-647	-726	-2,013
Service Priority Review	-1	-32	-171	-243	-316	-763
Remove non-salaries indexation	-	-25	-59	-90	-123	-297
Voluntary Targeted Separation Scheme	-	185	-180	-180	-180	-355
Household fees and charges - expense impacts	-	-57	-61	-46	-1	-165
Health AER savings	-	-47	-52	-48	-50	-199
\$100 rebate cap for local government and water rates	-	-19	-20	-21	-22	-82
Other savings measures	2	-27	-75	-19	-33	-152
<i>Machinery of Government Expense Changes</i>						
Communities/Housing Authority service agreement	-	157	161	161	163	641
Rottnest Island Authority merged into Biodiversity, Conservation and Attractions	-	37	38	36	36	148
<i>Other Expense Movements</i>						
Funding source changes for regional programs	-	-	-34	-325		-359
Western Australian Natural Disaster Relief and Recovery Arrangements	15	88	30	30		163
Justice						
Growth in prisoner population	10	50	41	43		144
Reversal of PFPS provision for prisoner population growth	-4	-21	-14	-8		-46
Recalculation of savings targets	-	3	10	14		28
Event Tourism and Destination Marketing	-	6	14	31		51
Housing grants	-94	117	4	-		27
NP on Pay Equity for the Social and Community Services Sector	-	37	5	-		42
Meth Border Force	-	13	22	21		56
Education						
Revision to student enrolments and education costs	4	9	-22	-58		-68
Put Education Assistants Back in the Classroom	-	3	10	16		29
Improving Teacher Quality	-	4	9	9		23
Universal Access to Early Childhood Education extension	-	17	30	-		46
WA Health						
Non-hospital Services expenditure	-	-91	-335	-305		-730
Hospital Services - Revised Activity and Cost Settings	-	246	215	182		643
Hepatitis C drug program	-67	-69	-70	-72		-278
Multi-purpose Services Agreement	-	28	28	-		56
Perth Children's Hospital	-	18	-	-		18
Update to depreciation expense	-44	4	-1	8		-33
Operating subsidy changes						
Other Synergy subsidy changes	-	42	44	29		115
Water Corporation Operating Subsidy	-22	-22	-23	-14		-81
Local Projects Local Jobs	15	21	3	-		39
AER revised timing of savings	-	43	-1	4		46
South-west Native Title delay	-60	-77	-1	5		-133
Grants passed 'through' the State	140	-139	17	31		48
Refunds of past years tax collections	-37	-26	-32	-32		-127
Superannuation interest expenses	-12	-15	-13	-13		-53
Interest changes	-1	-7	-3	21		10
All other	-102	87	18	137		140
<b>TOTAL EXPENSES</b>	<b>-258</b>	<b>542</b>	<b>-472</b>	<b>-695</b>		<b>-884</b>
<b>TOTAL VARIANCE</b>	<b>-11</b>	<b>-842</b>	<b>-806</b>	<b>-580</b>		<b>-2,239</b>
<b>2017-18 BUDGET - NET OPERATING BALANCE</b>	<b>-3,039</b>	<b>-2,340</b>	<b>-1,666</b>	<b>-1,114</b>	<b>1,260</b>	

Note: Columns/rows may not add due to rounding.

### ***2016-17 Estimated Actual***<sup>2</sup>

The general government operating deficit for 2016-17 is largely unchanged from the PFPS, with weaker than expected revenue (down \$269 million) mostly offset by lower than expected expenses (down \$258 million).

The lower revenue estimate reflects the net impact of:

- lower income from public corporations (down \$307 million), primarily due to lower dividend payments from the electricity corporations and port authorities resulting from the deferral of 2016-17 interim dividends to 2017-18;
- higher Commonwealth grants revenue (up \$299 million), largely the result of:
  - higher transport-related grants (up \$177 million), mainly due to a \$226 million grant payment in recognition of Western Australia's low GST relativity for 2017-18. This was partly offset by the reallocation of savings on a range of existing projects from 2016-17 to works commencing in 2017-18;
  - the Commonwealth bringing forward financial assistance grants that are passed through the State to local governments from 2017-18 to 2016-17 (up \$145 million); and
  - lower housing grants (down \$94 million), due to delays in the finalisation of the 2016-18 National Partnership for Remote Housing (NPRH) agreement which resulted in funding being carried over to 2017-18;
- lower royalty income (down \$299 million), mainly due to slightly lower than projected benchmark iron ore prices (down \$146 million) and lower final outcomes for the December and March quarters (down \$161 million)<sup>3</sup>;
- higher taxation revenue (up \$74 million), largely reflecting higher duty on transfers (up \$154 million), primarily due to a single high value commercial transaction issued in May 2017, which was partially offset by lower taxes on gambling (down \$31 million), lower motor vehicle taxes (down \$23 million) and lower land tax and Metropolitan Region Improvement Tax (MRIT) revenue (down \$20 million); and
- a reduction of \$67 million in Pharmaceutical Benefit Scheme (PBS) recoveries relating to new Hepatitis C drugs, reflecting lower than expected uptake of these pharmaceuticals.

General government expenses in 2016-17 are estimated to be \$258 million lower than at the time of the PFPS. This mainly reflects:

- higher on-passed Commonwealth grants for local governments (up \$145 million), matched by an equivalent increase in Commonwealth revenue noted earlier;

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<sup>2</sup> Final audited results for 2016-17 will be reported in the *Annual Report on State Finances*, to be released by 28 September 2017.

<sup>3</sup> Almost all the variation (\$160 million) from actual receipts relates to iron ore production. Of this, approximately two thirds of the variation reflects actual prices at the time of production being lower than the assumed benchmark price in those quarters. This can reflect a range of factors, including differences in product mix to that assumed, that some prices received are based on contracts that reference prior quarter prices, and changes in product premiums and discounts. Approximately a third of the variation is due to actual production volumes being lower than assumed.

- lower Commonwealth housing grants transferred to the public non-financial corporations sector (down \$94 million), due to the delay in finalisation of the NPRH agreement (noted above); and
- lower than anticipated uptake of the new Hepatitis C direct antiviral drugs (reducing expenses by \$67 million).

**2017-18 and Beyond**

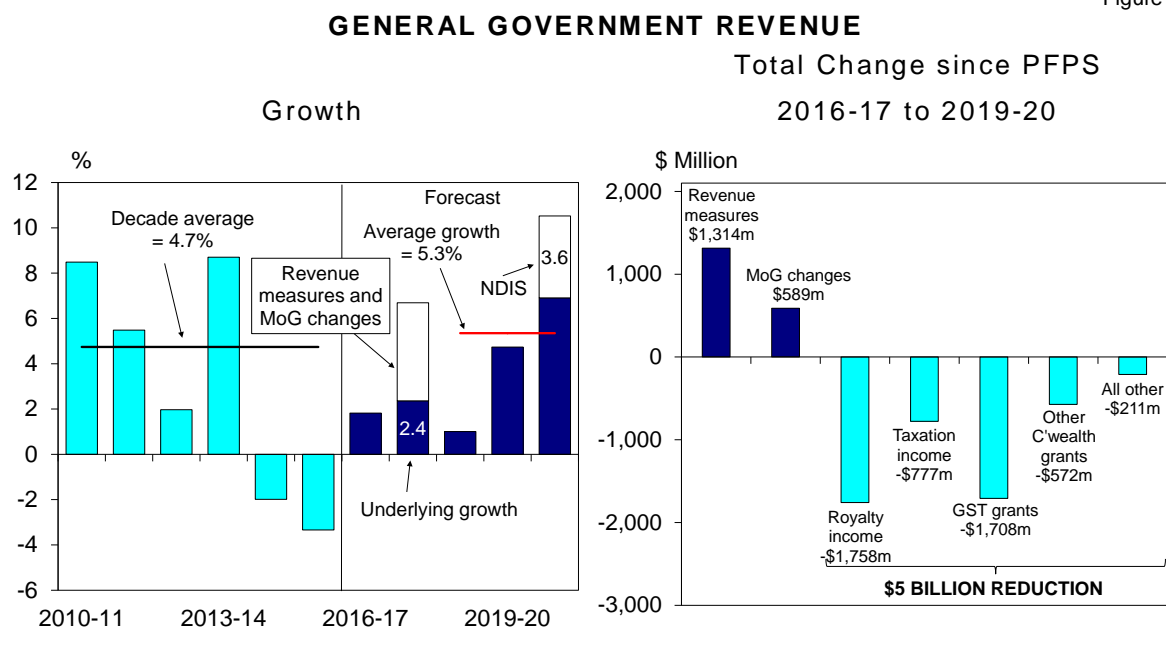
The forecast operating deficits for 2017-18 through to 2019-20 have deteriorated by a total of \$2.2 billion since the PFPS, reflecting lower revenue (down \$2.9 billion), partly offset by lower spending (down \$625 million) over the period.

*Revenue*

Total general government revenue is estimated to increase by 6.7% in 2017-18 to \$28.5 billion. However, excluding new revenue measures in this Budget and the impact of the Machinery of Government changes, revenue is forecast to grow by just 2.4% in 2017-18, considerably lower than the 6.7% estimate at the time of the PFPS.

Revenue growth over the remainder of the forward estimates period is forecast to average 5.3% per annum, mainly reflecting a lagged increase in Western Australia’s share of GST revenue and expected Commonwealth funding for the National Disability Insurance Scheme (NDIS) in 2020-21.

Figure 2





New revenue measures introduced in this Budget (see Budget repair discussion in Chapter 1) and the impact of the Machinery of Government changes are estimated to result in a \$2.2 billion revenue improvement across the three years 2017-18 to 2019-20. Excluding these factors, the general government revenue estimates have been written down by \$5.1 billion over 2017-18 to 2019-20 since the PFPS, reflecting the net impact of:

- lower Commonwealth grants (down \$2.6 billion), including lower GST revenue (down \$1.7 billion), and lower grants for education (down \$413 million) and public hospitals (down \$108 million), reflecting 2017-18 Commonwealth Budget forecasts;
- lower royalty income (down \$1.5 billion), due to a stronger than projected \$US/\$A exchange rate (down \$814 million) and a downward revision to iron ore price assumptions (down \$666 million);
- lower taxation revenue (down \$851 million), including lower payroll tax (down \$287 million), lower land tax and MRIT (down \$369 million) and lower insurance duty (down \$148 million); and
- lower revenue for PBS recoveries relating to the new Hepatitis C drugs (down \$211 million), reflecting revised forecasts due to lower than expected uptake of the drugs.

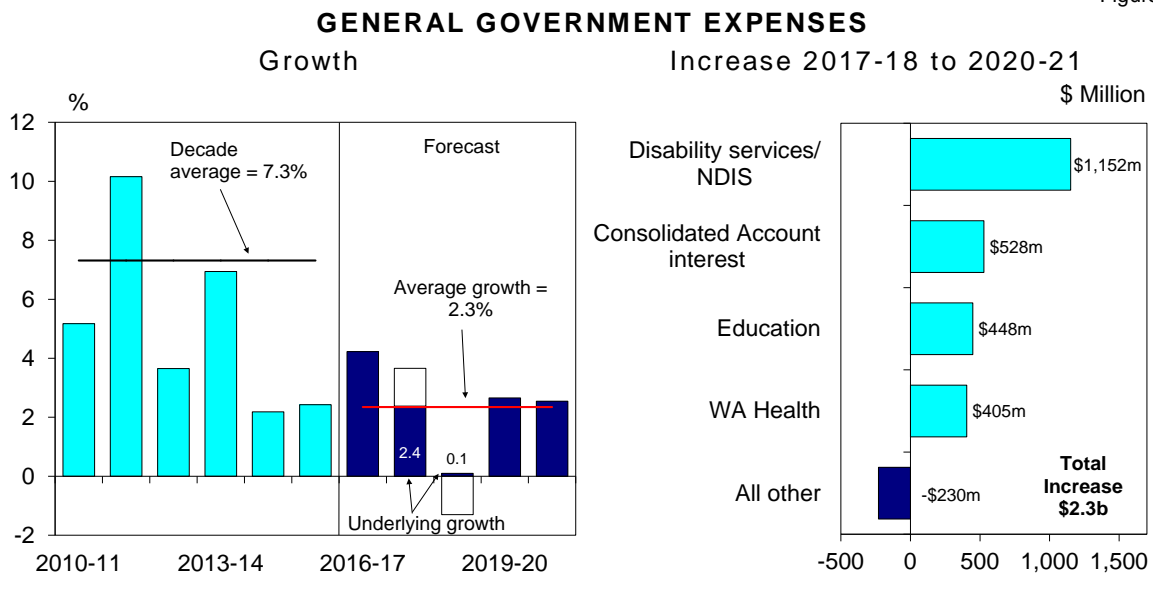
Further detail on the revenue forecasts is provided in Chapter 4: *General Government Revenue*.

### *Expenses*

General government expenses are forecast to increase by an average of just 1.9% per annum over the period 2017-18 to 2020-21. This low rate of growth is largely driven by Budget repair measures, which are expected to reduce general government expenses by \$2 billion over the four years to 2020-21, partly offset by the impact of the Machinery of Government changes, the expense impact of the Government's election commitments and some unavoidable cost pressures.

The largest increases in expenses over the forward estimates period are for Education (up \$448 million, or 9.2%), WA Health (up \$405 million, or 4.6%) and disability services (up almost \$1.2 billion) with the NDIS expected to be in full operation in 2020-21.

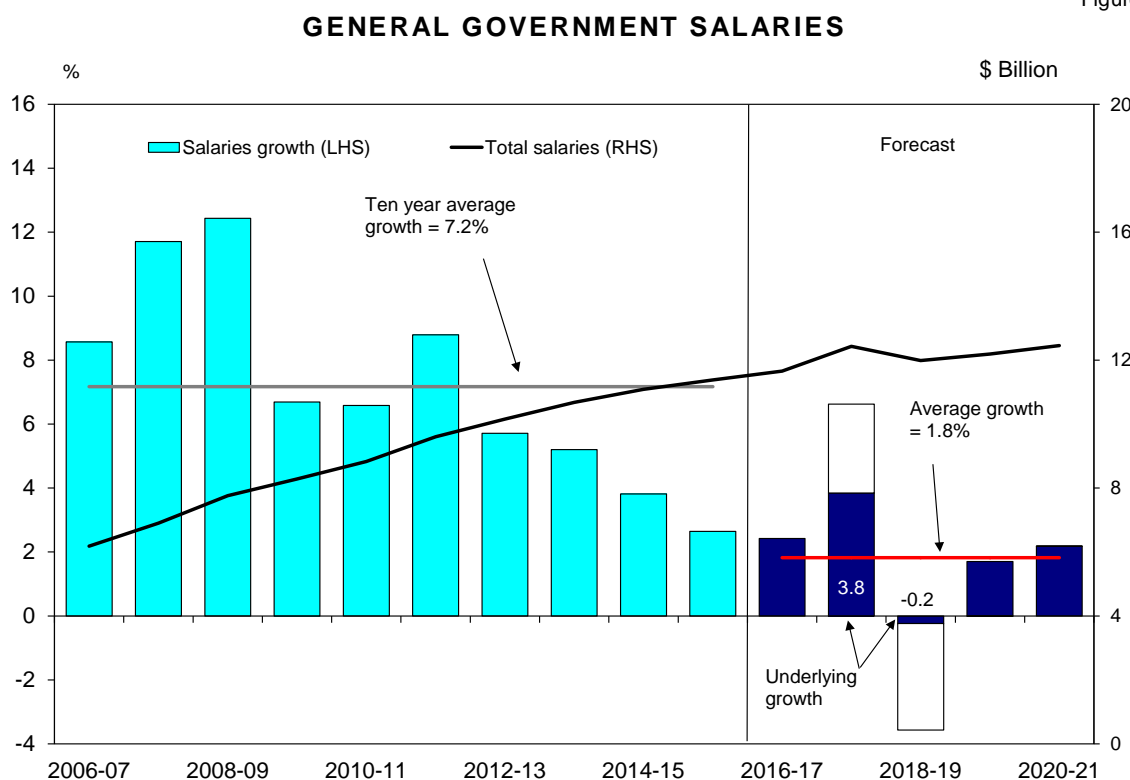
Figure 3



Excluding savings measures and Machinery of Government changes, recurrent spending by the general government sector has been revised up since the PFPS by \$73 million over the period 2017-18 to 2019-20. Detail on the expense changes included in this Budget can be found in Chapter 5: *General Government Expenses*.

Salaries account for around 40% of total general government expenses, making it the largest expense component of the sector. Salaries are forecast to increase by 6.6% in 2017-18, including \$185 million in net VTSS implementation costs and \$139 million for the reclassification of agencies' spending under the Machinery of Government changes. Excluding these one-off factors, underlying salaries growth in 2017-18 is estimated at 3.8%, which is well below the decade average of 7.2%. Average growth across the three outyears is estimated at just 0.1% per annum, reflecting the combined impact of new Budget repair measures announced this Budget and savings measures implemented by the previous Government.

Figure 4



## Balance Sheet

General government sector net worth (i.e. the value of the sector’s assets less its liabilities) is forecast to be \$108.9 billion at 30 June 2018. This follows an estimated \$110.6 billion outcome for 30 June 2017.

These outcomes reflect a continuing decline in net worth since 30 June 2015 and are mainly due to the aggregate impact of operating deficit outcomes and reductions in land asset valuations (due to softer property market conditions).

However, net worth is expected to increase across the forward estimates period, reaching a forecast \$112.4 billion by 30 June 2021, as the general government sector moves towards an operating surplus by 2020-21.

The value of general government sector assets is estimated to increase by \$14.2 billion between 30 June 2017 and 30 June 2021 (to a total of \$162 billion). This mainly reflects:

- an increase in the value of non-financial assets (up \$7.2 billion), mainly land (\$2.4 billion) and property, plant and equipment (up \$5.3 billion), with increases due to Asset Investment Program spending for the period;
- a \$2.8 billion increase in the net worth of liquid investments, loans and placements, largely due to an expected increase in Public Bank Account assets as the Consolidated Account cash position recovers over the forward estimates period; and

- a \$4.2 billion increase in the net worth of public corporations, reflecting increased physical asset values for non-financial public corporations over the forward estimates period<sup>4</sup>, and forecast operating surpluses in each year of the forward estimates for the public corporations sectors.

General government liabilities are forecast to be \$49.6 billion at 30 June 2021, an increase of \$12.4 billion on the estimated outcome for 30 June 2017. This increase predominantly reflects higher borrowings in support of operating deficits and infrastructure spending over this period (up \$13.1 billion).

Unfunded superannuation liabilities are forecast to decline to \$6.6 billion by 30 June 2021. Most State employees are in fully-funded defined contribution schemes. Accordingly, unfunded superannuation liabilities will gradually decline as the sector's unfunded entitlements are paid out over the next two decades.

Table 3

**GENERAL GOVERNMENT**  
Balance Sheet at 30 June

	2016	2017	2018	2019	2020	2021
	\$m	\$m	\$m	\$m	\$m	\$m
<b>2017-18 BUDGET</b>						
Assets	147,566	147,756	150,325	153,430	156,854	161,949
Liabilities	32,700	37,152	41,463	44,938	47,647	49,574
<i>Net Worth</i>	114,866	110,604	108,863	108,493	109,206	112,375
<b>Net Debt</b>	<b>13,717</b>	<b>19,377</b>	<b>24,105</b>	<b>27,613</b>	<b>29,779</b>	<b>29,259</b>
<b>2016-17 PFPS</b>						
Assets	147,566	149,918	154,074	158,769	162,542	na
Liabilities	32,700	37,250	41,670	45,556	47,821	na
<i>Net Worth</i>	114,866	112,667	112,404	113,213	114,720	na
<b>Net Debt</b>	<b>13,717</b>	<b>19,348</b>	<b>23,173</b>	<b>25,510</b>	<b>26,845</b>	<b>na</b>
<b>VARIANCE</b>						
Assets	-	-2,161	-3,749	-5,338	-5,688	na
Liabilities	-	-98	-207	-618	-174	na
<i>Net Worth</i>	-	-2,063	-3,542	-4,720	-5,514	na
<b>Net Debt</b>	-	<b>28</b>	<b>932</b>	<b>2,103</b>	<b>2,934</b>	<b>na</b>

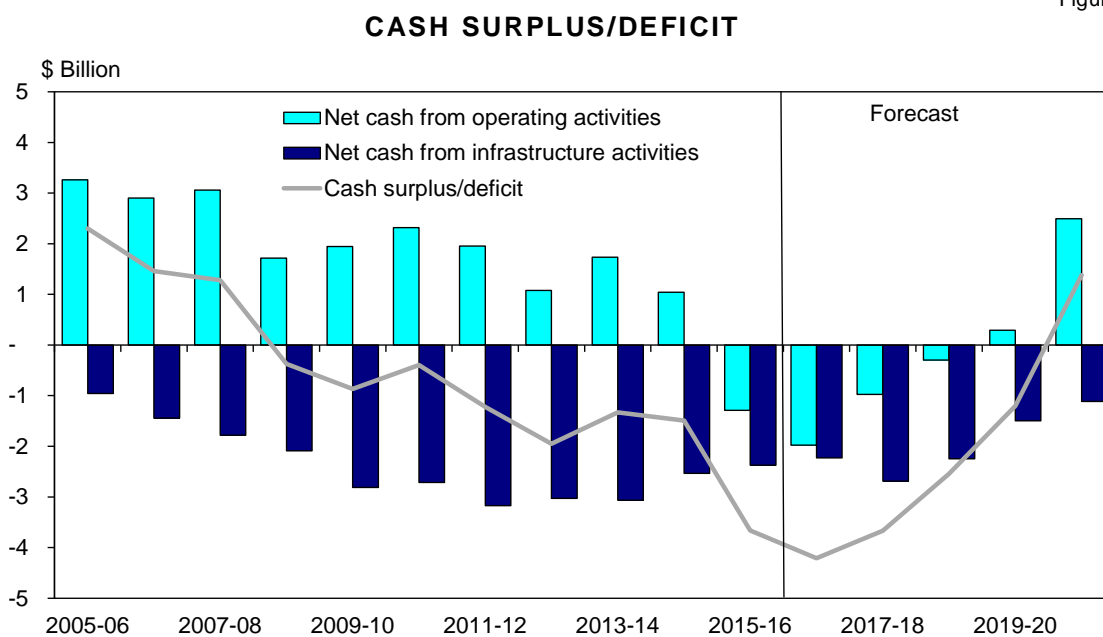
Note: Columns may not add due to rounding.

## Cashflow Statement

Cash deficits are forecast for the general government sector for the period 2016-17 through to 2019-20, with a projected return to a cash surplus (of \$1.4 billion) in 2020-21 on the back of improving operating results and lower levels of infrastructure spending for the sector. Lower infrastructure spending by the end of the forward estimates period comes after a sustained period of high spending for the general government sector, including hospital replacements and completion of some major road projects.

<sup>4</sup> The net worth of public corporations is included as an equity asset holding for the general government sector. This represents the ownership interest of central government in the net value of public sector businesses.

Figure 5



## Total Public Sector <sup>5</sup>

### Summary

Consistent with the general government sector outlook, operating deficits are forecast for the total public sector over the period 2016-17 to 2019-20, with a return to surplus expected in 2020-21. Relative to the PFPS, the forecast deficit in 2016-17 has narrowed, while the projected deficits from 2017-18 to 2019-20 have widened. These movements reflect the revenue write-downs and the net effect of new spending in the general government sector, combined with changes for the public corporations and Budget repair measures across the public sector.

Total public sector net debt is projected to increase from \$32.5 billion at 30 June 2017 to \$43.6 billion by 30 June 2021. Rising net debt levels primarily reflect the impact of prolonged weakness in the general government sector revenue outlook, and borrowing requirements to fund the State’s Asset Investment Program.

<sup>5</sup> The total public sector (also known as the whole-of-government) consolidates the general government sector (discussed above), the public non-financial corporations sector (which includes entities operating on a predominantly cost recovery basis like the State’s ports and the electricity and water utilities), and the public financial corporations sector (which includes agencies mainly engaged in financial activities, such as the Western Australian Treasury Corporation, the Insurance Commission of Western Australia, and Keystart).

The following table summarises the key financial aggregates for the total public sector.

<b>TOTAL PUBLIC SECTOR</b>						
Summary Financial Statements						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<b>OPERATING STATEMENT</b>						
Revenue	44,316	44,249	47,025	49,553	51,840	56,043
Expenses	46,875	47,384	50,171	51,536	53,098	55,004
<b>Net Operating Balance</b>	<b>-2,559</b>	<b>-3,135</b>	<b>-3,146</b>	<b>-1,983</b>	<b>-1,258</b>	<b>1,039</b>
<b>BALANCE SHEET</b>						
Assets	190,366	188,922	192,900	197,119	201,992	208,216
Liabilities	75,499	78,318	84,038	88,626	92,786	95,841
<b>Net Worth</b>	<b>114,866</b>	<b>110,604</b>	<b>108,863</b>	<b>108,493</b>	<b>109,206</b>	<b>112,375</b>
<b>STATEMENT OF CASHFLOWS</b>						
Net Cash Flows from Operating Activities	-195	-129	328	1,603	2,199	4,305
Asset Investment Program	-5,237	-5,181	-6,001	-5,949	-5,348	-5,021
<b>Cash Surplus/Deficit</b>	<b>-4,731</b>	<b>-4,491</b>	<b>-4,682</b>	<b>-3,434</b>	<b>-2,176</b>	<b>271</b>
<i>Memorandum Item: Net Debt</i>	27,347	32,500	37,810	41,425	43,784	43,638

Note: Columns may not add due to rounding.

## Operating Statement

Mainly reflecting the operating outlook for the general government sector, an operating deficit of \$3.1 billion for the total public sector<sup>6</sup> is forecast in 2017-18. Operating deficits are also forecast in 2018-19 and 2019-20 (\$2 billion and \$1.3 billion respectively). A turnaround to an operating surplus (of \$1 billion) is forecast for 2020-21. These outcomes are generally weaker than the PFPS estimates, mainly reflecting weaker general government revenue outcomes (see earlier discussion).

In line with the PFPS projections, both the public non-financial corporations (PNFC) and public financial corporations (PFC) sectors are expected to be in an operating surplus position in each year of the forward estimates period.

<sup>6</sup> Consolidation of the sub-sectors of the public sector removes transactions between each part of government. In aggregate, the operating balance of the total public sector is equal to the sum of the general government and public corporations sectors' operating balances, less dividend revenue. Under Australian Accounting Standards, the dividend costs of the public corporations sectors are not classified as expenses, although the associated dividend income (mainly recorded by the general government sector) is recognised as revenue.

Table 5

**TOTAL PUBLIC SECTOR OPERATING BALANCE**  
By Sector

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<b>Net Operating Balance</b>						
General government sector	-2,021	-3,039	-2,340	-1,666	-1,114	1,260
Public non-financial corporations sector	892	396	573	762	954	930
Public financial corporations sector	72	422	345	293	323	338
<i>less</i>						
General government dividend revenue	1,415	837	1,649	1,303	1,351	1,430
Public non-financial corporations dividend revenue <sup>(a)</sup>	87	77	75	69	70	58
<b>Total public sector net operating balance</b>	<b>-2,559</b>	<b>-3,135</b>	<b>-3,146</b>	<b>-1,983</b>	<b>-1,258</b>	<b>1,039</b>

(a) Dividends received from Keystart (a PFC) by the Housing Authority (a PNFC).

Note: Columns may not add due to rounding.

### ***Public Non-Financial Corporations***

An operating surplus of \$573 million is forecast for the PNFC sector in 2017-18 (down from \$643 million in the PFPS), with increasing surpluses in prospect for the remaining forward estimates period.

Relative to the PFPS projections, aggregate PNFC operating outcomes have improved slightly (up \$111 million) over the period 2016-17 to 2019-20. Both revenue and expenses for the sector have been revised down by around \$1.5 billion in 2016-17, and revised upward by a total of \$5.6 billion over the period 2017-18 to 2019-20. These changes largely reflect a downward revision to Gold Corporation revenue and associated expenses in 2016-17 (around \$900 million), with upward revisions in the outyears (around \$5.7 billion), largely driven by:

- lower than forecast gold prices and trading volumes in 2016-17; and
- an increase in forecast trading volumes from 2017-18 reflecting the impact of strategic initiatives that will increase manufacturing capacity and the amount of the metal held on deposit.

Other material changes to PNFC operating outcomes since the PFPS include:

- the impact of Budget repair measures introduced in this Budget, including:
  - Government Trading Enterprise (GTE) efficiency measures, including a net debt reduction target of \$473 million, which is anticipated to be met through lower expense outcomes for most GTEs (with a consequent increase in dividends to the general government sector through higher profitability);
  - the impact of household tariffs, fees and charges, including higher customer revenue for Synergy resulting from increased electricity tariffs (offset by lower operating subsidies paid to Synergy by the Consolidated Account);

- a 17% increase in the Pilbara Ports Authority’s port dues, resulting in higher revenue of \$95 million over the period 2017-18 to 2020-21; and
- reductions in the subsidy paid to the Water Corporation through the implementation of a \$100 rebate cap on water service charges<sup>7</sup>;
- lower revenue (down \$259 million) and expenses (down \$89 million) for the Water Corporation, primarily due to:
  - lower operating subsidy revenue reflecting a reduction in the Corporation’s cost of service (due to lower than anticipated capital and operating expenditure in country regions);
  - lower customer revenue, due to lower levels of water consumption; and
  - a downward revision to projected developer contributions resulting from lower development activity across the metropolitan region;
- lower revenue (down \$100 million) for Synergy due to the net impact of:
  - reduced electricity revenue due to lower residential electricity customer demand, Synergy’s lower market share in competitive customer segments, and excess capacity in electricity generation;
  - reduced gas revenue due to a reduction in demand, combined with lower retail gas prices; and
  - reduced revenue and expenses associated with a previous Government decision to retire 380 megawatts of electricity generation capacity by September 2018<sup>8</sup>, partially offset by higher depreciation costs and movements in fuel and energy purchases (reflecting changes in consumer demand);
- higher revenue (up \$107 million) and expenses (up \$117 million) for the Housing Authority, mainly reflecting the ongoing delivery of essential and municipal services in remote communities<sup>9</sup>, the Government’s election commitment to construct and operate new swimming pools in both Balgo and Kalumburu, and movements in financial parameters associated with Keystart’s home lending program<sup>10</sup>;
- lower revenue (down \$104 million) and expenses (down \$110 million) for the Pilbara Ports Authority due to:
  - lower than previously forecast revenue following commercial settlement of a dispute associated with the Lumsden Point development;

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<sup>7</sup> The Water Corporation’s operating subsidy for its Country Water, Sewerage and Drainage Operations is currently funded from the Consolidated Account. From 2019-20, a portion of the annual operating subsidy will be funded from the Royalties for Regions program.

<sup>8</sup> A Ministerial Direction issued in November 2016 and identified as a risk in the 2016-17 Mid-year Review. Specific plant to be retired to meet the Ministerial Direction was announced by the Minister for Energy on 5 May 2017, with the estimated financial impact included for the first time in this Budget.

<sup>9</sup> A provision was included in the PFPS for the ongoing delivery of essential and municipal services in remote communities.

<sup>10</sup> Keystart is a PFC agency but borrowings for the home lending program are administered by the Housing Authority (a PNFC).



- lower costs and associated recoveries following a commercial decision to not carry out operational dredging at the Port of Ashburton;
- the extension of pricing relief on iron ore exports for the first six months of 2017-18 at Utah Port Handling Facility (estimated to reduce the Authority's revenue in 2017-18 by \$26 million); and
- a reduction in maintenance expenditure through improved cost control and efficiencies;
- lower revenue (down \$69 million) and expenses (down \$68 million) for Lotterywest (in 2016-17) as a result of reduced sales and a corresponding reduction in related expenditure and statutory grant expenses; and
- higher revenue (up \$64 million) across the forward estimates period for the Southern Ports Authority, mainly reflecting the reinstatement of trade from a major customer following revised mine life projections.

### ***Public Financial Corporations***

An operating surplus of \$345 million is forecast for the PFC sector in 2017-18 (up \$123 million from the \$222 million surplus estimated in the PFPS). Operating surpluses are projected in each of the remaining years of the forward estimates period. In aggregate, the operating outlook for the PFC sector has improved by \$279 million over 2016-17 to 2019-20 relative to the PFPS. This primarily reflects:

- higher projected revenue (up \$128 million) and lower expenses (down \$97 million) for the Insurance Commission of Western Australia, mainly due to the net impact of:
  - increases in the Commission's targeted investment returns, largely due to a higher than forecast investment pool resulting from improved performance in 2016-17; and
  - lower projected claims expenses for the Third Party Insurance Fund, resulting from a decrease in the expected size and quantity of future claims based on the Commission's actuarial assessment; and
- lower expenses (down \$84 million) for RiskCover over the four years to 2019-20, largely due to a reduction in claims expense arising from a decrease in the number of actual and forecast claims numbers particularly in the property and workers' compensation classes. This is expected to be partially offset by lower revenue (down \$44 million) as RiskCover's premium requirements are directly linked to its claims expenses.

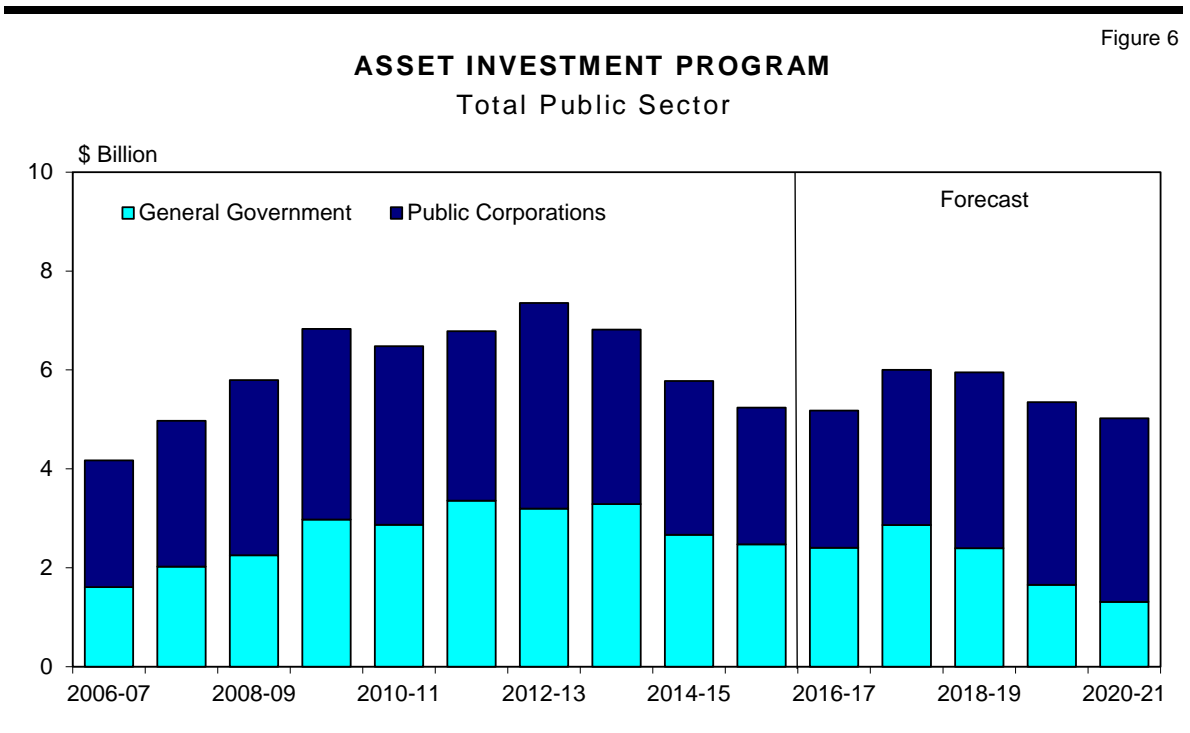
### **Capital Investment**

The State's Asset Investment Program (AIP) is projected to total \$22.3 billion over the four years 2017-18 to 2020-21.

- Infrastructure spending across the general government sector is expected to be \$2.9 billion in 2017-18 and total \$8.2 billion across the forward estimates period. Spending on road projects (\$3.7 billion), education (\$1.4 billion) and health (\$952 million) account for approximately 74% of the general government sector AIP over 2017-18 to 2020-21.

- The public non-financial corporations sector is estimated to invest a total of \$14.1 billion over the four years to 2020-21. This mainly reflects infrastructure spending by the Public Transport Authority (\$3.7 billion), Western Power (\$3.4 billion), the Water Corporation (\$3.1 billion) and the Housing Authority (\$1.2 billion).

General government sector infrastructure spending represents just under half of the 2017-18 AIP. This is forecast to decline to 26% by 2020-21, reflecting the end of an extended period of spending on projects such as hospital replacements and significant road spending, and increased investment by public corporations, particularly in public transport.



Relative to the PFPS, infrastructure spending has decreased by \$164 million over the period 2016-17 to 2019-20. This largely reflects the net impact of:

- a \$936 million increase in spending by the Public Transport Authority, primarily reflecting investment in METRONET projects and other initiatives such as the SmartRider Asset Replacement and Technology Update, Australind train service upgrades, Mandurah train station car park and additional funding for the Kenwick freight rail depot;
- a net \$274 million reduction in spending by Main Roads, largely reflecting:
  - a reduction of \$1.1 billion due to the cancellation of the Roe 8, Roe 9 and Heavy Vehicle Charge sections of the Perth Freight Link project, with funding reallocated to new rail and road projects;
  - savings of \$151 million on other Commonwealth and State-funded projects reallocated to new road projects; and

- an additional \$577 million for road projects detailed in the Government’s election commitments, and \$399 million for other new road projects;
- a \$222 million reduction in spending by the Western Australian Land Authority, reflecting lower development activity as a result of ongoing softness in the domestic economy;
- a \$197 million increase in spending by the Department of Education, largely reflecting the upgrade and expansion of primary and secondary school facilities across the metropolitan and regional areas;
- a \$184 million net reduction in infrastructure spending by the Department of Primary Industries and Regional Development, reflecting a recalibration of the Royalties for Regions (RfR) program in line with the Government’s priorities (forecast project spending for RfR is shown in Chapter 7: *Royalties for Regions*);
- an \$86 million reduction in spending by Western Power, reflecting the scaling back and/or deferral of projects to reflect better targeted investment and cost savings; and
- a \$66 million decrease in spending by the Metropolitan Redevelopment Authority, largely reflecting a reduction in capital works in the Armadale Redevelopment Area due to a tighter scope of operations and revised project priorities.

In line with previous years, the 2017-18 Budget includes provisions for anticipated underspending, reflecting unexpected delays in works and/or changes in the timing of cash payments. These include a \$750 million provision for yet to be identified underspending in agency AIPs that is expected to emerge during 2017-18, and the inclusion of a slippage provision to reallocate agency infrastructure spending from 2016-17, 2017-18 and 2018-19 into 2019-20 and 2020-21 (reflecting the likely movement in the timing of works that will emerge during the forward estimates period).

Further detail on the AIP is available in Chapter 6: *Asset Investment* and in Appendix 7: *Asset Investment Program – Summary of Expenditure and Source of Funds*.

### **Cashflow Statement**

A cash deficit of \$4.7 billion is projected for the total public sector in 2017-18, following a \$4.5 billion cash shortfall expected for 2016-17. Relative to the PFPS, the cash deficit is expected to increase in size by \$1 billion and \$1.2 billion in 2018-19 and 2019-20 respectively, with forecast deficits of \$3.4 billion and \$2.2 billion in these years.

A \$271 million cash surplus is projected for 2020-21, with a strong \$4.3 billion cash surplus from operating activities more than offsetting net infrastructure spending of \$4 billion.

These outcomes reflect the cash impact of movements in the general government operating balance and the total public sector AIP (discussed previously).

Table 6

**TOTAL PUBLIC SECTOR CASH FLOW**  
Summary

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
Net cash from operating activities	-195	-129	328	1,603	2,199	4,305
Net cash flows from investing in non-financial assets	-4,536	-4,361	-5,010	-5,036	-4,375	-4,034
<b>Cash surplus/- deficit</b>	<b>-4,731</b>	<b>-4,491</b>	<b>-4,682</b>	<b>-3,434</b>	<b>-2,176</b>	<b>271</b>
<i>Financing transactions</i>						
Net cash flow from borrowings	7,279	3,873	5,035	4,008	3,679	3,165
Run-down in cash and cash equivalents	-2,706	1,305	755	-38	-1,021	-2,874
All other financing	158	-688	-1,108	-537	-482	-562
<i>Total Financing</i>	<b>4,731</b>	<b>4,491</b>	<b>4,682</b>	<b>3,434</b>	<b>2,176</b>	<b>-271</b>

Note: Columns may not add due to rounding.

## Net Debt

Net debt for the total public sector is forecast to increase from an estimated \$32.5 billion at 30 June 2017 to \$43.6 billion at 30 June 2021. This reflects the subdued outlook for general government revenue, particularly in the short-term (as detailed earlier in this chapter), together with funding required to support the State's AIP.

Net debt at 30 June 2017 (\$32.5 billion) is \$747 million lower than the forecast contained in the PFPS (\$33.2 billion). This improved outcome is primarily due to a net \$458 million improvement in the operating cash position of the total public sector, and the impact of lower than anticipated infrastructure spending (down \$380 million), partially offset by lower than expected sales of non-financial assets (down \$69 million).

Net debt at 30 June 2020 (the last outyear in the PFPS) has been revised up \$2.7 billion (to a forecast \$43.8 billion). This increase mainly reflects the net impact of:

- a deterioration in the general government operating cash outlook over the period 2016-17 to 2019-20 (totalling \$2.2 billion), on the back of significant downward revisions to GST grants, royalties and taxation revenue, partly offset by new savings measures outlined earlier;
- a modest \$164 million lower forecast infrastructure spending profile over the period to 2019-20; and
- a \$363 million reduction in forecast sales of non-financial assets such as land, mainly reflecting the impact of market conditions on projected sales by the Western Australian Land Authority.

The following table summarises changes to projected net debt levels since the PFPS.

<b>NET DEBT OF THE TOTAL PUBLIC SECTOR AT 30 JUNE</b>					Table 7
	2017	2018	2019	2020	
	\$m	\$m	\$m	\$m	
<b>2016-17 PFPS - TOTAL PUBLIC SECTOR NET DEBT</b>	<b>33,246</b>	<b>37,391</b>	<b>39,977</b>	<b>41,113</b>	
<i>Less</i> change in net cashflows from operating activities and dividends paid					
- General government	-38.9	-956.6	-776.1	-472.1	
- Public non-financial corporations	425.4	-663.4	-18.3	-28.8	
- Public financial corporations	71.2	30.2	-10.0	-13.0	
<i>Total public sector</i>	<i>457.8</i>	<i>-1,589.8</i>	<i>-804.3</i>	<i>-514.0</i>	
<i>Plus</i> purchases of non-financial assets <sup>(a)</sup>					
Reversal of PFPS underspend provision	1,000.0	-	-	-	
New underspend provision	-	-750.0	-	-	
New slippage provision	-500.0	-200.0	-200.0	250.0	
METRONET - Stage 1 Projects	-	58.9	341.9	469.0	
Other Public Transport Authority	-112.7	116.5	34.3	27.6	
Perth Freight Link Cancellation	8.7	-253.8	-523.9	-335.0	
Other Main Roads	-48.4	134.5	334.0	409.6	
Education	-1.2	44.0	89.9	64.0	
Western Australia Police	-10.5	34.1	15.7	13.9	
WA Planning Commission	-7.5	4.4	-	-42.8	
Health	-260.1	180.5	70.3	-51.1	
Metropolitan Redevelopment Authority	-82.7	22.8	-6.7	0.4	
Western Power	-85.8	-	-	-	
Primary Industries and Regional Development (includes former RfR provisions)	67.4	4.9	-114.4	-142.1	
Western Australian Land Authority	-80.7	-89.2	-3.4	-49.0	
All other <sup>(b)</sup>	-267.1	183.9	86.3	-13.4	
<i>Total purchase of non-financial assets</i>	<i>-380.5</i>	<i>-508.4</i>	<i>124.0</i>	<i>601.2</i>	
<i>Less</i> proceeds from sale of non-financial assets	<i>-69.1</i>	<i>-73.0</i>	<i>-102.6</i>	<i>-117.9</i>	
<i>Plus all other financing</i> <sup>(c)</sup>	<i>22.6</i>	<i>10.3</i>	<i>-1.3</i>	<i>-10.2</i>	
<i>Cumulative impact on net debt at 30 June</i>	<i>-746.5</i>	<i>418.2</i>	<i>1,447.9</i>	<i>2,670.7</i>	
<b>2017-18 BUDGET - TOTAL PUBLIC SECTOR NET DEBT</b>	<b>32,500</b>	<b>37,810</b>	<b>41,425</b>	<b>43,784</b>	

(a) Material changes are outlined in Chapter 6.

(b) Includes timing changes and other movements in agency infrastructure programs.

(c) Includes other movements in net debt attributable to issues such as revaluations of investment assets and debt liabilities, net acquisitions of financial assets for liquidity purposes, and some minor changes in the acquisition of non-financial assets under finance leases and similar arrangements, etc. These transactions have no associated operating or infrastructure cash flows reflected in other items in this table.

Note: Columns may not add due to rounding.

The 2017-18 Budget includes the establishment of a Debt Repayment Account to facilitate the repayment of centrally-held borrowings. Over the last decade, Consolidated Account (or central) debt has increased from a zero balance at 30 June 2008, to \$22.3 billion at 30 June 2017. To slow the rate of growth in this debt, and to subsequently pay it down, will be a significant task that will take years to complete.

All up, the 2017-18 Budget includes a total of \$338 million in debt repayments to flow through the new account over the four years to 2020-21, commencing with a \$230 million repayment in 2017-18, and further repayments to be made each year thereafter. The initial funds to flow through the account will be sourced from a large, one-off duty assessment worth \$169.4 million issued in May 2017 (and associated with a high value commercial property transaction). Debt repayment funded from this previously unforecast revenue will be supplemented by surplus funds to be paid into the Consolidated Account by RiskCover (totalling \$168.6 million over the forward estimates period), including \$60.3 million in 2017-18.

The table below shows the current source of funds and timing of the associated debt repayments.

Table 8

<b>REPAYING CONSOLIDATED ACCOUNT DEBT</b>					
	2016-17	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m	\$m
<i>Source of Funds</i>					
Unanticipated duty 'special'	169	-	-	-	-
RiskCover return of surplus capital	-	60	36	35	38
<i>Total</i>	169	60	36	35	38
<b>DEBT REPAYMENTS</b>	-	<b>230</b>	<b>36</b>	<b>35</b>	<b>38</b>

## Government Financial Strategy Statement

The Government is committed to returning the State's finances to a sustainable position. Progress towards achieving this goal is reflected in the following whole-of-government financial targets.

### Financial Targets

Financial targets are a requirement of the *Government Financial Responsibility Act 2000*. The Government has adopted a new set of financial targets for the 2017-18 Budget. The new targets are more relevant to the State's current financial circumstances and focus on supporting decision making that will return the State's finances to a sustainable position.

The following new whole-of-government financial targets are applicable from this Budget:

- progress towards a net operating surplus for the general government sector, measured by a reduction in the operating deficit outcome relative to the previous year;
- progress towards a cash surplus for the total public sector;
- maintain disciplined general government expense management by:
  - delivering public sector wages outcomes in line with Government wages policy; and
  - ensuring key service delivery agency recurrent spending outcomes are in line with budgeted expense limits in Resource Agreements; and
- reduce the proportion of total public sector net debt held by the general government sector.

An explanation of each target appears in the section below. The following table summarises projected compliance of the 2017-18 Budget with these targets.

<b>2017-18 BUDGET FINANCIAL TARGET COMPLIANCE</b>				
	2017-18 Forecast	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast
Progress towards a net operating surplus for the general government sector				
- General government net operating balance (\$m)	-2,340	-1,666	-1,114	1,260
- <b>2017-18 Budget compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Progress towards a cash surplus for the total public sector				
- Total public sector cash surplus/deficit (\$m)	-4,682	-3,434	-2,176	271
- <b>2017-18 Budget compliance</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Maintain disciplined general government expense management through:				
- delivering public sector wages outcomes in line with Government wages policy				
- <b>2017-18 Budget compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
- ensuring key service delivery agency recurrent spending outcomes are in line with budgeted expense limits				
- <b>2017-18 Budget compliance</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
Reduce the proportion of total public sector net debt held by the general government sector				
- General government net debt as a share of TPS net debt (%)	63.8	66.7	68.0	67.0
- <b>2017-18 Budget compliance</b>	<b>No</b>	<b>No</b>	<b>No</b>	<b>Yes</b>

Notwithstanding the significant revenue write-down since the PFPS, the general government operating outlook is projected to improve over time, with a narrowing of the deficit in each year of the forward estimates before a turnaround to surplus in 2020-21.

Disciplined expenditure management is crucial to achieving the improved operating outcomes. This is reflected by the introduction of strict expense targets in this Budget which focus on achieving the Government's \$1,000 wages policy and managing expense outcomes in line with agency budgets in key service delivery areas.

The target to reduce the share of general government net debt as a proportion of total public sector net debt is forecast to be met in 2020-21, while the target to progress towards a cash surplus for the total public sector is expected to be met in each year of the forward estimates period from 2018-19.



**Progress towards a net operating surplus for the general government sector, measured by a reduction in the operating deficit outcome relative to the previous year**

The net operating balance for the general government sector is the headline measure of the State’s Budget. It measures the State’s ability to deliver core government services sustainably, with an operating surplus indicating that the Government can finance the services it provides using revenue generated in that financial year.

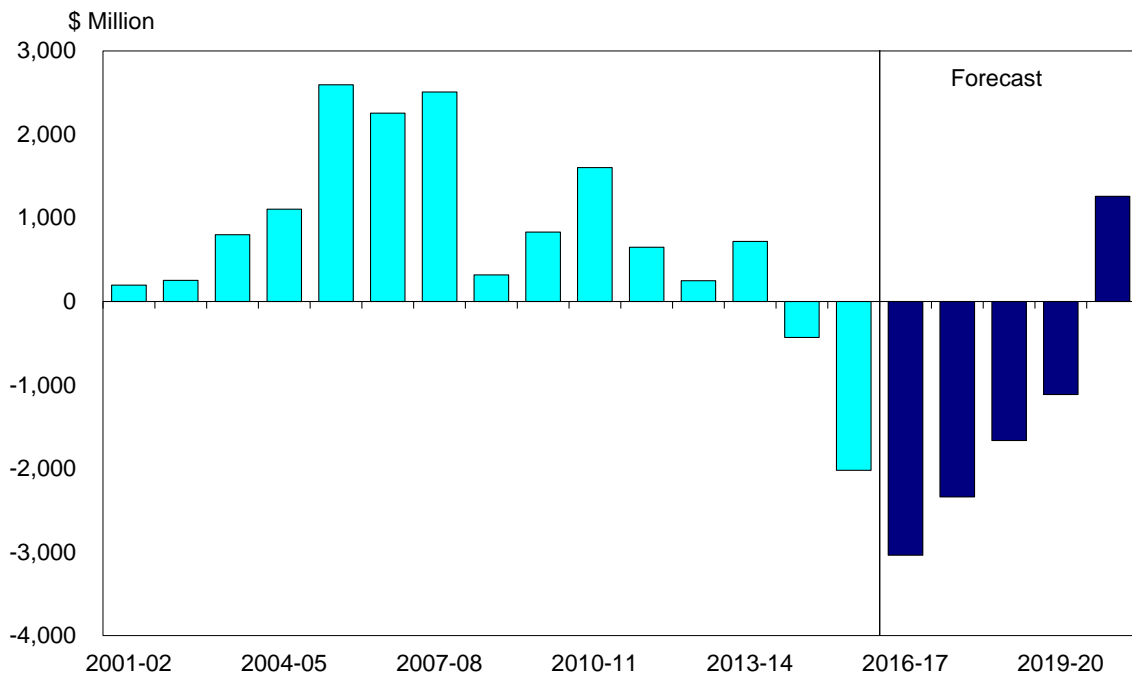
A recovery to a net operating surplus over the medium term is therefore crucial to returning the State’s finances to a sustainable footing.

This target is expected to be met in each year of the Budget period, with operating deficits forecast to decline from a \$3 billion estimated deficit in 2016-17 to a \$1.1 billion deficit by 2019-20, before a turnaround to an operating surplus (of \$1.3 billion) in 2020-21.

The improving operating outlook is underpinned by a gradual recovery in key revenue sources (aided by new revenue measures implemented in this Budget). At the same time, expense growth is forecast to be managed at very low levels (averaging 1.9% per annum across the forward estimates period), reflecting the Government’s focus on spending restraint.

Figure 7

**NET OPERATING BALANCE**  
General Government Sector



**Progress towards a cash surplus for the total public sector, measured by a reduction in the cash deficit outcome relative to the previous year**

The cash surplus/deficit of the total public sector provides a clear and comprehensive indication of the borrowing requirement of the public sector as a whole, with this measure taking into account the net impact of both operating and investing activities across all sectors of government, including the public corporations.

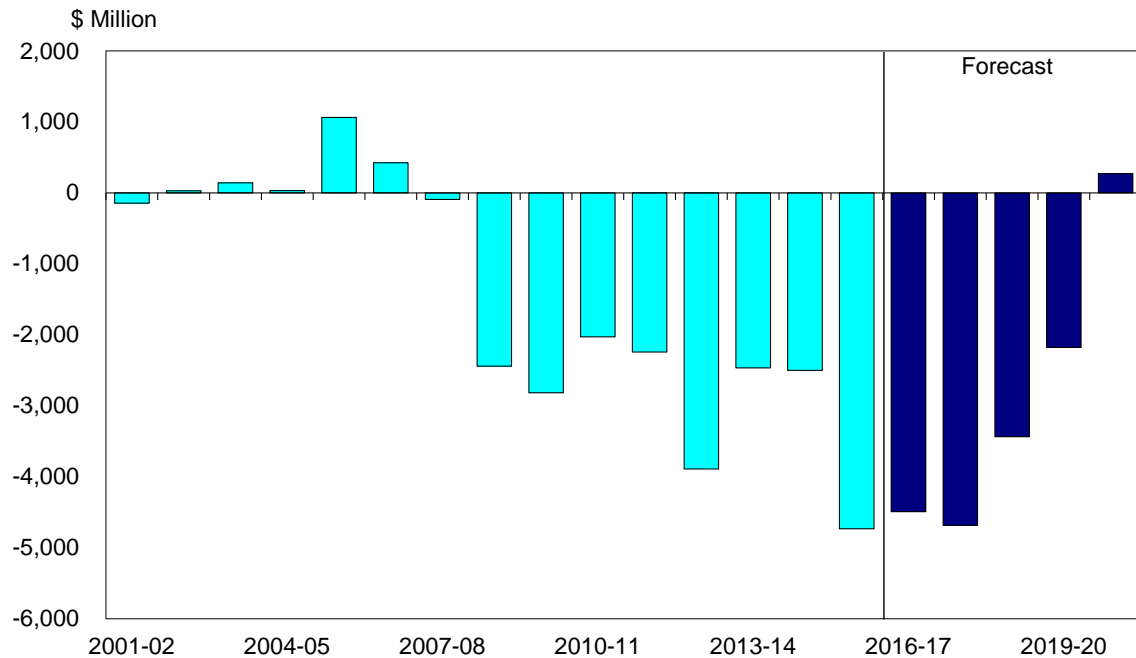
This target is anticipated to be met in each year of the forward estimates period from 2018-19, with the cash deficit of the total public sector projected to decline from \$4.7 billion in 2017-18 to \$2.2 billion in 2019-20, before a turnaround to a \$271 million cash surplus in 2020-21.

This outlook largely reflects the improving general government sector operating outlook discussed earlier. A gradual decline in net infrastructure spending (i.e. infrastructure spending less proceeds from the sale of surplus assets), from \$5 billion in 2017-18 to \$4 billion by 2020-21, is also contributing to an improving cash position across the forward estimates period.

Consistently achieving cash surpluses over the longer term is crucial to the Government’s plan to gradually pay down debt to sustainable levels.

**CASH SURPLUS/DEFICIT**  
Total Public Sector

Figure 8



## Maintain disciplined general government expense management

Disciplined management of recurrent spending in the general government sector is critical to returning the State’s finances to a sustainable position.

### *Deliver public sector wages outcomes in line with Government wages policy*

Ensuring that public sector wages outcomes are delivered in line with the Government’s wages policy (which limits increases in wages to \$1,000 per annum) is crucial to controlling expenditure growth, with salaries, superannuation and other employee-related expenses making up nearly half (46%) of all general government expenses.

Compliance with this target will be achieved if all public sector wage agreements settled within the Budget year are consistent with the Government’s wages policy<sup>11</sup>.

There are a number of public sector wage agreements that require settlement during the coming year.

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### EXPIRING ENTERPRISE BARGAINING AGREEMENTS

Table 10

Agreement	Employees	Expiry Date
Public Servants	32,500	12 June 2017
Police	5,900	30 June 2017
Hospital Support Workers	3,500	4 August 2017
TAFE Lecturers	2,800	2 December 2017
Teachers	21,500	5 December 2017
Main Roads	1,100	30 January 2018
Prisoner Officers	2,000	10 June 2018
Health Salaried Officers	13,400	30 June 2018

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### *Ensure key service delivery agency recurrent spending outcomes are in line with budgeted expense limits in Resource Agreements*

The second component of this target is to limit increases in recurrent spending outcomes for large appropriation-funded agencies to no more than 2% of the amount specified in those agencies’ Resource Agreements at Budget-time.

The 15 largest appropriation-funded agencies (applicable for this target) make up the vast majority of general government spending.

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<sup>11</sup> Any arbitrated outcomes subsequently settled outside the parameters of the wages policy are beyond the Government’s control. Accordingly, if an offer is made in line with the wages policy and the employee group is subsequently awarded a higher outcome in arbitration, this outcome would still be deemed as target-compliant.

Table 11

**AGENCY RESOURCE AGREEMENTS (a)**

	<b>Resource Agreement (2017-18 Budget) \$m</b>
WA Health	8,943
Education	5,020
Communities	3,672
Western Australia Police	1,528
Justice	1,508
Public Transport Authority of Western Australia	1,502
Finance	1,435
Commissioner of Main Roads	1,274
Mental Health Commission	914
Training and Workforce Development	583
Primary Industries and Regional Development	528
Biodiversity, Conservation and Attractions	421
Transport	414
Fire and Emergency Services	396
Mines, Industry Regulation and Safety	299

(a) The target is met when agencies' recurrent spending outcomes are no more than 2% higher than the amount specified in their Resource Agreements.

## **Reduce the proportion of total public sector net debt held by the general government sector**

Net debt is a common measure across all Australian States, Territories and the Commonwealth. It measures the sustainability of the State's balance sheet and is calculated as gross debt liabilities (such as borrowings) less liquid financial assets (such as cash and other liquid investments).

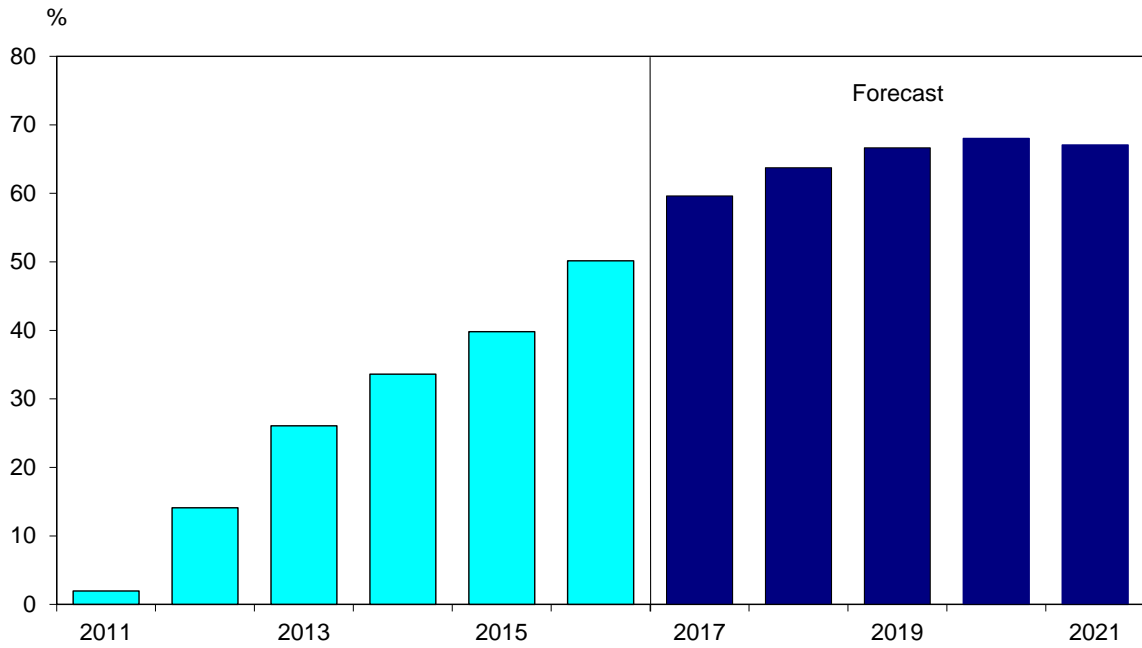
General government sector net debt accumulates when central revenue collections (for example taxes and royalties) are not sufficient to fund spending on the delivery of centrally-funded services and infrastructure. Net debt raised by public corporations is generally serviced through user charges on assets and services.

Over the past five years, increases in total public sector net debt have been almost entirely driven by the general government sector, with the \$17.3 billion increase for the general government sector accounting for more than 95% of the overall \$18 billion increase over this period. Growth in interest expenses for the general government sector (which have more than doubled since 2011-12 to reach an estimated \$784 million in 2016-17) places further pressure on the outlook, exposes the sector to interest rate risk, and diverts resources from service delivery. Curbing the rate of growth of general government sector net debt and associated interest costs is crucial to ensuring a more sustainable financial outlook over the longer term.

On the back of general government sector operating deficits over the next three years, the target to reduce the share of net debt held by the general government sector is not expected to be met until 2020-21. The proportion of general government sector net debt as a share of total public sector net debt is forecast to rise from 59.6% at 30 June 2017 to 68% at 30 June 2020, before declining to 67% at 30 June 2021. The projected achievement of the target at 30 June 2021 reflects a forecast \$520 million reduction in general government net debt during 2020-21.

Figure 9

**GENERAL GOVERNMENT NET DEBT PERCENTAGE OF  
TOTAL PUBLIC SECTOR NET DEBT**  
At 30 June



## Statement of Risks

### Forecasting Uncertainties

The inherent uncertainties associated with producing forecasts for an approximately \$258 billion economy and \$31 billion general government sector recurrent budget mean that there will always be differences between the forecasts of key aggregates and the final audited results. This Statement of Risks provides an overview of the known issues that have the potential to materially affect the financial projections contained in this Budget.

### Revenue Estimates

The revenue estimates are highly sensitive to changes in key economic parameters, including the \$US/\$A exchange rate, commodity prices (especially iron ore), employment and wage growth, and house prices and transaction volumes. The key economic and financial parameters underlying the Budget assumptions are summarised in Chapter 1, with the approximate annual impacts of changes in these variables outlined in the following table.

Table 12

#### APPROXIMATE PARAMETER SENSITIVITY OF REVENUE ESTIMATES 2017-18

	Variability (\$m)	Detail
Royalty income and North West Shelf grants	±73	For each US1 cent decrease/increase in the \$US/\$A exchange rate (royalty income is inversely related to the \$US/\$A exchange rate).
Iron ore royalties	±74	For each \$US1 per tonne increase/decrease in the price of iron ore.
Petroleum royalties and North West Shelf grants	±10	For each \$US1 increase/decrease in the price of a barrel of oil.
Payroll tax	±32	For each 1% increase/decrease in taxable wages or employment growth (i.e. the total wages bill).
Underlying transfer duty		
• Prices	±13	For each 1% increase/decrease in average property prices.
• Transactions	±9	For each 1% increase/decrease in transaction levels.
GST grants		
• Iron ore volumes	±89	For a \$100 million increase/decrease in iron ore royalty revenue, all else being equal, Western Australia will lose/gain an estimated \$89 million of GST grants in net present value terms if it is the result of a volume change and \$88 million if it is the result of a price change (as this also affects other States). The loss/gain will occur in later years due to the time lags in the Commonwealth Grants Commission process.
• Iron ore prices	±88	

### Royalty Income (\$5,211 million in 2017-18)

#### *Exchange Rate*

Movements in the \$US/\$A exchange rate represent one of the largest risks to the royalty income forecasts as the majority of Western Australia's commodities are sold in international markets and priced in US dollars. Since the PFPS, the \$US/\$A exchange rate has varied between a high of US80.1 cents and a low of US73.5 cents, a range of US6.6 cents.

### ***Iron Ore Prices***

Over the past decade, a tripling in iron ore production volumes and increases in royalty rates have dramatically increased the importance of iron ore royalties as a source of revenue. This has coincided with the break-down of long-term pricing contracts over 2008 to 2010 and the subsequent emergence of new pricing mechanisms (e.g. index pricing and futures markets). As a consequence of these developments, iron ore price volatility is now the largest source of risk (both upside and downside) to the revenue estimates. In this regard, since the PFPS, the iron ore price has ranged from a low of \$US53 per tonne to a high of \$US94.5 per tonne, a range of \$US41.5 per tonne in just six months.

### **State Taxes (\$8,577 million in 2017-18)**

#### ***Payroll Tax***

Payroll tax is expected to fall for a third consecutive year in 2017-18. However, there is a risk that the projected decline in 2017-18 (of 1.3%) may be deeper than expected, with a further softening in mining construction activity (particularly on the State's LNG projects) potentially dampening payroll tax collections in the resource and related industries by more than anticipated. In addition, the persistence of weak wage growth in the private sector also presents a source of downside risk to the payroll tax estimates.

#### ***Total Duty on Transfers***<sup>12</sup>

Residential property transactions are the largest contributor to total transfer duty. Both residential property transactions and prices are susceptible to fluctuations in market sentiment and are therefore inherently volatile and difficult to forecast.

If the demand drivers of the residential property market (such as employment, wages and population growth) are softer than currently forecast, market sentiment could deteriorate further and prolong the weakness in transaction volumes and prices, particularly given the existing excess supply in the housing market.

A change in the number or size of high value commercial transactions, such as transfers of mining tenements or commercial property, also presents risks (both upside and downside) to the transfer duty outlook.

### **Commonwealth Grants (\$9,223 million in 2017-18)**

The estimates of Commonwealth grants in this Budget reflect assumptions that may differ from those of the Commonwealth.

#### ***GST Grants***

Western Australia's GST grants are a function of the Commonwealth's national GST collections, the State's population share, and the Commonwealth Grants Commission's (CGC's) annual recommendations on the distribution of the national GST pool among States and Territories.

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<sup>12</sup> The sum of transfer duty and landholder duty.



GST grant estimates in this Budget are based on the latest Australian Bureau of Statistics' (ABS) estimates of State and Territory populations (revised to reflect Census results) and the Commonwealth's projected population growth rates for the States and Territories used in its 2017-18 Budget.

There is a possibility that the CGC may choose to modify the application of the ABS's revised populations in its GST calculations. This would represent an upside risk to GST grant estimates from 2018-19 to 2020-21.

The Commonwealth's population growth projections for Western Australia are higher than the projections used elsewhere in this Budget<sup>13</sup>. Any significant changes to population growth could substantially alter Western Australia's GST grants. Given current population trends, this represents a downside risk to the GST grant forecasts contained in this Budget.

Forecasts of the national GST pool are based on the Commonwealth's 2017-18 Budget. There is a risk that GST collections could vary from those currently projected as they are dependent on national economic conditions.

The State's GST 'relativity' is recommended annually by the CGC. Its recommendations take account of States' relative costs of providing services and capacity to raise their own revenue.

For 2017-18, the GST revenue estimates incorporate the CGC's approved recommendation of Western Australia's GST relativity (i.e. 34.4% of Western Australia's population share).

The Western Australian Treasury's projections of GST relativities for 2018-19 onwards take account of projected changes in economic circumstances that are expected to be reflected in the CGC's calculations. The projections have been prepared under the assumption that the CGC will continue to use the same methods in its calculations. However, changes may arise as a result of the Productivity Commission inquiry into horizontal fiscal equalisation (reporting 31 January 2018) and/or the CGC's review of the methods it uses (reporting 28 February 2020).

### ***North West Shelf Grants***

North West Shelf grants are derived from sales of Liquefied Natural Gas (LNG), oil, condensate, liquefied petroleum gas and domestic gas, with LNG generating the largest amount of revenue from these commodities.

Most of the LNG from the North West Shelf is sold under contracts that are linked to the price of oil. Therefore, a large unanticipated movement in the oil price represents the most significant risk to North West Shelf grants. Risks to the oil price outlook primarily relate to uncertainty regarding supply from the Middle East and North America (see Chapter 2: *Economic Outlook*).

### ***Commonwealth 'Quality Schools' Funding***

In formulating this Budget, Commonwealth 'Quality Schools' funding for public schools has been adjusted to reflect the forecasts published in the 2017-18 Commonwealth Budget, which at the time was forecast to grow over ten years to 20% of the Commonwealth's Schooling Resource Standard.

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<sup>13</sup> The Commonwealth estimates have been used for calculating Western Australia's GST grants because Western Australia's population growth relative to national population growth is of importance when calculating GST grants. The Western Australian Treasury does not generate forecasts of the national population.

However, on 23 June 2017, the Australian Education Amendment Bill 2017 was passed by the Commonwealth Parliament, thereby giving effect to new arrangements for Commonwealth schools funding from 1 January 2018. Under these arrangements, funding to Western Australia is proposed to transition to 20% of the Schooling Resource Standard over six years rather than ten. This is expected to provide an increase in funding over the forward estimates period compared to the estimates in this Budget.

As a condition of receiving funding from the Commonwealth under the new arrangements, States and Territories will be required to maintain their real level of per-student funding in 2018 from a 2017 baseline, using the Commonwealth's prescribed rate of indexation, which is well above forecast cost growth in Western Australia.

The drafting of the associated regulations (that will govern key elements such as maintenance of funding effort, monitoring and compliance) is ongoing and due to be finalised by the end of 2017. Should the State become a signatory to the new national agreement, it may be obligated to significantly increase its funding to schools, above that already approved in the forward estimates.

#### ***National Housing and Homelessness Agreement***

On 9 May 2017, the Commonwealth Government announced its intention to establish a new agreement – the National Housing and Homelessness Agreement (NHHA) – to replace the National Affordable Housing Agreement (NAHA), the associated untied funding under the National Affordable Housing Specific Purpose Payment, and the transitional National Partnership Agreement on Homelessness.

While it is expected that the Commonwealth will maintain current levels of funding, all funding under the NHHA will be tied to the achievement of outcomes agreed between the Commonwealth and Western Australia. It is intended that the NHHA will commence from 1 July 2018. There is a risk that the State may not receive the same amount of funding over the forward estimates period if specific targets are not agreed to and met by Western Australia and/or if there is a delay in negotiating the bilateral agreement with the Commonwealth.

#### ***Expiring National Partnership Agreements***

Western Australia is currently party to around 42 National Partnership (NP) agreements with the Commonwealth Government. These agreements relate to the delivery of specific projects, improvements in service delivery and/or reform. A further 19 NPs are currently under development. These agreements are generally for a limited period and have specific conditions attached to funding.

The majority of NPs create increased service levels, which generate community expectations that such levels will continue despite the time-limited nature of NPs. Other NPs develop capital projects that will require ongoing maintenance. Unless another source of Commonwealth funding is found at the expiry of an NP, the State must either fund the increased service levels or allow service delivery to revert to pre-NP levels.

Some NP agreements have been rolled over for short-term periods (some more than once), without longer-term commitment. This creates Budget uncertainty for the State and significant uncertainty for service providers.

Given the uncertainty about expiring NPs, in most cases it is assumed that there is no continued funding (either Commonwealth or State) past an NP's expiry date, and that the additional or enhanced services generated by the NP will cease<sup>14</sup>.

Further details are provided in Appendix 12: *National Partnership Agreements* of this Budget Paper.

## Spending Risks

### Interest Rates

The Consolidated Account interest cost forecasts incorporated in the 2017-18 Budget are based on projections for Consolidated Account borrowings and the Western Australian Treasury Corporation's (WATC's) expected outlook for interest rates.

These interest rate expectations are anchored by an average of the Corporation's, and each of the 'Big 4' Australian bank's, expectations for the future path of the Reserve Bank of Australia's cash rate and Australian Government Bond 3 year and 10 year fixed rates. In addition, the WATC also produces a 'high' scenario to allow sensitivities to be calculated. The approach to producing the 'high' path is to add an increasing spread to the 'expected' path for each point across the interest rate maturity curve (i.e. 90 days, 180 days, 3 years, 5 years and 10 years) at each successive quarter<sup>15</sup>.

The table below provides a comparison of the interest rate outcomes under the 'expected' and 'high' interest rate paths. As indicated, average effective annual interest rates are between 9 and 75 basis points higher over 2017-18 to 2020-21, and annual Consolidated Account interest expenses are around \$260 million higher by 2020-21, under the 'high' scenario.

Table 13

<b>CONSOLIDATED ACCOUNT INTEREST RATE SCENARIOS</b>				
	2017-18	2018-19	2019-20	2020-21
<b>'Expected' (%)</b>	<b>3.03</b>	<b>3.06</b>	<b>3.19</b>	<b>3.36</b>
'High' (%)	3.12	3.39	3.74	4.11
Variance (%)	0.09	0.33	0.55	0.75
Variance (\$m)	21	93	177	260

<sup>14</sup> Due to their ongoing nature, funding is assumed to continue for the Legal Assistance Services NP (\$30 million in 2020-21), Natural Disaster Resilience NP (\$13 million from 2017-18 to 2020-21), and Provision of Fire Services NP (\$6 million from 2017-18 to 2020-21).

<sup>15</sup> This equates to one standard deviation above the mean as estimated from historical interest rate volatility modelling and, provided that the timing and amounts of future borrowing are realised, this approach is expected to provide an upper bound for future budgeted interest costs.

## **Budget Repair Measures**

This Budget includes a number of Budget repair measures that are projected to deliver a total \$3.5 billion benefit in net debt terms over the forward estimates period (see feature box in Chapter 1).

This includes \$498 million in savings resulting from the Government's revised wages policy that limits wage increases to \$1,000 per annum. Over the next year, a number of wage agreements expire including those for TAFE lecturers, teachers, prison officers and health salaried officers. The wage agreement for police officers has recently expired and a new agreement is yet to be reached. As the Budget assumes outcomes consistent with the Government's wages policy, any outcomes in excess of the policy pose a potentially significant risk to the forward estimates.

The achievement of some savings measures implemented in this Budget may be challenging for some agencies, particularly as they build on a number of savings initiatives approved in previous Budgets. If agencies are unable to deliver the savings, there will be a consequent deterioration in the net operating balance and net debt projections contained in this Budget.

The additional revenue from the policy changes included as part of the Budget repair measures will also be subject to many of the same risks (both upside and downside) associated with revenue projections in general (and discussed earlier in this section). This includes, for example, the risks associated with projections for economic activity (for payroll tax changes), and commodity prices and export volumes (for gold royalty changes). In addition, the final commencement date and other details for the point of consumption wagering tax are subject to development of a nationally consistent point of consumption wagering tax by the Council on Federal Financial Relations.

## **Custodial Estate Capacity**

Growth in the State's prisoner population has been particularly strong over the past two years, putting pressure on the custodial estate capacity.

In 2016-17, the then Department of Corrective Services added approximately 750 additional beds to maximise the use of the custodial estate. Nevertheless, utilisation of total adult custodial beds, particularly in the male estate, is expected to reach capacity within the forward estimates period based on current forecasts.

In the absence of an easing in prisoner population growth, and with limited scope for further immediate-term facilities optimisation, infrastructure investment to address custodial capacity will be required.

## **Completion and Commissioning of the Perth Children's Hospital**

There have been ongoing delays to the opening of the Perth Children's Hospital (PCH), with potable water issues still not fully resolved. Practical completion of the hospital's main works contract was achieved in April 2017, allowing WA Health unfettered access to the PCH facility to perform commissioning activities, such as operational readiness testing and workforce training. Defects rectification and completion of outstanding minor construction works is continuing.

An estimate of the financial impact of the delays has been included in this Budget. However, any further delays to the project beyond December 2017 will result in additional cost pressures. This risk will continue to be closely monitored and managed as defects rectification and commissioning approach completion.

### **National Disability Insurance Scheme**

This Budget reflects the financial impact of the *Bilateral Agreement between the Commonwealth and Western Australia – Transition to a National Disability Insurance Scheme (NDIS) in Western Australia*, with the transition to a Western Australian-operated NDIS commencing on 1 July 2017.

The Government is currently reviewing arrangements for the NDIS in Western Australia to determine whether the existing Bilateral Agreement should be retained or alternative arrangements negotiated with the Commonwealth. If changes are made to existing arrangements, this will have an impact on the financial aggregates.

### **On-Demand Transport Reform**

On 31 March 2017, the Minister for Transport announced that the Government will adopt a new direction for reform of Western Australia's taxi and on-demand transport sector, including consideration of options such as an industry-funded buy-back scheme for taxi plate owners. While this Budget includes additional funding (totalling \$11.6 million over the forward estimates period) for the Department of Transport to progress the reform process, options for a buy-back scheme were still being developed at the time of the 7 August 2017 cut-off date.

### **Strategic Assessment of the Perth and Peel Regions**

The Strategic Assessment of the Perth and Peel Regions (SAPPR) represents a long-term policy commitment that is not currently funded. The final SAPPR policy documents are currently being prepared and the final commitments relating to matters of national environmental significance are subject to negotiation with the Commonwealth ahead of final decisions by the State Government and Commonwealth Minister for Environment.

### **Government Trading Enterprises**

Corporatised public corporations, also known as Government Trading Enterprises (GTEs), are a significant revenue source for the general government sector through income tax equivalent and dividend payments (representing \$2.2 billion, or 8%, of general government revenue in 2017-18). Some GTEs also receive operating subsidies from the Consolidated Account (\$1.6 billion, or 5.3%, of general government expenses in 2017-18). GTEs also undertake a significant proportion of the State's infrastructure investment (around 52% in 2017-18), with any required borrowings contributing to the State's debt levels.

Projections for GTEs are complicated by a number of issues. Some entities are subject to independent regulatory processes (such as the economic regulation of Western Power's network tariff pricing), others are impacted by Government determinations (generally affecting customer tariffs), and all are exposed to changing market conditions (cost and demand fluctuations).

Material risks to the operating outlook and infrastructure spending projections for GTEs are listed below.

- *Synergy's cost and demand outlook* – the rapidly changing market in which Synergy operates (including falls in demand for electricity, excess of electricity and gas supply relative to demand, and new technologies) and its response to this (including via its cost structure, contractual arrangements and current regulatory restrictions) have the potential to place pressure on Synergy's financial performance over the forward estimates period.
- *Western Power's regulatory arrangements* – a regulatory determination by the Economic Regulation Authority regarding Western Power's five year fourth access arrangement (known as AA4) is due by 1 July 2018, one year after the expiry of Western Power's third access arrangement (AA3). In the interim, Western Power will make expenditure decisions without certainty that they will be considered efficient and hence recoverable. There is also potential uncertainty over regulatory pricing during AA4 relative to current assumptions.
- *Horizon Power's demand and revenue forecasts* – the Government is considering options for third party access to electricity infrastructure in the North West Interconnected System, with the objective of increasing competition and ultimately delivering better outcomes for consumers. This may have an impact on the State's finances through increased competition which could reduce demand (and revenue) for Horizon Power.
- *Southern Seawater Desalination Plant Output* – a \$25.2 million increase in the Water Corporation's operating expenditure in 2017-18 has been approved as a result of an increase in projected output from the Southern Seawater Desalination Plant, from 80 gegalitres to 102 gegalitres. It is expected that output of between 80 gegalitres and 100 gegalitres will be required in each of the remaining years of the forward estimates period. Operating expenditure projections for the Corporation over this period are currently based on the assumption that output at the plant will not exceed 80 gegalitres. This will be assessed as part of future Budget processes.
- *Drying climate* – changes to the Western Australian climate have significantly impacted dam inflows in recent years and will likely continue to constrain groundwater availability, both of which are key water supply sources for the Integrated Water Supply Scheme. Should inflow, water production and/or groundwater allocation assumptions not be met, or if demand for water is greater than expected, the Water Corporation may need to accelerate the development of an additional source, which is not reflected in the Corporation's current asset investment program.
- *Forecast property market conditions* – the Metropolitan Redevelopment Authority, Western Australian Land Authority (LandCorp), Housing Authority and the Department of Planning, Lands and Heritage are all engaged in significant land sales and land development programs. This exposure to the property market poses material risks (both upside and downside) to State finances.

### ***Utilities and Tariffs***

The Government reviews electricity and water tariff increases as part of its annual Budget process, with assumed price increases built into the outyears for Budget planning purposes. Accordingly, there is a risk that actual tariff increases for 2018-19 and subsequent years may differ from the planning assumptions included in this Budget. As part of the 2017-18 Budget, the Government has approved:

- a 10.9% residential electricity tariff increase in 2017-18 for the ‘representative’ household, with assumed increases of 7% in 2018-19, 5.6% in 2019-20 and 3.5% in 2020-21. Any significant variance from these assumed increases may have a significant impact on the level of cost recovery for these services and hence the State’s finances; and
- a 6% water tariff increase in 2017-18, with assumed increases (for planning purposes) of 6% in 2018-19, 2.5% in 2019-20 and 2.5% in 2020-21. The Economic Regulation Authority is due to report on its inquiry into the efficient costs and tariffs of the Water Corporation, Aqwest and Busselton Water by 10 November 2017. The Report will recommend efficient tariffs of each service provider which may differ from the current tariff planning assumptions and, if adopted by Government, could have a material impact on the amount of revenue collected.

### **Contingent Assets and Liabilities**

Contingent assets usually consist of the potential settlement of lawsuits of contractual claims. Typically, contingent liabilities consist of guarantees, indemnities and sureties, as well as legal and contractual claims. They constitute a potential risk or benefit to the financial projections should they eventuate. Contingent assets and liabilities were reported in full in the 2015-16 *Annual Report on State Finances* (ARSF), with material changes noted in subsequent financial publications (including the 2016-17 Mid-year Review and quarterly financial reports). The State’s contingent assets and liabilities will again be reported in full in the upcoming 2016-17 ARSF, to be released by 28 September 2017.

Since the release of the 2016-17 PFPS, the following material change to these contingencies is noted.

- **Contingent Liability: Removal of Statutory Limitation Periods for Civil Litigation by Victims of Child Sexual Abuse.**
  - The Government has proposed the drafting of legislation to remove statutory limitation periods for civil litigation by victims of historical child sexual abuse, in line with the recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse.
  - The removal of statutory limitation periods potentially exposes organisations in which abuse occurred (including State-based institutions) to claims for damages and compensation. The implementation of this reform represents a potentially significant (and as yet unquantified) liability to the State that will be assessed on an emerging basis in line with the passage of legislation.

# General Government Revenue

## HIGHLIGHTS

- Despite ‘headline’ general government revenue growth of 6.7% in 2017-18, the State’s revenue base remains under considerable pressure.
- Forecast revenue growth in 2017-18 is inflated by the impact of the recent Machinery of Government changes and a range of new revenue measures implemented in this Budget. Abstracting from these one-off factors, underlying revenue growth in 2017-18 is forecast to be a modest 2.4%, following estimated revenue growth of just 0.7% in 2016-17.
- Ongoing volatility in the State’s revenue base is being exacerbated by the current GST arrangements.
- Excluding the Machinery of Government changes and new revenue measures, the general government revenue estimates have been revised down by a total of \$5 billion (over 2016-17 to 2019-20) since the *Pre-election Financial Projections Statement* (PFPS), primarily reflecting downward revisions to:
  - royalty income (down \$1.8 billion), mainly as a result of lower iron ore prices and a higher \$US/\$A exchange rate;
  - GST grants (down \$1.7 billion), due largely to the impact of the 2016 Census (which revised down the previous estimate of the State’s population by almost 60,000 persons) and a lower than anticipated GST relativity for 2017-18;
  - taxation revenue (down \$777 million), mainly due to lower than previously expected collections of land tax, payroll tax and insurance duty; and
  - other (non-GST) grants from the Commonwealth (down \$572 million), largely reflecting changes to tied funding arrangements in the Commonwealth’s 2017-18 Budget.
- Given these pressures on the State’s revenue base – and the need more generally for significant Budget repair – the Government has implemented a range of new revenue measures in this Budget. These measures, which include a (temporary) progressive payroll tax scale for large employers, changes to the gold royalty arrangements and increased dividends from the State’s Government Trading Enterprises, are expected to raise additional revenue of \$2.1 billion over the forward estimates period.

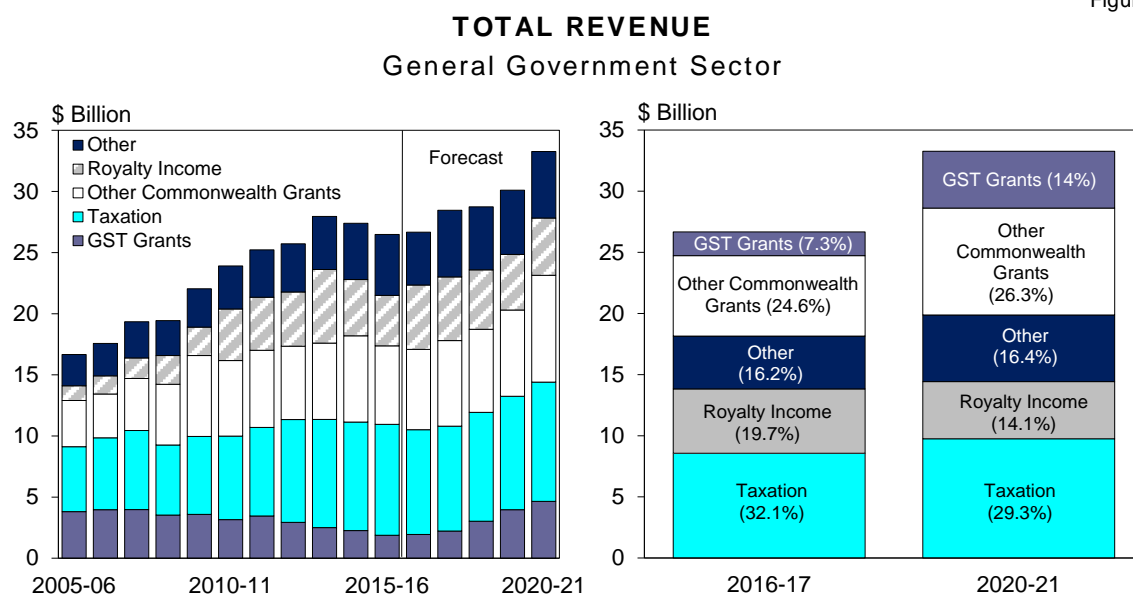


## Introduction

Relative to the estimated outturn for 2016-17, general government revenue is forecast to increase by 6.7% in 2017-18, to \$28.5 billion. However, this includes the impact of the recent Machinery of Government changes<sup>1</sup> and a range of new revenue measures implemented in this Budget. Excluding these factors, revenue is forecast to grow by a more modest 2.4% in 2017-18.

This follows an estimated increase of just 0.7% in 2016-17, and two consecutive years of decline before that (see figure below). The small increase in 2016-17 reflects a lift in royalty revenue (largely due to a higher iron ore price relative to 2015-16), partly offset by lower taxation collections and lower revenue from public corporations.

Figure 1



Note: Percentages may not add due to rounding.

Revenue growth is expected to average around 2.9% per annum in 2018-19 and 2019-20, before strengthening to 10.5% in 2020-21. The increase in 2020-21 is primarily due to a significant increase in Commonwealth grants and subsidies, including an increase in the State’s share of national GST revenue and anticipated funding for the National Disability Insurance Scheme. Higher taxation revenue is also expected to support growth over the outyears as the domestic economy recovers.

General government revenue is also supported by the implementation of new revenue measures in this Budget, which are estimated to raise a total of \$2.1 billion between 2017-18 and 2020-21.

<sup>1</sup> As part of these changes, the Rottnest Island Authority was transferred to the new Department of Biodiversity, Conservation and Attractions with effect from 1 July 2017. This results in a reclassification from the public non-financial corporations sector to the general government sector and therefore increased revenue and expenses for the general government sector. Similarly, employees of the Housing Authority (a public non-financial corporation) were transferred to the Department of Communities (effective 1 July 2017), with the Housing Authority supported by a new service delivery agreement with the Department of Communities. This has also had the effect of ‘grossing up’ general government sector revenue (and expenses).

Table 1

<b>GENERAL GOVERNMENT</b>						
<b>Operating Revenue</b>						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
<b>Level (\$m)</b>						
Taxation	9,069	8,568	8,577	8,899	9,286	9,751
Commonwealth grants	8,302	8,518	9,223	9,828	11,017	13,394
Sales of goods and services	2,155	2,196	2,445	2,520	2,579	2,647
Interest income	192	196	189	192	199	208
Revenue from public corporations	2,047	1,343	2,221	1,923	2,024	2,140
Royalty income	4,126	5,260	5,211	4,860	4,543	4,681
Other	594	591	590	520	455	452
<b>Total</b>	<b>26,485</b>	<b>26,672</b>	<b>28,457</b>	<b>28,743</b>	<b>30,103</b>	<b>33,272</b>
<b>Annual Growth (%)</b>						
Taxation	2.1	-5.5	0.1	3.8	4.3	5.0
Commonwealth grants	-10.9	2.6	8.3	6.6	12.1	21.6
Sales of goods and services	2.4	1.9	11.4	3.0	2.4	2.6
Interest income	3.7	2.0	-3.8	1.7	3.6	4.7
Revenue from public corporations	15.1	-34.4	65.3	-13.4	5.2	5.7
Royalty income	-10.4	27.5	-0.9	-6.7	-6.5	3.0
Other	11.6	-0.6	0.0	-11.8	-12.5	-0.8
<b>Total</b>	<b>-3.3</b>	<b>0.7</b>	<b>6.7</b>	<b>1.0</b>	<b>4.7</b>	<b>10.5</b>

Note: Columns may not add due to rounding.

The composition of the State's revenue base is expected to change significantly over the forecast period. Notably, the share of Commonwealth grants (including GST) is expected to recover from around 32% in 2016-17 to more than 40% in 2020-21. At the same time, the share of royalty revenue is expected to ease to around 14% in 2020-21, down from almost 20% in 2016-17. However, the contribution of royalty revenue remains high by historical standards, with its share averaging just 6% prior to 2008-09. This greater reliance on royalty revenue means the State is more exposed to the volatility associated with this source of revenue (see feature box below).

A more detailed breakdown of general government revenue is provided in Appendix 2: *General Government Operating Revenue*.

The remainder of this chapter focuses on the new revenue measures implemented in this Budget, and the detailed basis for the estimates through to 2020-21 in each of the major revenue categories.

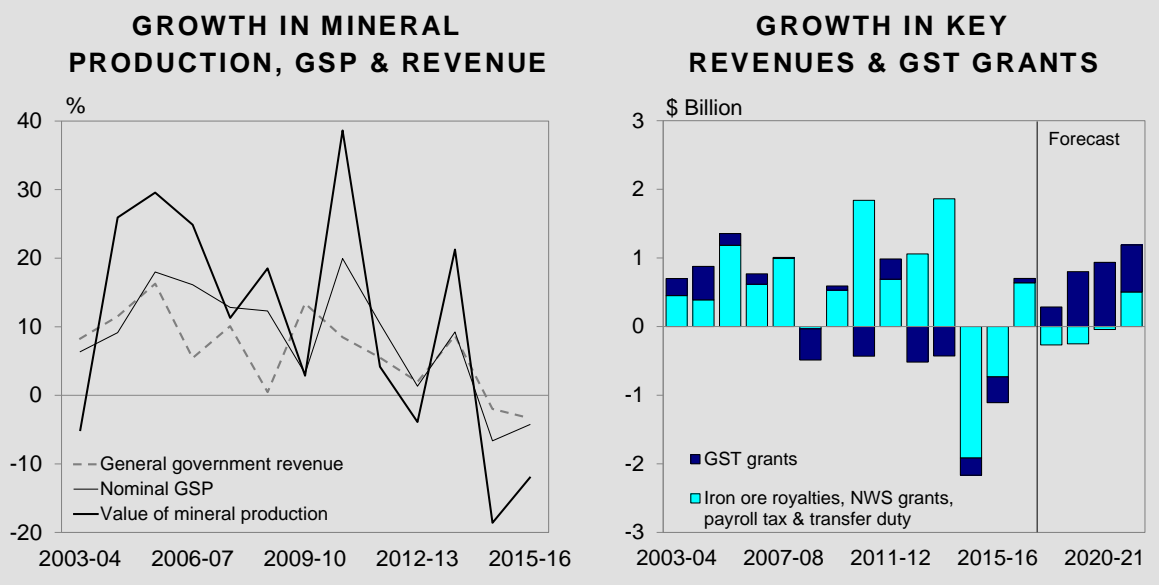
### Revenue Volatility

Relative to the *Pre-election Financial Projections Statement* (PFPS), the general government revenue estimates (excluding revenue measures and the Machinery of Government changes) have been revised down by \$5 billion over the period 2016-17 to 2019-20. Revenue volatility largely reflects the significant portion of the State’s revenue base that is influenced by the commodities cycle and fluctuations in commodity prices. This volatility makes revenue forecasting in particular, and Budget management more generally, challenging.

The contribution of the mining sector has grown significantly since the early 2000s, resulting in a greater impact on general government revenue and the Western Australian economy more broadly. The value of the State’s mineral production increased from around \$26 billion or 28% of nominal Gross State Product (GSP) in 2003-04 to a peak of \$123 billion or 46% of nominal GSP in 2013-14. Iron ore accounted for the largest gain in the value of the State’s mineral production, rising from a 20% share to more than 60% over this period. From 2013-14 to 2015-16, strong growth in low-cost supply in iron ore and oil and gas markets, combined with softer demand, resulted in around a 60% fall in the annual average benchmark prices for these commodities, and a 28% (or \$35 billion) fall in the total value of mineral production.

Reflecting the rapid growth in the mining sector, the largest sources of revenue growth from 2003-04 to 2013-14 were iron ore royalty income, North West Shelf grants, payroll tax, and transfer duty. Together, these accounted for 60% of the growth in general government revenue between 2003-04 and 2013-14, with their combined share of revenue rising from 24% to 43% (a \$9.1 billion rise). Declining commodity prices underpinned a \$2.6 billion drop in these revenues by 2015-16 (falling to a 36% share of general government revenue).

Figure 2



Source: Department of Treasury, ABS, DMIRS.

Source: Department of Treasury.

The left panel above shows the increased correlation of the State's economy (GSP) and general government revenue, with movements in the value of mineral production. The right panel shows the volatility in key revenue sources influenced by commodity prices, and GST grants. Movements in these key revenue sources are largely offset by GST grant changes, but with a time lag, which has exacerbated short-term volatility.

The largest individual source of revenue growth since 2003-04 was **iron ore royalty income**, which increased from \$305 million (or 2.4% of general government revenue) to a peak of \$5.4 billion (or a 19.5% share) in 2013-14, underpinned by higher prices, volumes and royalty rates. It then fell by around one third to \$3.6 billion (or a 13.6% share) by 2015-16, but then increased to an estimated \$4.7 billion (or a 17.6% share) in 2016-17.

Fluctuations in iron ore royalty income largely reflect the highly volatile iron ore price. This persistent volatility is due to a number of factors. Supply is typically slow to respond to changes in demand due to the long lead time to build new mines or expand existing ones. Changes in iron ore demand are largely driven by one country, China, which accounts for over 60% of global demand. Fluctuations have been exacerbated by Chinese policy stimulus, but the timing and magnitude of both changes in policy and their impact on the iron ore market are difficult to predict. Increased speculation on derivative markets has also added to price volatility.

Given the high volatility in the iron ore price and the sensitivity of royalty income to price movements (a \$US1 per tonne shift in the annual average price reduces royalty income by around \$74 million), forecasting iron ore royalty income accurately is particularly difficult. The iron ore price forecasting methodology has been adjusted in this Budget to better contain the impact of price volatility without reducing the currency of assumptions. Over the forecast period, the benchmark iron ore price is expected to decline from levels at Budget cut-off of around \$US75 per tonne to average \$US67.20 per tonne in 2017-18 and around \$US60 per tonne over the remainder of the forecast period.

Similar to iron ore, **North West Shelf (NWS) grants** grew rapidly from 2003-04 to 2013-14, rising from \$363 million to \$1.2 billion. Excess supply in global oil and gas markets resulted in a sharp fall in oil and gas prices, cutting NWS grants to \$645 million in 2015-16. A very modest improvement to \$661 million is expected in 2016-17, before a projected decline of \$158 million over the forecast period due to lower production volumes.

As prices for commodities are typically set in US dollars, movements in the \$US/\$A exchange rate also impact royalty income (from iron ore and other commodities) and NWS grants. Falls in commodity prices have often moved in line with falls in the \$US/\$A exchange rate, which has provided a natural, albeit only partial, hedge to royalty income. Production volume estimates have tended to be more predictable as expansions in volumes are planned and projects tend to run at capacity.

**Payroll tax** was the largest source of taxation growth between 2003-04 and 2013-14, with a more than threefold expansion over the period from \$1.1 billion to \$3.6 billion, underpinned by rising incomes and employment in mining, resource construction and other associated industries. Payroll tax has typically grown as the economy has expanded over time, however, the commodity cycle has also influenced collections. From 2014-15, falling commodity prices prompted cost cutting at mines, as well as a decline in investment in new mines. Cuts to employment and wages in mining and resource construction have reduced payroll tax, which is expected to fall for a third straight year in 2017-18 to \$3.2 billion, before improving over the remainder of the forecast period.

**Transfer duty** rose from \$1.2 billion in 2003-04 to \$2 billion in 2013-14, before declining to \$1.5 billion in 2016-17. Transfer duty is a volatile source of revenue with large movements year on year, including a \$1.1 billion (or 50.3%) decline in 2008-09 and annual increases of over \$0.5 billion on three occasions. The volatility is affected by large commercial transactions, which are unpredictable. In addition, the drivers of demand for residential property (including employment, wage and population growth) have been impacted by the unwinding of the commodity cycle.

The rising income from own-source revenues that are more heavily influenced by commodity price volatility has been at the expense of the State's share of **GST grants**. GST grants declined from \$3.2 billion in 2003-04, which represented 97% of the State's population share, to \$1.9 billion in 2016-17, or just 30% of its population share. As a proportion of general government revenue, GST grants fell from 24.6% to 7.3% over this period.

Instead of the GST redistribution smoothing the State's own-source revenue volatility, the system has often exacerbated volatility for Western Australia. For example, in 2016-17 the State's GST grant was based on average revenue received from 2012-13 to 2014-15 when royalties (and key taxes) were much stronger, thus resulting in a combination of weaker own-source revenue and very low GST grants at the same time.

Whereas other States' GST grants are typically more stable, Western Australia effectively absorbs commodity price volatility on behalf of other States, as the royalty income it generates, which accounts for more than half of the nation's royalty income<sup>2</sup>, is largely redistributed through GST grants to other States. An increase in iron ore royalty rates and the removal of concessional rates between 2010 and 2012 amplified revenue volatility. The State received higher royalty income upfront, but this was offset by an increase in GST redistribution to other States, with Western Australia effectively retaining only around its population share of the additional royalty income raised.

In addition, declines in employment in mining and resource construction from recent peaks have resulted in lower overseas migration and an outflow of people to other States. As a consequence, Western Australia's share of Australia's population and expected growth, which has a large influence on the GST distribution, has been revised down incrementally leading to lower projected GST grants. A substantial downward revision to historical population levels by the Australian Bureau of Statistics following the 2016 Census – the largest intercensal revision of any State in at least 30 years – resulted in a further \$1.7 billion downward revision to GST projections relative to the PFPS (over the period 2016-17 to 2019-20).

<sup>2</sup> Inclusive of North West Shelf grants – Western Australia's share of royalties from the North West Shelf project.

Volatility in revenue influenced by commodity prices represents a largely unavoidable but ongoing challenge to both revenue forecasting and overall budgeting. In response to this challenge, the Government has established a Debt Repayment Account into which any windfall revenues will be credited and used to repay Consolidated Account borrowings. In this Budget, the Government has approved previously unforecast receipts totalling \$338 million (from a large, one-off stamp duty assessment and surplus RiskCover funds) being paid through the Debt Repayment Account to reduce the State's borrowings.

## Revenue Measures

New revenue measures implemented in the 2017-18 Budget, together with their estimated impact, are outlined in the table below.

Table 2

<b>SUMMARY OF REVENUE MEASURES IN THE 2017-18 BUDGET</b>					
	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m	<b>Total</b> \$m
<b>REVENUE MEASURES</b>					
<b>Payroll Tax</b>					
Temporary progressive payroll tax scale for large employers	-	135.0	145.0	155.0	<b>435.0</b>
<b>Taxes on Property</b>					
Foreign Owner Duty Surcharge	-	6.0	21.0	22.0	<b>49.0</b>
<b>Taxes on Gambling</b>					
Point of consumption wagering tax	-	19.4	39.7	40.5	<b>99.6</b>
<b>Royalty Income</b>					
Gold royalty changes <sup>(a)</sup>	60.3	123.3	113.0	95.6	<b>392.1</b>
<b>Public Corporations</b>					
Various measures	598.3	167.3	181.3	184.5	<b>1,131.4</b>
<b>Total</b>	<b>658.6</b>	<b>450.9</b>	<b>499.9</b>	<b>497.5</b>	<b>2,107.0</b>

(a) Excludes associated GST grant impacts.  
Note: Columns may not add due to rounding.

## Payroll Tax

### Temporary Progressive Payroll Tax Scale for Large Employers

The 2017-18 Budget introduces a progressive payroll tax scale for a finite period of five years from 1 July 2018.

From 1 July 2018 until 30 June 2023, Western Australian employers with an Australia-wide, annual taxable payroll exceeding \$100 million will face a marginal tax rate of 6% (up from the current 5.5%) on the part of their payroll above \$100 million but less than or equal to \$1.5 billion, and a marginal tax rate of 6.5% on the part of their payroll exceeding \$1.5 billion.

The effective tax rate will be adjusted for employers who also operate outside Western Australia or operate as part of a group to ensure they pay the same effective tax rate on their Western Australian payroll as entities entirely based in Western Australia.

Employers with Australia-wide, annual taxable payrolls of less than or equal to \$100 million will not be affected by this measure.

A comparison of the current and new payroll tax scale for employers that operate solely in Western Australia is shown in the following table.

Table 3

<b>PAYROLL TAX SCALE</b>		
Annual Australia-wide Payroll	Annual Tax Payable (Current)	Annual Tax Payable (New)
\$0 – \$850,000	-	-
\$850,001 – \$7.5 million	5.5% x (WA Wages – Adjusted Threshold)	5.5% x (WA Wages – Adjusted Threshold)
\$7.5 million – \$100 million	5.5% x WA Wages	5.5% x WA Wages
\$100 million – \$1.5 billion	5.5% x WA Wages	\$5.5 million + (6% x (WA Wages – \$100 million))
\$1.5 billion+	5.5% x WA Wages	\$89.5 million + (6.5% x (WA Wages – \$1.5 billion))

It is estimated that around 1,300 employers will be affected by this measure, which is approximately 8% of all employers that are liable for payroll tax in Western Australia.

The new scale will have the following impact on businesses that operate solely in Western Australia.

Table 4

<b>PAYROLL TAX IMPACTS</b>					
<b>Australia-wide Payroll</b>	<b>Current Tax Payable</b>	<b>New Tax Payable</b>	<b>Increase</b>		
			<b>\$</b>	<b>%</b>	
\$1,000,000	\$9,305	\$9,305	-	-	
\$2,000,000	\$71,335	\$71,335	-	-	
\$5,000,000	\$257,425	\$257,425	-	-	
\$10,000,000	\$550,000	\$550,000	-	-	
\$50,000,000	\$2,750,000	\$2,750,000	-	-	
\$100,000,000	\$5,500,000	\$5,500,000	-	-	
\$250,000,000	\$13,750,000	\$14,500,000	\$750,000	5%	
\$500,000,000	\$27,500,000	\$29,500,000	\$2,000,000	7%	
\$750,000,000	\$41,250,000	\$44,500,000	\$3,250,000	8%	
\$1,000,000,000	\$55,000,000	\$59,500,000	\$4,500,000	8%	
\$1,500,000,000	\$82,500,000	\$89,500,000	\$7,000,000	8%	
\$2,000,000,000	\$110,000,000	\$122,000,000	\$12,000,000	11%	
\$3,000,000,000	\$165,000,000	\$187,000,000	\$22,000,000	13%	

## **Taxes on Property**

### **Foreign Owner Duty Surcharge**

From 1 January 2019, a 4% Foreign Owner Duty Surcharge will apply in Western Australia on purchases of residential property by foreigners, including individuals, corporations and trusts. The surcharge is in addition to transfer duty generally payable on property acquisitions.

The surcharge is restricted to residential property but excludes residential developments of ten or more properties, commercial residential property such as hotels, student accommodation and retirement villages, and mixed use properties that are used primarily for commercial purposes.

This measure will bring Western Australia into line with New South Wales, Victoria and Queensland, which currently apply a surcharge on foreign buyers, and South Australia, which will apply a surcharge from 1 January 2018. The 4% rate is consistent with the rate to be applied in South Australia and is lower than the rates applied in New South Wales and Victoria.

## **Taxes on Gambling**

### **Point of Consumption Wagering Tax**

Western Australia will introduce a point of consumption wagering tax from a target date of 1 January 2019, at a rate of 15% of net wagering revenue. This will replace all current wagering tax arrangements and apply to all forms of wagering, thereby removing the current myriad approaches to taxing different wagering products in Western Australia. Western Australia's new wagering tax will be of a similar structure to the point of consumption wagering tax currently operating in South Australia.



Work is currently being undertaken through the Council on Federal Financial Relations on a nationally consistent approach to wagering taxation. That work as well as Treasury consultation with industry stakeholders will inform the final form of Western Australia's point of consumption wagering tax, including the commencement date.

Reforming Western Australia's wagering taxation system to a point of consumption regime ensures that all wagers placed by Western Australian punters are taxed in the same way, regardless of where the organisation taking the wager is licensed, and will 'level the playing field' between online bookmakers and terrestrial bookmakers.

Western Australia's racing industry will be compensated for any direct material financial impacts that the introduction of a point of consumption wagering tax may have on race funding in Western Australia relative to the current tax regime.

## **Royalty Income**

### **Gold Royalty Changes**

From 1 January 2018, a tiered gold royalty rate will be introduced whereby the royalty rate gold producers pay will be determined by the Australian dollar price of gold. The current 2.5% *ad valorem* rate will apply for each month when the gold price (averaged over a month) is \$A1,200/ounce or less, and an increased rate of 3.75% will apply (on the full royalty value) when the price is above \$A1,200/ounce. At the current gold price, the increased royalty equates to around \$20/ounce.

In addition, the gold royalty exemption on the first 2,500 ounces of production in any given year will be removed from 1 July 2018 for mines producing more than 2,500 ounces per year. Currently, the first 2,500 ounces produced from each project is exempt from royalties to reduce compliance costs for small producers. As there is no additional compliance cost for projects producing more than 2,500 ounces per year, the exemption will be removed for those producers.

Both the higher gold royalty rate and removal of the 2,500 ounce exemption are broadly consistent with the recommendations of the 2015 Mineral Royalty Rate Analysis.

## **Public Corporations**

### **Revenue Measures**

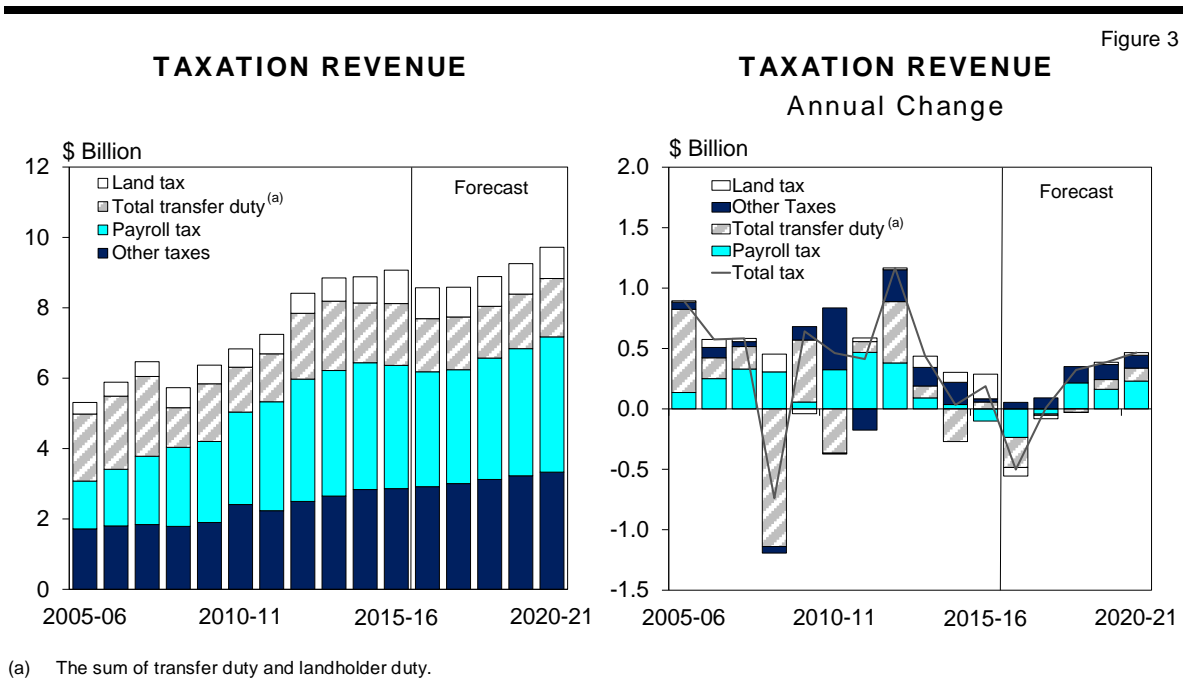
A number of measures have been implemented in this Budget that increase the revenue received by the general government sector from the State's public corporations by an estimated \$1.1 billion over the period 2017-18 to 2020-21. Details of these measures are included in the *Budget Repair* feature box of Chapter 1: *Overview* and Appendix 8: *Public Corporations and Major Tariffs, Fees and Charges*.

## Taxation Revenue

### Summary

Taxation revenue is estimated to increase by just 0.1% (or \$9 million) in 2017-18, with collections among the largest taxation sources remaining subdued.

This follows an estimated decline in taxation revenue of 5.5% (or \$502 million) in 2016-17, the first fall since 2008-09. The decline in 2016-17 was mainly due to lower payroll tax and transfer duty revenue, which fell by 6.7% (\$236 million) and 14.1% (\$248 million) respectively (see figure below). This was consistent with a large contraction in the State’s domestic economy and weakness in the State’s labour market, combined with a decline in revenue from high value commercial property transactions.



Over the three years to 2020-21, growth in taxation revenue is forecast to strengthen to an average of 4.4% per annum. This is underpinned by a projected recovery in the domestic economy and the implementation of a number of new taxation measures (see *Revenue Measures* section), but remains well below historical average growth of 6.8% per annum.

### Detail

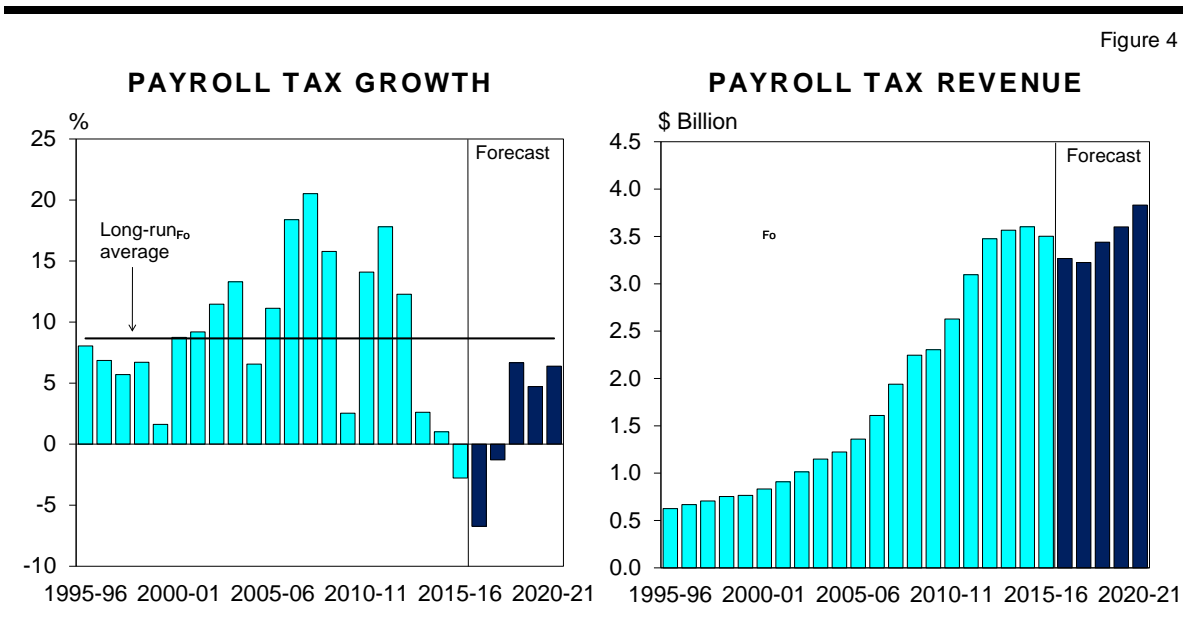
#### Payroll Tax

In 2017-18, payroll tax collections are expected to contract by 1.3%. This follows an estimated decline of 6.7% in 2016-17 and a 2.8% decline in 2015-16 (see figure below). This extended period of weakness reflects the compositional impacts associated with falling construction activity in the resources sector (which has a large presence in the State’s payroll tax base), along with record falls in aggregate wages and salaries in the private sector.

Payroll tax is expected to recover strongly to 6.7% growth in 2018-19, supported by the implementation of the new payroll tax scale outlined earlier (which is estimated to contribute 4.2 percentage points to growth in that year).

In the last two outyears of the Budget period, growth in payroll tax is expected to average 5.5% per annum, underpinned by a projected strengthening in labour market conditions and a return to growth in business investment, including ‘backfill’ projects in the resources sector. Nonetheless, growth is expected to remain below the historical average of 8.7% per annum.

Figure 4



**Taxes on Property**

Taxes on property include transfer duty (the State’s second largest tax after payroll tax), landholder duty, land tax, the Metropolitan Region Improvement Tax (MRIT), the Emergency Services Levy, loan guarantee fees and the Perth Parking Levy.

**Total Transfer Duty<sup>3</sup>**

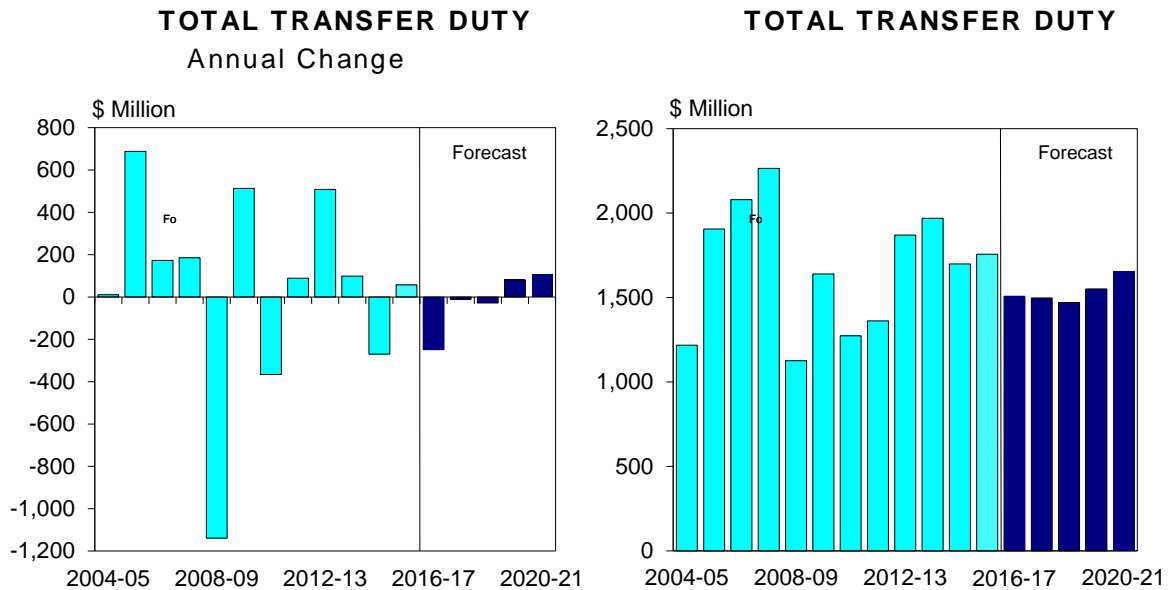
Total transfer duty is forecast to decline by 0.7% (or \$10 million) in 2017-18. This follows an estimated decline of 14.1% (or \$248 million) in 2016-17. The decline in 2016-17 would have been substantially larger had it not been for a single high value commercial property assessment issued in May 2017. Total transfer duty is forecast to contract by a further 1.9% (or \$28 million) in 2018-19, the third consecutive year in which duty would have fallen.

The reduction in total transfer duty over the three years to 2018-19 largely reflects revenue from high value commercial property transactions returning to more normal levels, as well as subdued activity in the residential property market.

<sup>3</sup> The sum of transfer duty and landholder duty.

Total transfer duty is expected to gradually recover in 2019-20 and beyond as residential transaction volumes pick up in line with improvements in labour market conditions and income, and a recovery in population growth. Nonetheless, total transfer duty in 2020-21 is projected to remain lower than in 2015-16 (figure below).

Figure 5



**Land Tax and MRIT**

Land tax collections are projected to decline by \$29 million (or 3.3%) in 2017-18, to \$846 million, reflecting a fall in taxable land values across Western Australia as well as a corresponding net decline in the number of tax payers across all tax thresholds. This follows a more substantial decline of \$72 million (or 7.6%) in 2016-17, also primarily due to a fall in taxable land value.

In 2018-19, land tax collections are anticipated to remain unchanged, consistent with the expectation that the value of unimproved land will remain flat between August 2016 and August 2017<sup>4</sup>. In 2019-20 and 2020-21, land tax collections are expected to increase by around 2.5% per annum, broadly in line with underlying growth (i.e. abstracting from policy measures) in land tax in recent years.

MRIT is projected to contract by 1.4% to \$95 million in 2017-18, in line with a fall in the value of taxable land in the metropolitan area. This follows a fall of 2% in 2016-17.

Across the outyears, MRIT growth follows a broadly consistent pattern to the land tax estimates (MRIT is levied on all land in the Perth metropolitan region that is also subject to land tax).

<sup>4</sup> Land tax and MRIT revenue in 2018-19 is based on the unimproved value of land as assessed by the Valuer General’s Office as at August 2017. While land values to the end of 2016 were declining slightly, a strong increase in land sales reported by the Real Estate Institute of Western Australia in the first half of 2017 may have provided some support for a steady price over the year to August 2017.

### ***Other Taxes on Property***

Other taxes on property comprise revenue from the Perth Parking Levy, the Emergency Services Levy and Loan Guarantee Fees. Other taxes on property are estimated to have grown by \$25 million (or 5%) in 2016-17, and are projected to increase by a further \$18 million (or 3.4%) in 2017-18. In 2018-19 and beyond, other taxes on property are estimated to grow by an average of 2.5% per annum.

### **Taxes on Gambling**

Taxes on gambling mainly comprise lotteries, and casino and betting taxes. Due to the prohibition on gaming machines in hotels and clubs in Western Australia, gambling taxes account for a much smaller share of total taxes than in other jurisdictions, at just 2.9% in 2016-17.

Gambling revenue is forecast to increase by 11.7% in 2017-18. This reflects an expected recovery in revenues across the various components of gambling activity, after a decline in total gambling revenue of 8.8% in 2016-17, which was due to weak lotteries, casino tax, and betting tax revenue.

In 2018-19 and beyond, total gambling revenue is expected to grow by an average of 7.4% per annum (well above the historical average of 2.9% per annum), partly reflecting the intended introduction of a point of consumption wagering tax from 1 January 2019 (see *Revenue Measures* section). Excluding this measure, gambling revenue is estimated to grow by 5.1% per annum in the four years to 2020-21.

### **Taxes on Insurance**

Taxes on insurance mainly consist of duty on insurance policies (with a number of key exemptions, including health insurance and life insurance).

In 2017-18, underlying insurance duty revenue<sup>5</sup> is forecast to increase by 3.5%. This follows an estimated increase in total insurance duty of 8.4% in 2016-17, reflecting the introduction of the Catastrophic Injuries Support Scheme (CISS) from 1 July 2016 and additional revenue from audit activity. Abstracting from these one-off factors, underlying insurance duty is estimated to have grown by 2.4%.

In 2018-19, taxes on insurance are expected to increase by 4.5%, before lifting to 5.9% by 2020-21.

### **Motor Vehicle Taxes**

Motor vehicle taxes predominantly comprise duty from the transfer of vehicles (vehicle licence duty) and annual vehicle registration fees. Permit fees for oversize vehicles and loads and the motor vehicle recording fee contribute to a lesser degree.

In 2017-18, vehicle licence duty is projected to increase by 1% (\$3 million) to \$348 million. This follows an estimated decline of \$2 million (or 0.4%) in 2016-17, which aligns with falls in new car sales over the year. Vehicle licence duty revenue is expected to grow in line with population estimates in each year from 2018-19 to 2020-21.

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<sup>5</sup> Abstracting from additional revenue from audit activity in 2016-17.

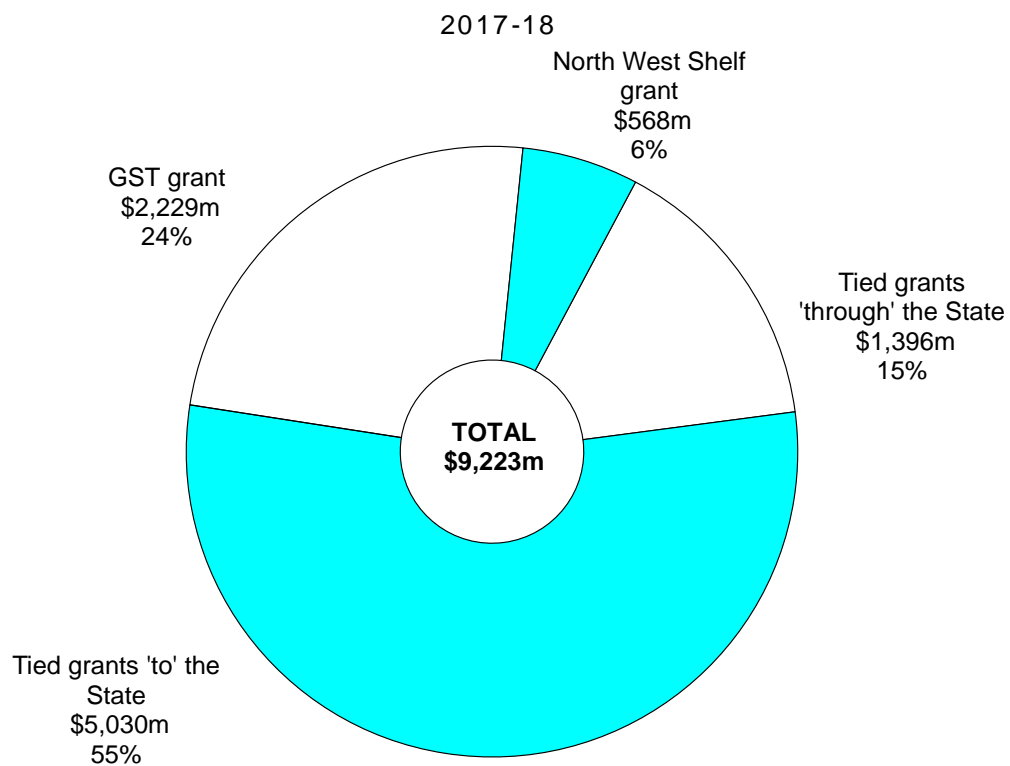
Revenue from motor vehicle registrations is expected to increase by 3.2% in 2017-18, and by 4.2% in each year from 2018-19 to 2020-21.

## Commonwealth Grants

Commonwealth grants are estimated to total \$9.2 billion in 2017-18 and account for 32% of the State’s total revenue. There are no restrictions on the spending of GST grants and North West Shelf grants. Other grants (‘tied grants’) must be spent on specific activities (e.g. health, education, roads and social housing).

**COMMONWEALTH GRANTS TO WESTERN AUSTRALIA (a)**

Figure 6



(a) Includes recurrent and capital grants.  
 Note: Segments may not add due to rounding.

<b>COMMONWEALTH GRANTS TO WESTERN AUSTRALIA <sup>(a)</sup></b>						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate
<b>General Purpose Grants</b>						
GST revenue (\$m)	1,881	1,944	2,229	3,030	3,967	4,652
North West Shelf grants <sup>(b)</sup> (\$m)	645	661	568	540	520	504
<b>Total General Purpose Grants</b>	<b>2,526</b>	<b>2,606</b>	<b>2,797</b>	<b>3,570</b>	<b>4,487</b>	<b>5,155</b>
<b>Tied Grants</b>						
Tied grants 'to' the State <sup>(c)</sup> (\$m)	4,512	4,300	5,030	4,637	4,820	6,447
Tied grants 'through' the State <sup>(d)</sup> (\$m)	1,265	1,613	1,396	1,620	1,710	1,791
<b>Total Tied Grants</b>	<b>5,776</b>	<b>5,913</b>	<b>6,426</b>	<b>6,258</b>	<b>6,531</b>	<b>8,239</b>
<b>TOTAL COMMONWEALTH GRANTS (\$m)</b>	<b>8,302</b>	<b>8,518</b>	<b>9,223</b>	<b>9,828</b>	<b>11,017</b>	<b>13,394</b>
<b>Growth (%)</b>	<b>-10.9</b>	<b>2.6</b>	<b>8.3</b>	<b>6.6</b>	<b>12.1</b>	<b>21.6</b>

(a) Includes recurrent and capital grants.  
(b) Includes Commonwealth compensation for the removal of the exemption of condensate from crude oil excise.  
(c) Payments in areas of State responsibility.  
(d) Payments on-passed through the State (e.g. to local government and non-government schools).  
Note: Columns may not add due to rounding.

## GST Revenue

Western Australia's GST grant is expected to increase by \$285 million to \$2.2 billion in 2017-18. This is mainly driven by an increase in Western Australia's GST 'relativity' (i.e. its GST grant as a proportion of its population share of the GST pool), from 30.3% in 2016-17 to 34.4% in 2017-18.

Western Australia's continuing low relativity largely reflects the lagged impact of high revenues in previous years from royalties, taxes and North West Shelf grants (in this regard, GST grants in 2017-18 reflect fiscal circumstances in 2013-14, 2014-15 and 2015-16).

<b>ESTIMATED CHANGE IN WESTERN AUSTRALIA'S GST GRANT <sup>(a)</sup></b>	
2016-17 to 2017-18	
	\$m
<b>Estimated 2016-17 GST Grant</b>	<b>1,944.3</b>
Increase in the national GST pool	102.1
Decrease in population share <sup>(b)</sup>	-55.1
Increase in GST relativity	267.5
Exclude adjustment for overpayment in 2015-16	5.7
Include adjustment for overpayment in 2016-17	-35.3
<b>Total Change</b>	<b>284.9</b>
<b>Estimated 2017-18 GST Grant</b>	<b>2,229.2</b>

(a) These estimates differ slightly from those quoted by the Commonwealth Grants Commission, because they are valued using revised GST pool and population estimates.  
(b) The decrease in population share reflects the estimates of population growth in the Commonwealth's 2017-18 Budget. Subsequent population revisions to reflect updated Census data are included in the adjustment for overpayment in 2016-17.

Table 7

**GST RELATIVITIES**

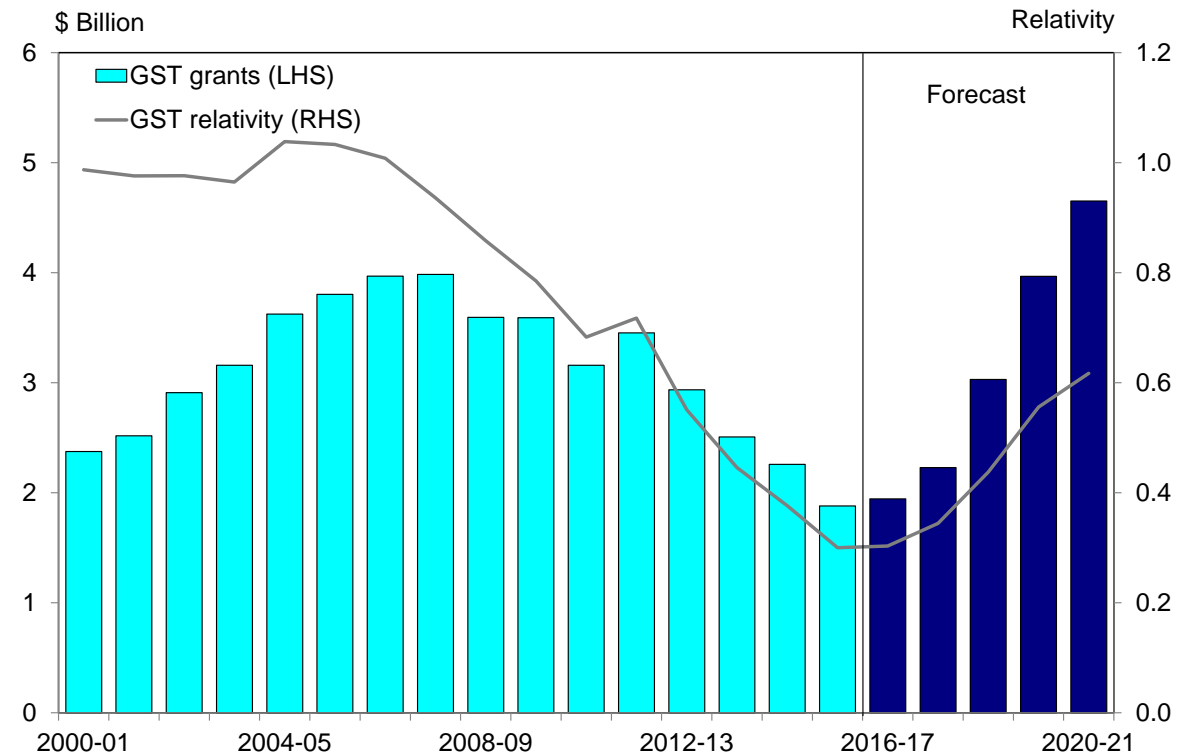
	Relativity		Impact on GST of revised relativities <sup>(a)</sup>	
	2016-17	2017-18	\$m	\$ per capita
New South Wales	0.905	0.877	-579	-73
Victoria	0.910	0.932	+347	+55
Queensland	1.171	1.188	+190	+38
<b>Western Australia</b>	<b>0.303</b>	<b>0.344</b>	<b>+268</b>	<b>+103</b>
South Australia	1.417	1.440	+93	+54
Tasmania	1.777	1.805	+34	+65
Australian Capital Territory	1.156	1.195	+39	+94
Northern Territory	5.285	4.660	-392	-1,589

(a) These estimates differ slightly from those quoted by the Commonwealth Grants Commission, because they are valued using revised GST pool and population estimates.

Incredibly, the 2017-18 grant (\$2,229 million) is lower in absolute dollar terms than the GST grant Western Australia received in 2000-01, the year the GST was introduced (\$2,375 million). Western Australia’s GST grants are forecast to rise to \$4.7 billion by 2020-21, reflecting the lagged response to the sharp fall in iron ore royalties in 2014-15, as well as the reduction in North West Shelf grants and weak growth in taxes after 2013-14.

Figure 7

**WESTERN AUSTRALIA’S GST GRANTS AND RELATIVITIES**



Source: Department of Treasury.



The States' GST relativities are based on the recommendations of the Commonwealth Grants Commission (CGC). In calculating these relativities, the CGC applies a 'horizontal fiscal equalisation' (HFE) principle. A State whose revenue bases have grown faster than other States, or whose relative costs of providing a 'standard' level of services have declined, will have its grant share reduced (and vice versa).

The CGC uses a three-year average of the latest available historical data on States' fiscal capacities. As noted, GST grants in 2017-18 are based on data from 2013-14 to 2015-16.

If all time lags were removed from the CGC process, Western Australia's GST grants would be \$7.7 billion higher across the five years from 2016-17 to 2020-21 (see figure below).

The CGC updates relativities annually, and undertakes a major review of its methods every five or six years. The CGC reported on its latest annual update (using largely the same methods as the previous year) in March 2017.

The Commonwealth Government issued terms of reference to the CGC in November 2016 for a major review of its methods, reporting by 28 February 2020. These terms of reference specify that the CGC should consult regularly with the Commonwealth and States and provide a draft report for consideration by the Commonwealth and State Treasurers in 2019.

The Western Australian relativity projections assume no method changes as a result of the CGC's 2020 Review. However, the results of the 2020 Review could have significant impacts on Western Australia's GST grant from 2020-21 onwards.

## Forecast of GST Shares

Estimates of Western Australia's GST grants across the forward estimates are based on the Western Australian Department of Treasury's projections of Western Australia's GST relativity beyond 2017-18, and the Commonwealth's 2017-18 Budget projections of the national pool of GST grants and States' population growth.

As Western Australia's reduced royalties and tax capacity after 2013-14 flow into the relativity calculations, the State's relativity is expected to slowly improve. By 2020-21, Western Australia's relativity is projected to increase to 61.7%. However, this still remains the lowest relativity faced by any other State since 1942-43<sup>6</sup>.

<b>PROJECTED GST RELATIVITY AND GST SHARE</b>						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
WA GST relativity <sup>(a)</sup>	0.300	0.303	0.344	0.438	0.556	0.617
WA population share (%)	10.6	10.5	10.5	10.5	10.5	10.5
WA share of national GST pool (%) <sup>(b)</sup>	3.3	3.3	3.5	4.6	5.9	6.5

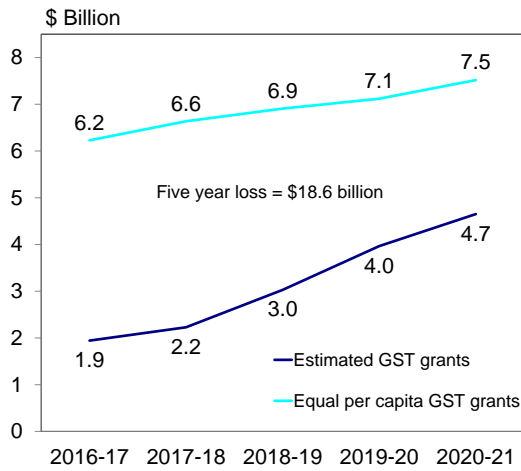
(a) This is the ratio of Western Australia's GST grant to Western Australia's population share of the GST.  
 (b) Western Australia's GST share equals Western Australia's population share multiplied by its relativity.

<sup>6</sup> The predecessors to GST grants (initially known as tax reimbursement grants) were introduced in 1942-43 when State income tax was taken over by the Commonwealth.

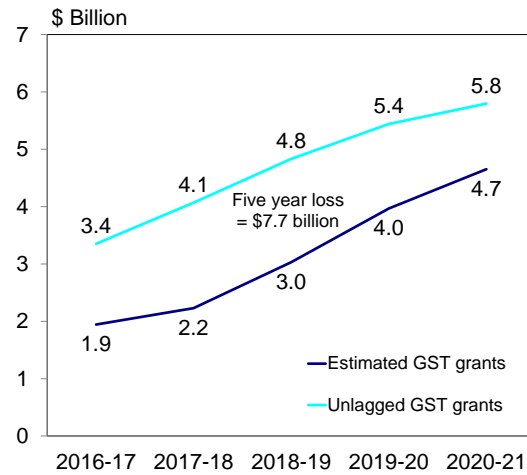
Over the period 2016-17 to 2020-21, Western Australia will lose an estimated \$18.6 billion compared to if it received an equal per capita share of GST revenue (see figure below).

Figure 8

**LOSS IN WESTERN AUSTRALIA'S  
GST GRANTS COMPARED TO  
POPULATION SHARE**



**LOSS IN WESTERN AUSTRALIA'S  
GST GRANTS COMPARED TO  
UNLAGGED GST**



Source: Department of Treasury estimates.

**Western Australia's Contribution to the Australian Federation**

The GST subsidy from Western Australia to the other States is just one part of the State's overall annual net contribution to the Australian Federation, which now stands at \$21.7 billion for 2015-16, according to the Department of Treasury's latest estimates (see Appendix 11: *Western Australia's Net Contribution to the Federation*).

**Revised ABS Population Estimates**

On 27 June 2017, the ABS released revised State population estimates that incorporate preliminary Census results for the first time. These estimates suggest that Western Australia's population as at June 2016 was around 60,000 lower than the previous estimate (provided in March 2017), while the national population was around 80,000 higher. Combined, this reduced Western Australia's population share from 10.85% to 10.57%.

GST grants are highly sensitive to changes in the ABS population estimates. The Western Australian Treasury estimates the ABS revision will result in a \$2 billion reduction to Western Australia's GST grants from 2017-18 to 2020-21. This reflects the direct impact from Western Australia's reduced population share of the national pool, as well as reduced GST grants flowing from Western Australia's assessed higher capacity to raise revenue (on a per capita basis) and lower assessed infrastructure requirements.

## **Productivity Commission Inquiry into Horizontal Fiscal Equalisation**

The Commonwealth Government has requested that the Productivity Commission undertake an inquiry into Australia's system of HFE, which underpins the distribution of GST revenue to the States. The inquiry is to consider the impact of the current system of HFE on productivity, efficiency and economic growth, as well as whether there are preferable alternatives to the current system.

In response to the Productivity Commission's request for submissions from interested parties, Western Australia delivered a submission in June 2017. The submission outlines Western Australia's findings that the current system fails to achieve its equity objective, while imposing significant Budget costs and undermining economic growth. To address this, Western Australia identified a package of reform options that would promote efficiency and economic growth across Australia with all States benefitting from the proposed reforms in the long run. These include:

- moving to an equal per capita distribution in the long run, with the Commonwealth providing assistance for weaker States;
- a GST relativity floor;
- using a global revenue base to assess States' revenue raising capacity (instead of separate assessments for royalties, land tax, stamp duty, payroll tax etc);
- discounting revenue assessments (allowing States to keep a reasonable share of the revenue generated locally);
- better accounting for the costs of developing economies; and
- distributing GST on the basis of contemporaneous assessments of revenues and costs (i.e. removing the time lags in the system).

A final report is expected to be delivered by the Productivity Commission to the Commonwealth Government by 31 January 2018.

## **North West Shelf Grants**

The Commonwealth provides general purpose financial assistance to Western Australia from royalties in respect of the North West Shelf oil and gas project. The Commonwealth collects these royalties because it has jurisdiction over off-shore areas. These royalties are shared between the Commonwealth (approximately one third) and Western Australia (approximately two thirds).

The Commonwealth also provides general purpose financial assistance to compensate Western Australia for the loss of North West Shelf royalty revenue resulting from the removal of the exemption of condensate from crude oil excise in the Commonwealth's 2008-09 Budget.

North West Shelf grants are derived from sales of LNG, oil, condensate, liquefied petroleum gas and domestic gas, with LNG generating the largest amount of revenue. Most of the LNG is sold under contracts that are linked to the price of oil.

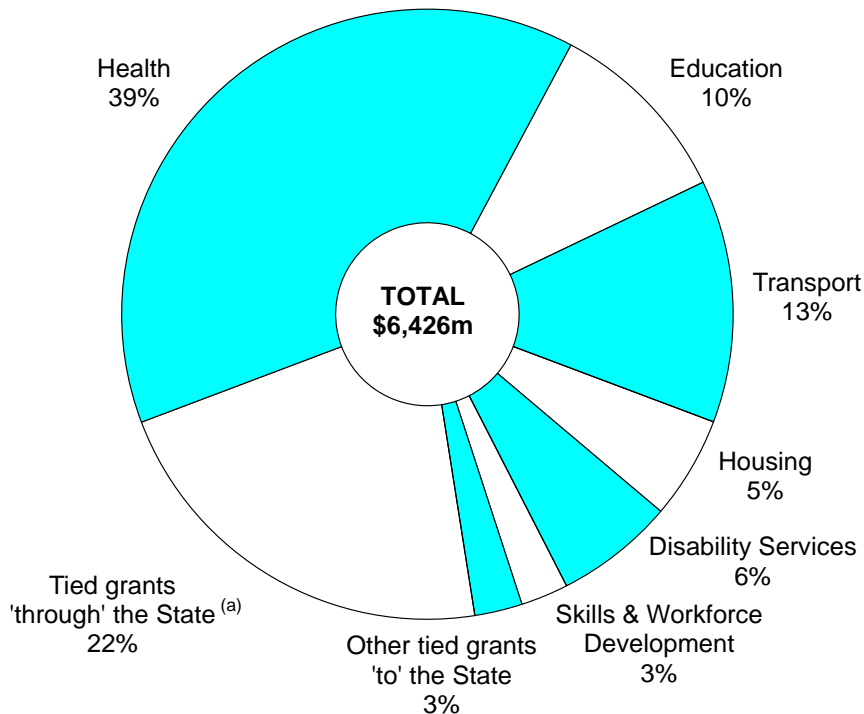
In 2017-18, North West Shelf grants<sup>7</sup> are expected to decline by \$93 million (or 14.1%) to \$568 million. This is the lowest level of North West Shelf grants since 2004-05, and \$600 million lower than the peak of \$1.2 billion in 2013-14. The decline in 2017-18 is largely due to a higher forecast exchange rate and a modest projected decline in LNG volumes (from record levels achieved in 2016-17). North West Shelf grants are projected to decline by a total of 11.3% over the following three years to 2020-21.

### Tied Grants

Tied grants for specific activities (e.g. health, education, roads and social housing) are received under a variety of Commonwealth-State agreements. In some instances, a specific activity (such as health) may have multiple agreements. Western Australia is estimated to receive \$6.4 billion in tied grants in 2017-18, \$513 million more than in the previous year. In 2016-17, the Commonwealth provided \$226 million as compensation for the State’s low GST share in 2017-18, which will be used to fund five road projects. This grant effectively maintains Western Australia’s 2017-18 GST share at 2014-15 levels. A break-down of tied grants by functional activity is provided in the figure below.

Figure 9

#### TIED GRANTS FOR WESTERN AUSTRALIA 2017-18



(a) Comprises payments for non-government schools and local governments.

Note: Segments may not add due to rounding.

<sup>7</sup> Includes Commonwealth compensation for the removal of the exemption of condensate from crude oil excise.

Tied grants comprise:

- National Specific Purpose Payments (NSPPs) for vocational education and training, disability services, and housing;
- National Health Reform funding linked to the level of services delivered in public hospitals, as provided for by the National Health Reform Agreement;
- Quality Schools<sup>8</sup> payments for schools;
- National Partnership (NP) payments that are provided for one-off reforms and a range of infrastructure and service delivery projects and are usually contingent on the achievement of milestones or targets;
- payments from the Commonwealth in relation to its own-purpose spending programs; and
- grants that pass ‘through’ the State to other bodies (e.g. funding for local governments and private schools) and have no net impact on the State Budget.

The NSPPs are ongoing, and grow in line with agreed indexation arrangements. The only condition attached to these payments is the requirement to spend them in the relevant sector.

Western Australia will continue to receive payments under the disability services NSPP until 30 June 2020. From 1 July 2020, payments will be redirected to the National Disability Insurance Scheme for existing State specialist disability clients that transfer to the Scheme.

On 9 May 2017, the Commonwealth announced its intention to establish a new National Housing and Homelessness Agreement (NHHA), which would replace the housing NSPP and the Homelessness NP from 2018-19. The NHHA would effectively maintain the current funding level and provide ongoing certainty of future homelessness funding, but conditions on expenditure are yet to be agreed. This is not reflected in this Budget.

Public hospitals continue to be funded on an activity basis under the National Health Reform Agreement (NHRA). Growth in Commonwealth funding in 2016-17 reflected 45% of the growth in the cost of hospital services measured at the national efficient price. These arrangements are retained for 2017-18 to 2019-20 with an addendum to the NHRA that will cap Commonwealth funding growth for hospital services at a national level of 6.5% per annum, and incorporate quality and safety into hospital pricing and funding. The Commonwealth has projected average funding growth of 5.1% per annum over the four years to 2020-21 for Western Australia, which reflects a reduction in funding of \$246 million compared to PFPS estimates.

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<sup>8</sup> Previously called Students First.

The Commonwealth is currently negotiating with States to amend Quality Schools arrangements from 1 January 2018. Under the proposed arrangements, funding to Western Australia would transition from around 14% of the Schooling Resource Standard (SRS)<sup>9</sup> in 2017 to 20% of the SRS over six years to 2023, rather than the previously expected ten years. As a condition of funding, States would be required to maintain their real level of per-student funding from a 2017 baseline using the Commonwealth's prescribed rate of indexation. This is not reflected in this Budget.

The framework for NP payments is provided by the Intergovernmental Agreement on Federal Financial Relations, agreed by COAG in December 2008. NP payments can vary substantially from year to year. Appendix 12: *National Partnership Agreements* provides a summary of NPs, including when they are scheduled to expire.

## Royalty Income

### Summary

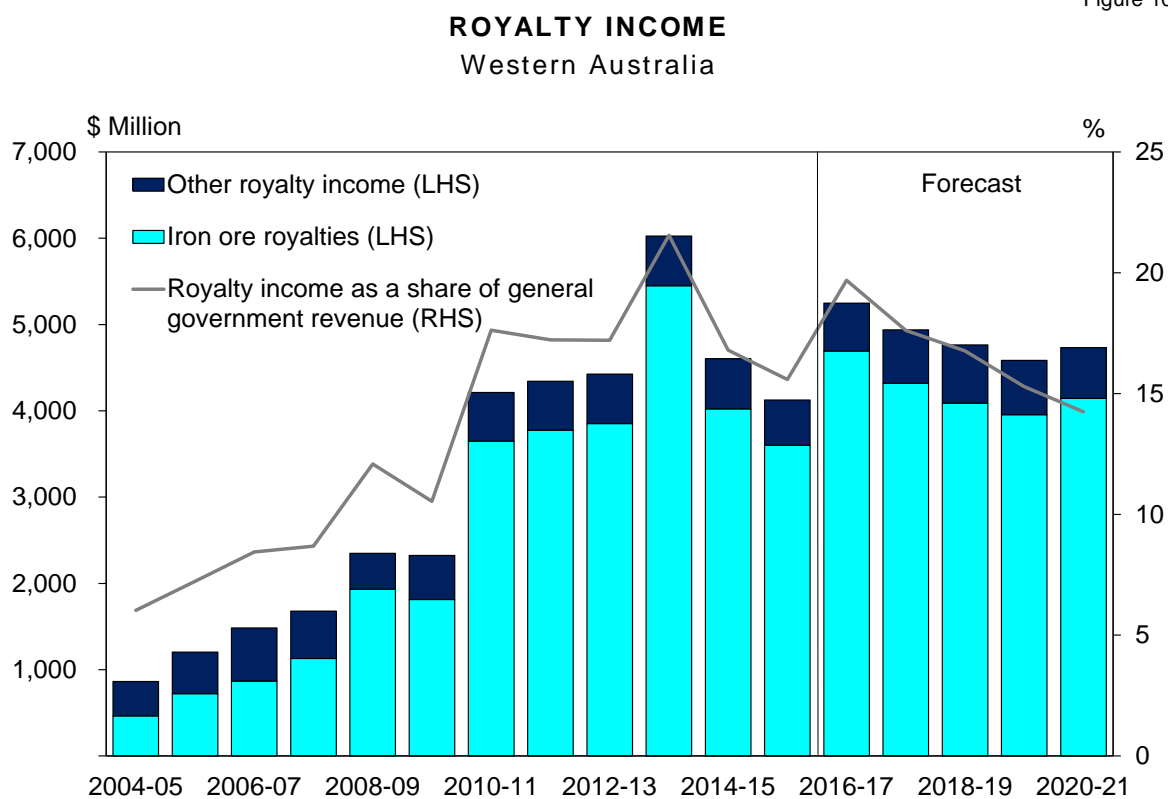
In 2017-18, total royalties are projected to decline by \$49 million (or 0.9%), reflecting lower iron ore royalties (down \$122 million) partly offset by higher gold royalty income (up \$40 million) and higher royalty income from all other commodities (up \$34 million). This follows a strong increase of \$1.1 billion (or 27.5%) in 2016-17, highlighting the volatile nature of royalty revenue (see *Revenue Volatility* feature box).

Royalty income is expected to continue to soften out to 2019-20, primarily reflecting a fall in projected iron ore prices. A modest increase in the iron ore price in 2020-21 is expected to result in slightly higher royalty income in 2020-21. For further discussion regarding commodity markets, refer to Chapter 2: *Economic Outlook*.

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<sup>9</sup> The SRS is a national resourcing benchmark, consisting of a base per student amount with loadings for disadvantage and school characteristics.

Figure 10



Source: Department of Treasury estimates.

## Iron Ore Royalty Income

Iron ore royalty income is projected to have risen by \$1.1 billion in 2016-17 to \$4.7 billion, a 30.7% increase from the six-year low of \$3.6 billion in 2015-16. The improvement in 2016-17 was underpinned by a rebound in the annual average benchmark price, which rose by 34.5% to \$US68.50 per tonne, up from a 12-year low of \$US50.90 per tonne in 2015-16. Iron ore volumes also increased by around 6% to 795 million tonnes in 2016-17. The revenue impact of higher prices and volumes was partly offset by a higher \$US/\$A exchange rate, and higher shipping deductions (due to higher ocean freight rates)<sup>10</sup>.

Iron ore royalty revenue is expected to decline by \$122 million (or 2.6%) to \$4.6 billion in 2017-18, due to a slightly lower projected iron ore price of \$US67.20 per tonne, combined with a higher \$US/\$A exchange rate and a further increase in shipping deductions. The negative revenue impact of these is expected to exceed the positive impact of higher sales volumes, which are expected to rise by 2.7% to 817 million tonnes.

Over the remainder of the forecast period from 2018-19 to 2020-21, iron ore royalty revenue is expected to soften to between \$3.9 billion and \$4.2 billion, as a result of lower iron ore price assumptions. Medium-term price assumptions are now derived from the mean of medium-term consensus estimates, rather than from a mean long-run consensus estimate.

<sup>10</sup> The benchmark iron ore prices referenced in sales typically include cost and freight (CFR) for ore delivered to China, whereas royalties are calculated based on the free-on-board prices, excluding freight, from Western Australia. As such, projected shipping costs are deducted from benchmark CFR price forecasts.

This change is expected to reduce volatility in medium-term price assumptions and royalty projections, and better align Treasury's price assumptions with other forecasters.

## Other Royalty Income

Royalties from all other commodities are expected to have risen by \$29 million (or 5.5%) to \$554 million in 2016-17, including a \$13 million rise in gold royalty income (see table below).

In 2017-18, other royalty income is expected to rise by a further \$74 million (or 13.3%), led by a \$40 million increase in gold royalty income, mostly due to the policy changes outlined earlier (see *Revenue Measures* section). Lithium royalty revenue is expected to almost double, to \$29 million, as projected sales volumes increase. As a result, lithium is expected to become the sixth largest source of royalty revenue by commodity.

In 2018-19, royalties from all other commodities are expected to rise by \$59 million or 9.4%, before falling by around 7% in 2019-20 and 2020-21, as a result of declining projected sales volumes of gold, copper and zinc due to depletions at existing mines. Conversely by 2020-21, royalties for the emerging lithium industry are expected to rise to \$34 million and nickel royalties to \$73 million.

Table 9

### ROYALTY INCOME AND KEY ASSUMPTIONS Western Australia

	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate
<b>ROYALTY INCOME (\$m)</b>						
Iron ore	3,600	4,706	4,584	4,174	3,908	4,091
Gold	250	263	303	358	329	279
Alumina	81	85	90	89	90	91
Copper	49	52	58	57	44	45
Nickel	46	51	61	62	65	73
Lithium	- <sup>(a)</sup>	15	29	29	30	34
Petroleum - State component	5	2	4	5	5	4
Other	95	86	83	86	73	63
<b>Total Royalty Income</b>	<b>4,126</b>	<b>5,260</b>	<b>5,211</b>	<b>4,860</b>	<b>4,543</b>	<b>4,681</b>
<b>KEY ASSUMPTIONS</b>						
Exchange rate \$US/\$A (US cents)	72.8	75.4	79.0	78.7	78.3	77.8
Iron ore price (CFR, \$US per tonne)	50.9	68.5	67.2	61.0	57.2	59.2
Iron ore volumes (million dry tonnes)	748	795	817	827	830	835
Crude oil price (\$US per barrel)	43.4	49.7	51.6	53.1	53.8	54.8

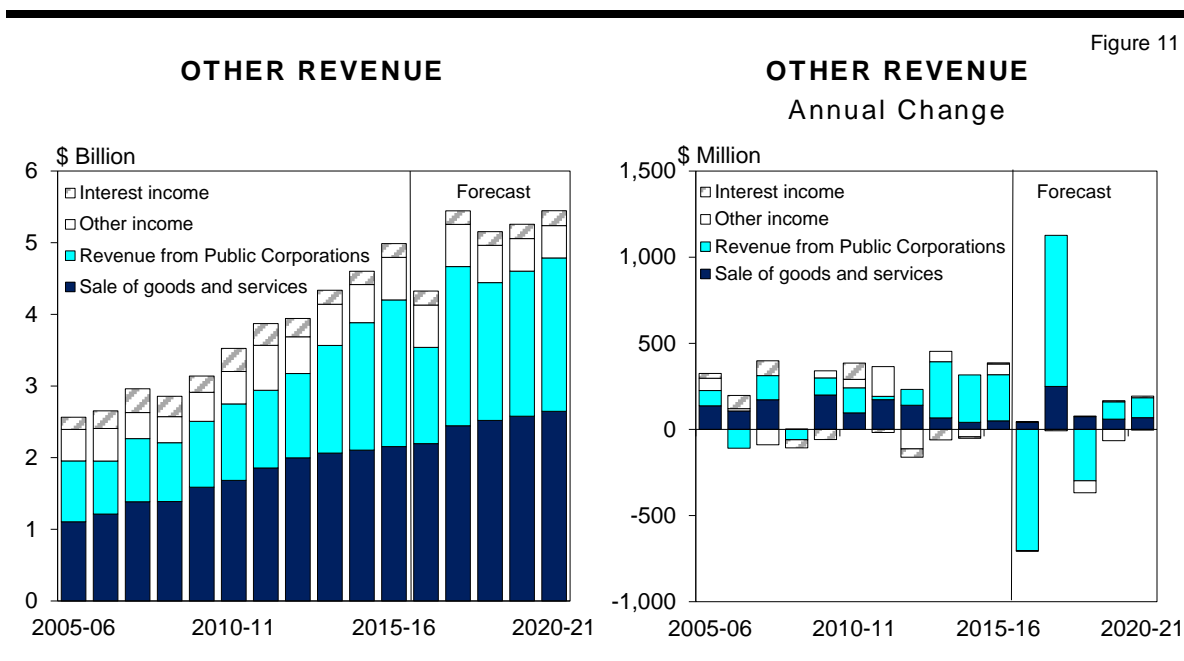
Note: Columns may not add due to rounding

(a) Lithium royalty revenue has been incorporated into 'Other' in 2015-16 as there was only one producer.



## Other Revenue

The majority of other revenue is generated from the sales of goods and services by general government agencies, and revenue from public corporations (in the form of dividends and revenue from the Tax Equivalent Regime<sup>11</sup>). Details of the outlook for these sources of revenue are provided below.



### Sales of Goods and Services

Revenue from the sale of goods and services is forecast to increase by 11.4% in 2017-18 and an average of 2.7% per annum across the outyears. The high rate of growth in 2017-18 predominantly reflects a new service delivery agreement between the Housing Authority (a public corporation) and the Department of Communities, as well as the transfer of Rottnest Island Authority from the public non-financial corporations sector into the Department of Biodiversity, Conservation and Attractions (a general government agency) as part of the Machinery of Government changes implemented from 1 July 2017.

Excluding these Machinery of Government changes, growth in goods and services revenue is forecast to be 2.1% in 2017-18, in line with an estimated 1.9% growth in 2016-17, and slightly lower than average growth of 2.6% over the three years to 2015-16. This largely reflects growth in most fees and charges in line with forecast inflation, and movements in underlying demand.

<sup>11</sup> The National Tax Equivalent Regime (TER) arrangements ensure that public sector corporations do not have a competitive advantage over private sector entities as a result of their tax-free status. The TER arrangements impose the equivalent of company tax and local government rates on public sector corporations.

## **Interest Income**

The general government sector earns interest income from investments in cash and other liquid asset holdings. In 2017-18, interest revenue is forecast to total \$189 million, down marginally from an estimated \$196 million in 2016-17. Beyond 2017-18, interest revenue is forecast to grow in line with movements in underlying investment assets.

## **Revenue from Public Corporations**

The general government sector receives revenue from the State's corporatised public corporations (through dividends and tax equivalent payments).

Revenue from public corporations is forecast to total \$2.2 billion in 2017-18, comprising \$1.6 billion in dividends, \$551 million in income tax equivalent payments and \$21 million in local government rates equivalent payments. This represents an \$878 million (or 65.3%) increase on the \$1.3 billion estimated outturn for 2016-17.

The higher outlook in 2017-18 mainly reflects the impact of a number of efficiency measures for government trading enterprises (GTEs, see *Budget Repair* feature box of Chapter 1), including the deferral of interim dividends for a number of GTEs into 2017-18, and a \$100 million special dividend from Synergy in 2017-18. An increase in the dividend payout ratios applying to most GTEs, and net debt reduction targets for selected GTEs, also contribute to higher revenue across the forward estimates period.

Further information on revenue from, and payments to, individual public corporations is available in Appendix 8.

## **Other Income**

Revenue from all other sources (which includes fines for traffic infringements, judicial fines and penalties, donations and gifts from private organisations, asset transfers, and mining-related lease rental revenue for exploration and production licences) is forecast to total \$590 million in 2017-18. This includes \$259 million for contributions from third parties (such as industry funding), \$207 million for fines, \$98 million for mining-related lease rentals, and \$26 million from donations.



# General Government Expenses

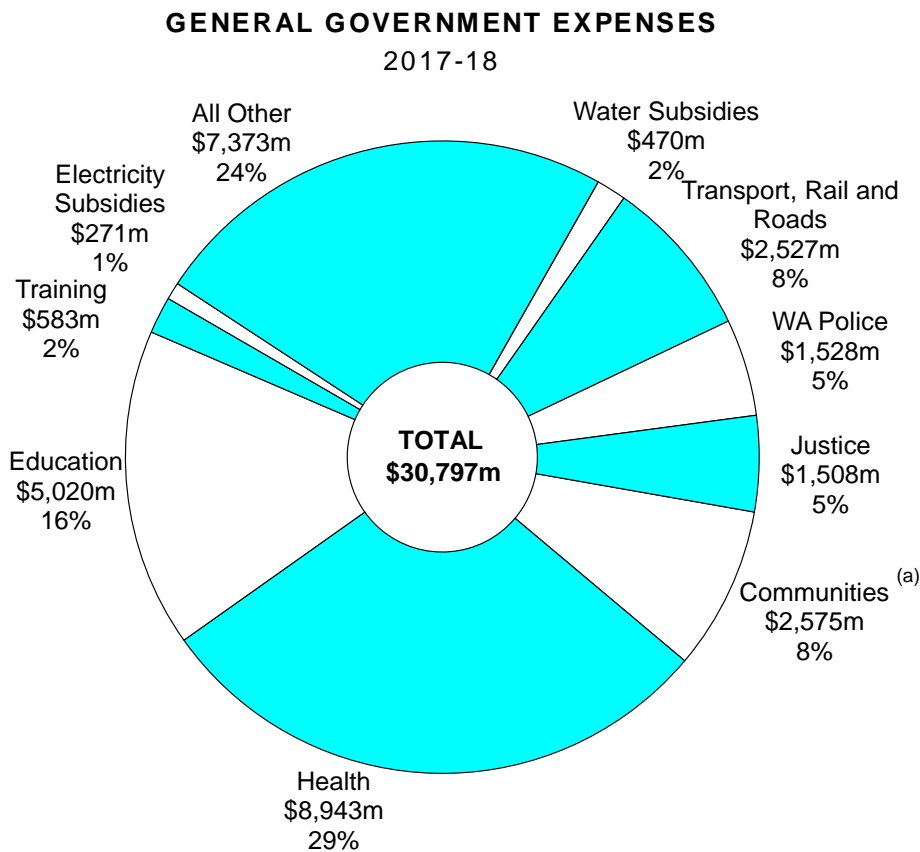
## HIGHLIGHTS

- Recurrent spending by the general government sector is estimated to total \$30.8 billion in 2017-18. Abstracting from the impact of the recent Machinery of Government changes and the one-off costs of the Voluntary Targeted Separation Scheme, this represents growth of 2.4% on 2016-17.
- The 2017-18 Budget balances the need for Budget repair with delivery of the Government's election commitments and the need to address some unavoidable cost pressures. Election commitments have, wherever possible, been funded through savings and the reprioritisation of existing spending.
- New recurrent spending approved in this Budget includes:
  - \$189 million over the next four years to manage forecast growth in the State's prisoner population;
  - an additional \$87 million from 2017-18 to 2020-21 for tourism events and destination marketing;
  - \$77 million over the next four years to establish a Meth Border Force to reduce the supply of methamphetamine coming into the State;
  - \$48 million over 2017-18 to 2020-21 to employ an additional 300 Education Assistants for schools; and
  - \$33 million over the forward estimates period to develop the State's network of shared paths for pedestrians and cyclists.

## Introduction

Recurrent spending by the general government sector is estimated to total \$30.8 billion in 2017-18, with health, education, and community safety accounting for the majority of this (an estimated 55%).

Figure 1



(a) Total cost of services disclosed in Budget Paper No. 2: *Budget Statements* for the Department of Communities is \$3.7 billion in 2017-18. The \$2.6 billion in this chart represents the general government portion of the Department's recurrent spending (with some expenditure from the former Housing Authority remaining within the public non-financial corporations sector for the purpose of whole-of-government reporting).

Note: Segments may not add due to rounding.

## Sustainable Finances: Responsible Financial Management and Better Service Delivery

The Government has identified that a fresh approach is needed in the delivery of services to the community. To achieve this, the Government has taken steps to streamline service delivery by reducing the number of government departments and examining more innovative means of meeting the everyday needs of the community (see below).

### **Machinery of Government Changes and Service Priority Review**

In April 2017, Machinery of Government (MoG) changes were announced that reduced the number of departments from 41 to 25 as of 1 July 2017. A major aim of this reform is to encourage collaboration and deliver services in a more efficient and effective way while also assisting with public sector renewal. The MoG changes, combined with the Government's commitment to reduce the number of Senior Executive Service positions by 20%, are expected to result in \$249 million in savings across the forward estimates period.

The Government announced the Service Priority Review (SPR) in May 2017, with its goal being to examine the functions, operations and culture of the Western Australian public sector. The SPR is being led by an independent three member panel and its terms of reference include reviewing, reporting and making recommendations with reference to:

- achieving cultural change in the public sector;
- promoting a culture of collaboration in the achievement of outcomes for the community;
- promoting public service innovation that delivers better and lower cost service delivery;
- identifying opportunities for further consolidation of public sector entities;
- developing and implementing whole-of-sector key performance indicators;
- attracting and retaining a skilled public sector workforce; and
- investigating opportunities to reduce bureaucracy and red tape within Government, improve workforce management processes and facilitate workforce renewal in a fair and transparent manner.

The panel provided an interim report to the Government in late August 2017, and is due to provide a final report and recommendations in October 2017. The final report is expected to provide recommendations to assist in driving lasting reform in service delivery, accountability and efficiency.

Health expenses are estimated to total \$8.9 billion in 2017-18, or 29% of total general government expenditure. As the single largest contributor to the State's expenditure over the forward estimates period, the Government is focused on achieving financial sustainability in the provision of quality health services (see below).

### **Sustainable Health Review**

The Western Australian health system accounts for almost 30% of the State's Budget. This spending supports excellent health outcomes and provides quality health services for Western Australians, but has grown faster than inflation and the economy as a whole. From 2013-14 to 2016-17, growth in health expenditure accounted for 56% of overall general government expenditure growth – an unsustainable trend in a constrained budgetary environment.

Despite this expenditure growth, the health system faces ongoing challenges associated with an ageing population, chronic disease and health inequity (particularly for those in low-socioeconomic groups, in regional areas, and those who are Aboriginal). There is significant disruption to health services, including through advances in technology, and increased opportunities to partner across sectors to deliver integrated care.

To address these challenges and opportunities, the Government announced in June 2017 the Sustainable Health Review. The Review will prioritise the delivery of patient-centred, integrated, high quality and financially sustainable healthcare across the State, considering key areas including:

- how the system can use existing investment and new initiatives to improve patient-centred service delivery, pathways and transition through primary, secondary and tertiary healthcare;
- the mix of services provided across the system, including sub-acute, step-down, community and other out-of-hospital services to deliver care in the most appropriate setting;
- ways to encourage and drive digital innovation, and the most effective use of new technology, research and data;
- opportunities to drive partnerships across sectors and all levels of government;
- ways to drive safer and more efficient services; and
- key enablers of new efficiencies and change.

The Review will involve extensive consultation with a wide range of stakeholders including patients and carers, clinicians and front-line staff. As part of this engagement process, submissions will also be invited from the wider community.

The Review Panel will provide a final report to Government in 2018, which will contain actionable recommendations to deliver a patient-first, innovative and sustainable health system for all Western Australians.

## Strong Communities: Safer Communities and Support for Families

Spending on community safety is expected to total \$3.4 billion in 2017-18, or around 10% of total general government expenditure. While an additional \$189 million over the forward estimates period has been approved to manage forecast growth in the State’s prisoner population, the Government has recognised that an evidence-based approach to managing the criminal justice sector is required (see below).

### Justice Pipeline Model

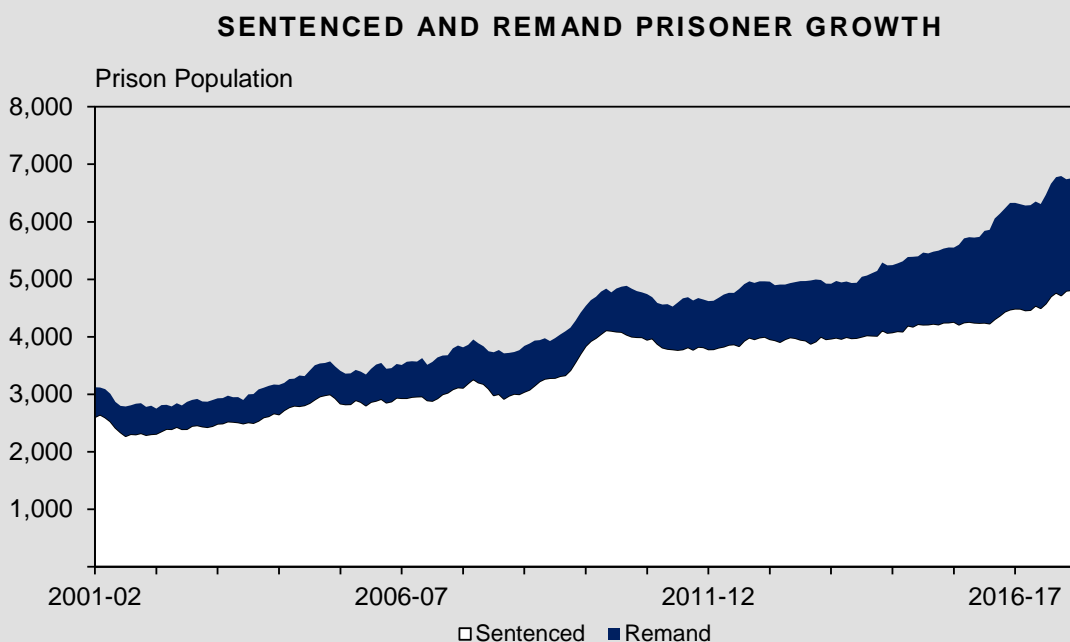
Significant demand and resourcing pressures have emerged in Western Australia’s criminal justice sector in recent years, including an increase in the number of charges laid, growth in court case lodgements, and a sustained increase in the adult prisoner population, particularly prisoners held on remand.

Given the State’s financial position, it is critical that future investment and resourcing in community safety is coordinated to produce optimal outcomes for the criminal justice system as a whole.

To inform and improve integrated decision-making, the Government has approved development of a Justice Pipeline Model for the Western Australian criminal justice system. The Model will simulate and forecast activity across the entire justice system, and estimate the downstream impact of future policy and parameter changes, including costs.

The Model will be developed through a partnership between the Department of Justice, Western Australia Police, the Office of the Director of Public Prosecutions and the Legal Aid Commission, in consultation with the Departments of Treasury and the Premier and Cabinet. A total of \$850,000 has been approved for the development of the Model in this Budget.

Figure 2





Using early intervention to stop the root causes of crime and provide support for at-risk families is a focus of the Government's Target 120 initiative. The use of data to identify at-risk cohorts and measure the effectiveness of interventions is key to designing collaborative policy responses to complex social problems.

### **Target 120**

The Target 120 program is an election commitment that aims to work with high risk and recidivist juvenile offenders and their families to divert them from the juvenile justice system. The program will be aligned to the Earlier Intervention and Family Support Strategy, which focuses on reducing the number of families entering the child protection system through the provision of earlier intervention services.

An initial funding allocation of \$600,000 has been provided to the Department of Communities in 2017-18 to assist with the planning and design of the program. This includes \$200,000 for the development of a business case and \$400,000 to support the application of a Social Investment Approach to the program, which will assist with better targeting at-risk juveniles and evaluating outcomes over time.

Key elements of the Social Investment Approach will be linking government datasets and undertaking actuarial assessments of risk factors associated with juvenile crime, as well as assessing the economic and social returns generated by the program.

A collaborative approach between the Departments of Communities, the Premier and Cabinet, Justice, Education and Treasury, together with the Western Australia Police and Mental Health Commission, will be adopted to oversee and progress this work.

The Government has also committed \$77.1 million over four years from 2017-18 to establish a Meth Border Force to reduce the supply of methamphetamine coming into the State. This funding will be used to recruit 100 police officers and 20 specialist intelligence staff to target organised rings of drug importers. In addition to this enhanced enforcement activity, the Government will also fund the State's first drug rehabilitation prison at Wandoo (see Chapter 6: *Asset Investment*), introduce drug detection capabilities in the new facility and invest \$2.4 million over the forward estimates in a drug triage unit within metropolitan courts.

Families are also provided support through a range of initiatives totalling \$14.9 million over the forward estimates period aimed at stopping family and domestic violence. These include increased funding for financial counselling services (\$7.4 million), additional women's refuges and counselling services for both the victims and perpetrators of family and domestic violence.

### **Investing in our Children's Education**

Education spending is expected to total \$5 billion in 2017-18, or around 16% of total general government expenditure.

Western Australian students continue to be among the best resourced in the country, with the Government providing more support for children in the classroom through the recruitment of an additional 300 Education Assistants at a cost of \$48.1 million over the period 2017-18 to 2020-21.

Improving teacher quality is also a key Government priority, with an additional \$31.7 million over the forward estimates invested in providing experienced teachers with opportunities to mentor and capacity build less experienced teachers in their schools. The Government has also committed to a range of specialist teaching programs targeting Aboriginal students, regional students and investment in science, technology, engineering and maths (STEM) activities in primary schools.

### **Investing in Jobs**

Investing in local jobs is a major focus of this Budget across a number of portfolios. The Government has taken a holistic approach to job creation with investment in tourism, new industries, international education, science and innovation, and skills training.

Diversifying the State's economy is an integral part of creating new jobs, both in the metropolitan area and the regions. The establishment of a Collie Futures Fund (\$20 million over five years) and the development of serviced land at Shotts in Collie and the Kemerton Industrial Park are examples of the Government's investment in economic diversification in the regions.

The establishment of a \$17 million New Industries Fund, investment in Science Industry Fellowships, a feasibility study into a Technology Park and the creation of a STEM Advisory Panel highlight the Government's commitment to investing in the development of industry sectors driving innovation and new technology.

The tourism industry receives a significant boost with additional spending for events and destination marketing totalling \$87 million over the forward estimates period. The Government is also investing in specific tourism initiatives in the regions including the South West and Great Southern. Investment in attractions such as artificial surfing reefs, water playgrounds and new sporting facilities are occurring across the State.

A focus on increasing local content in the construction of a number of key projects, including METRONET, roads, the Swan River Pedestrian Bridge and other projects (see Chapter 6), will also assist in the creation of new jobs.

## Major Expense Changes by Portfolio

### Summary

The following information provides details of major changes in general government expenses by portfolio and agency since the *Pre-election Financial Projections Statement* (PFPS). Any timing changes that are broadly net debt neutral across the forward estimates period are not included in this chapter. Timing changes of a material nature are discussed in Chapter 3: *Fiscal Outlook and Strategy*.

A number of recurrent spending changes since the PFPS are common to a number of agencies. These include the Government's decision to remove indexation for non-salary expenses (a key Budget repair measure), a four-year wage freeze for all positions determined by the Salaries and Allowances Tribunal, lower indexation for Non-Government Human Services Sector contracts (reflecting lower than forecast growth in the Consumer Price Index and Wage Price Index), the Government's Local Projects Local Jobs election commitment, and incentive funding for smaller and low risk agencies under the Streamlined Budget Process.

Changes in total public sector infrastructure spending (i.e. the Asset Investment Program) since the PFPS are outlined in Chapter 6.

## PARLIAMENT

Table 1

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>LEGISLATIVE COUNCIL</b>					
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	0.1	-0.3	-0.5	-0.7
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
<b>LEGISLATIVE ASSEMBLY</b>					
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	-0.1	-0.5	-0.8	-1.2
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
<b>PARLIAMENTARY SERVICES</b>					
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.2	-	-	-
<b>PARLIAMENTARY COMMISSIONER FOR ADMINISTRATIVE INVESTIGATIONS</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	-0.1	-0.1	-0.1
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-

## PREMIER; MINISTER FOR PUBLIC SECTOR MANAGEMENT; FEDERAL-STATE RELATIONS

Table 2

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>PREMIER AND CABINET</b>					
<b>Election Commitments</b>					
– Local Projects Local Jobs	1.9	2.3	-	-	-
– Inquiry into Government Programs and Projects	0.5	1.0	-	-	-
– Service Priority Review	0.1	0.4	-	-	-
<b>Other Spending</b>					
– Yarloop Bush Fire Clean-Up	15.5	-	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-2.0	-4.2	-4.4	-5.0
– 2017 State General Election Costs	10.2	-	-	-	-
– Parliamentary Travel Allowances Savings	-	-0.3	-0.3	-0.3	-0.3
– Strategic Assessment of the Perth and Peel Regions	-	1.1	-	-	-
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.6	-	-	-
– Severances Paid to Former Corruption and Crime Commission Employees	0.3	-	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	-0.1	-0.1	-0.1
<b>PUBLIC SECTOR COMMISSION</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	-0.2	-0.2	-0.3
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.2	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	– (a)	– (a)	-0.1
<b>GOVERNOR'S ESTABLISHMENT</b>					
– Revision to Indexation for Non-Salary Expenses	-	– (a)	– (a)	– (a)	– (a)
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	– (a)	– (a)	– (a)
<b>SALARIES AND ALLOWANCES TRIBUNAL</b>					
– Revision to Indexation for Non-Salary Expenses	-	– (a)	– (a)	– (a)	– (a)

(a) Amount less than \$50,000.

## Premier and Cabinet

### Election Commitments

#### *Inquiry into Government Programs and Projects*

An amount of \$1.5 million will be spent from 2016-17 to 2017-18 on a Commission of Inquiry into Government Programs and Projects. The inquiry will examine and report on 26 State Government programs and projects, focusing on governance arrangements, decision-making processes and financial consequences.

### ***Service Priority Review***

A total of \$500,000 will be spent from 2016-17 to 2017-18 to undertake a Service Priority Review, which will examine the functions, operations and culture of the public sector, and identify opportunities to deliver services in a more efficient and sustainable way. A final report on the outcomes of the Review will be delivered to Government in October 2017.

### **Other Spending**

#### ***Yarloop Bush Fire Clean-Up***

An additional \$15.5 million was provided in 2016-17 for remediation, waste removal and soil works arising from the Yarloop Bush Fire in January 2016.

#### ***2017 State General Election Costs***

A total of \$10.2 million was spent in 2016-17 to meet costs arising from the 2017 State General Election.

#### ***Parliamentary Travel Allowances Savings***

Savings of \$300,000 per annum from 2017-18 onwards will be achieved as the Department is no longer required to reimburse Members of Parliament (MPs) for travel allowance costs. This follows a Salaries and Allowances Tribunal determination in December 2016 that has resulted in MPs travel allowances being paid as part of their salary.

#### ***Strategic Assessment of the Perth and Peel Regions***

A total of \$1.1 million will be spent in 2017-18 as part of the Strategic Assessment of the Perth and Peel Regions (Strategic Assessment), which will significantly streamline future environmental approval processes under the Commonwealth's *Environment Protection and Biodiversity Conservation Act 1999*. The Department will continue its coordination of the Strategic Assessment, including key negotiations with the Commonwealth. This includes funding consultancies to provide technical expertise on the preparation of draft Strategic Assessment documents.

#### ***Resolution of Native Title in the South West of Western Australia (Settlement)***

An amount of \$622,000 will be spent in 2017-18 on implementation costs associated with the finalisation of the Settlement, including coordinating activities and work related to the Settlement and associated governance and community development projects.

#### ***Severances Paid to Former Corruption and Crime Commission Employees***

An amount of \$301,000 was spent in 2016-17 on severances to surplus employees returning to the Department from the Corruption and Crime Commission.

**MINISTER FOR STATE DEVELOPMENT; JOBS AND TRADE;  
MINISTER FOR TOURISM; DEFENCE ISSUES; MINISTER FOR  
COMMERCE AND INDUSTRIAL RELATIONS; ASIAN  
ENGAGEMENT; MINISTER FOR INNOVATION AND ICT;  
SCIENCE**

Table 3

**MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL  
PROJECTIONS STATEMENT**

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>JOBS, TOURISM, SCIENCE AND INNOVATION</b>					
<b>Election Commitments</b>					
– Event Tourism	-	6.0	3.9	17.7	22.9
– Destination Marketing	-	-	10.2	13.1	13.2
– Collie Futures Fund	-	1.0	4.0	5.0	5.0
– New Industries Fund	-	6.7	3.5	3.5	3.0
– Develop Serviced Land at Kemerton and Shotts	-	-	5.3	5.2	-
– Industry Development – Provision of an Industry Participation Plan Advisory Service <sup>(a)</sup>	-	1.0	1.0	1.1	1.1
– International Education Strategy	-	-	0.5	0.5	0.5
– Promote Western Australia in Asia – Education and Mining Expertise <sup>(a)</sup>	-	0.3	0.3	0.3	0.3
– Science, Technology, Engineering, and Mathematics Advisory Panel <sup>(a)</sup>	-	0.3	0.3	0.3	0.3
– Annual Asian Dialogue Conference – Trade and Investment <sup>(a)</sup>	-	0.2	0.2	0.2	0.2
– Swan Valley Tourism Strategy <sup>(a)</sup>	-	0.2	0.2	0.2	0.2
– The Asian Business House <sup>(a)</sup>	-	-	0.3	0.3	0.3
– Science Industry Fellowships <sup>(a)</sup>	-	-	0.3	0.3	0.3
– Study and Site Preparation for a Technology Park in the Northern Suburbs	-	-	0.2	0.3	-
– Minnipool Tourist Caravan Park	-	0.2	0.3	-	-
– Industry Development – Office of Defence West	-	-	0.1	0.1	0.1
– Ferguson Valley and Wellington Forest Marketing Campaign	-	0.3	-	-	-
– Internal Reallocation to Fund Election Commitments	-	-1.6	-2.1	-2.1	-2.1
<b>Other Spending</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	-0.3	-0.5	-0.6
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (b)	- (b)	- (b)	-0.1
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.3	-	-	-

(a) Existing agency spending has been reprioritised to meet some or all of the costs of this commitment.

(b) Amount less than \$50,000.

**Jobs, Tourism, Science and Innovation**

**Election Commitments**

***Event Tourism***

An additional \$50.5 million will be spent from 2017-18 to 2020-21 to establish an event tourism baseline budget of \$40 million per annum over five years.

### ***Destination Marketing***

An additional \$36.5 million will be spent from 2018-19 to 2020-21 to establish a destination marketing baseline budget of \$45 million per annum over five years.

### ***Collie Futures Fund***

A total of \$20 million will be spent over the next five years for initiatives that will focus on diversifying and expanding Collie's economic base and supporting the future of its coal industry.

### ***New Industries Fund***

As part of the Machinery of Government changes, the innovation functions of the Department of Finance were transferred to the Department of Jobs, Tourism, Science and Innovation from 1 July 2017.

An amount of \$16.7 million (\$6.7 million in 2017-18 from the Office of the Government Chief Information Officer and \$10 million over 2018-19 to 2020-21 from the Department of Finance) has been transferred to the Department of Jobs, Tourism, Science and Innovation to meet the cost of the New Industries Fund election commitment.

The New Industries Fund will stimulate the economy and generate new opportunities for jobs and business growth through support for emerging businesses in new innovative and technological start-ups.

### ***Develop Serviced Land at Kemerton and Shotts***

Funding of \$10.5 million will be spent from 2018-19 to 2019-20 to develop serviced land at Shotts in Collie and Kemerton Industrial Park near Bunbury.

### ***Industry Development – Provision of an Industry Participation Plan Advisory Service***

An amount of \$1 million per annum will be spent over four years from 2017-18 for the Industry Participation Plan Advisory Service to increase employment opportunities for local businesses when they tender for government projects.

### ***International Education Strategy***

An amount of \$1.5 million will be spent from 2018-19 to 2020-21 to develop an international education strategy to attract more international students to study in Western Australia.

### ***Promote Western Australia in Asia – Education and Mining Expertise***

An amount of \$1.2 million will be spent over the next four years to promote Western Australia's education and resource sectors within Asia.

### ***Science, Technology, Engineering, and Mathematics (STEM) Advisory Panel***

Spending of \$900,000 over 2017-18 to 2020-21 has been approved to appoint a STEM Advisory Panel. The Panel will provide advice on strategies to ensure there is a job ready workforce to capitalise on the creation of job opportunities requiring STEM skills.



***Annual Asian Dialogue Conference – Trade and Investment***

A total of \$800,000 will be spent over the next four years to host the annual Association of Southeast Asian Nations dialogue conference to emphasise the direct opportunities regarding business investment and job creation in Western Australia.

***Swan Valley Tourism Strategy***

The Department will spend \$800,000 over 2017-18 to 2020-21 to develop a Swan Valley tourism strategy to increase visitor numbers to the area.

***The Asian Business House***

A total of \$750,000 will be spent from 2018-19 to 2020-21 to assist in the development of formal networks that link Western Australian businesses with the people and resources in Asian regions.

***Science Industry Fellowships***

An amount of \$750,000 will be spent from 2018-19 to 2020-21 to introduce science industry fellowships. The fellowships will help build links between the State's university sector and industry, and expand the science network in Western Australia.

***Study and Site Preparation for a Technology Park in the Northern Suburbs***

A total of \$500,000 will be spent from 2018-19 to 2019-20 to undertake a feasibility study to investigate the location, infrastructure requirements, and development timeframes for a technology park in the northern suburbs.

***Minninup Pool Tourist Caravan Park***

Funding of \$500,000 will be spent from 2017-18 to 2018-19 to complete planning and environmental studies for a new Minninup Pool Tourist Caravan Park.

***Industry Development – Office of Defence West***

An additional \$320,000 will be provided over three years from 2018-19 to support the Office of Defence West's presence at international trade shows to promote the State's industry capability.

***Ferguson Valley and Wellington Forest Marketing Campaign***

Funding of \$300,000 will be spent in 2017-18 to develop a marketing campaign to promote the Ferguson Valley and Wellington Forest areas to increase visitor numbers.

***Internal Reallocation to Fund Election Commitments***

Savings totalling \$7.7 million over the period 2017-18 to 2020-21 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across the Department's total cost of service.

## DEPUTY PREMIER; MINISTER FOR HEALTH; MENTAL HEALTH

Table 4

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>WA HEALTH</b>					
<b>Election Commitments</b>					
– Peel Youth Medical Service Health Hub <sup>(a)</sup>	5.0	-	-	-	-
– Expand the Ear Bus Program	-	0.8	0.8	0.9	-
– Let's Prevent Program <sup>(a)</sup>	-	0.6	0.6	0.4	0.4
– Urgent Care Clinics <sup>(a)</sup>	-	2.0	-	-	-
– Meet and Greet Service for People from Remote Communities	-	0.5	0.5	0.5	0.5
– Find Cancer Early Program	-	0.4	0.4	0.4	0.4
– Patient Opinion <sup>(a)</sup>	-	0.2	0.2	0.2	0.2
– Internal Reallocation to Fund Election Commitments	-5.0	-2.8	-0.8	-0.6	-0.6
<b>Other Spending</b>					
– Non-hospital Services Expenditure	-	-91.0	-334.8	-304.6	-246.4
– Home and Community Care	-	-17.7	-273.4	-273.4	-273.4
– Hospital Services - Revised Activity and Cost Settings	-	246.0	214.8	182.3	152.2
– Hepatitis C Drug Program	-67.1	-68.6	-70.4	-72.1	-72.1
– Multi-purpose Services Program Agreement	- <sup>(b)</sup>	28.2	28.2	-	-
– Revision to Indexation for Non-Salary Expenses	-	-4.1	-7.9	-10.8	-16.8
– Update to Depreciation Expense	-44.1	3.9	-0.7	7.6	-31.1
– Perth Children's Hospital	-	18.3	-	-	-
– National Partnership Agreement on Pay Equity for the Social and Community Services Sector	-	14.7	-	-	-
– Continued Roll-out of the Patient Administration System	-1.4	-10.8	-1.5	-	-
– Organ and Tissue Donation Agreements	- <sup>(b)</sup>	4.0	-	-	-
– Sarich Neuroscience Research Institute (SNRI)	-	-1.5	-	-	-
– Mental Health Respite: Carer Support Agreement	- <sup>(b)</sup>	0.4	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- <sup>(c)</sup>	- <sup>(c)</sup>	- <sup>(c)</sup>	- <sup>(c)</sup>
<b>MENTAL HEALTH COMMISSION</b>					
<b>Election Commitments</b>					
– Methamphetamine Treatment Facilities	-	-	3.9	4.0	4.1
– Alcohol and Other Drugs Residential Rehabilitation and Treatment Services in the South West	-	-	-	-	1.9
– Step up/Step down Mental Health Facility in Kalgoorlie	-	-	-	-	1.7
– 3 Tier Youth Mental Health Program	-	0.1	0.1	0.1	-
– Ice Breakers Program	-	0.2	0.2	-	-
– Mental Health Recovery College near Royal Perth Hospital and in Wanneroo	-	0.2	-	-	-
– Alcohol and Other Drugs Residential Rehabilitation and Treatment Services in Kimberley	-	0.2	-	-	-
– National Rugby League State of Mind Program	-	0.1	0.1	-	-

Table 4 (cont.)

**MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>Other Spending</b>					
– Public Specialised Mental Health Services Revised Activity and Cost Settings	-	12.4	7.7	3.5	0.8
– Internal Savings – Grants and Services Purchased	-	-0.7	-1.7	-1.7	-1.7
– Internal Savings – Internal Resourcing	-	-0.5	-0.5	-0.5	-0.5
– Internal Savings – Administered Bodies	-	-0.1	-0.1	-0.1	-0.1
– Revision to Indexation for Non-Salary Expenses	-	-0.2	-0.2	-0.2	-0.3
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (c)	- (c)	- (c)	-0.1

(a) Existing agency spending has been reprioritised to meet some or all of the costs of this commitment.

(b) No adjustment to WA Health's expenditure limit was made for 2016-17.

(c) Amount less than \$50,000.

## WA Health

### Election Commitments

#### *Peel Youth Medical Service Health Hub*

A total of \$5 million in existing funding was redirected in 2016-17 to provide a capital grant to support the construction of the Peel Youth Medical Service Health Hub. The Hub will provide services for young people seeking medical and mental health treatment in the Peel region.

#### *Expand the Ear Bus Program*

Funding of \$2.5 million will be spent across 2017-18 to 2019-20 to expand the Ear Bus Program to provide an ear screening service in the Kimberley.

#### *Let's Prevent Program*

WA Health will reprioritise \$2.1 million of existing funding across 2017-18 to 2020-21 in order to pilot the Let's Prevent Program. This program educates participants to make lifestyle changes to help avoid chronic health conditions.

#### *Urgent Care Clinics*

A reprioritisation of \$2 million of existing expenditure in 2017-18 will allow WA Health to develop a consultation strategy and community awareness campaign to support the establishment of Urgent Care Clinics. These clinics will allow patients who have non-life-threatening illnesses or injuries to receive appropriate treatment without the need to present to an emergency department.

### ***Meet and Greet Service for People from Remote Communities***

WA Health will spend \$1.9 million funding across 2017-18 to 2020-21 to expand a meet and greet service for Aboriginal people from remote communities who are required to travel to Perth to receive medical treatment.

### ***Find Cancer Early Program***

A total of \$1.6 million will be spent across 2017-18 to 2020-21 to expand the Find Cancer Early Program into more regional areas within Western Australia.

### ***Patient Opinion***

A Patient Opinion system will be rolled out across all hospitals, at a cost of \$0.8 million from 2017-18 to 2020-21.

### ***Internal Reallocation to Fund Election Commitments***

Savings totalling \$9.9 million over the period 2016-17 to 2020-21 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of existing recurrent expenditure.

## **Other Spending**

### ***Non-hospital Services Expenditure***

WA Health will reduce non-hospital services expenditure by a total of \$976.8 million across the forward estimates to align expenditure with non-hospital services requirements. These estimates are based on actual expenditure following the implementation of a new Outcome Based Management Framework.

The realignment of the non-hospital services budget, together with a reduction in non-salary expenses indexation of \$39.5 million, has allowed for the reallocation of \$795.2 million in funding to support front-line hospital services.

The remaining funding has been applied to partially offset the \$245.9 million reduction in National Health Reform Agreement funding across 2017-18 to 2020-21, announced in the 2017-18 Commonwealth Budget.

### ***Home and Community Care***

Expenditure on Home and Community Care will be reduced by \$837.9 million over the period 2017-18 to 2020-21. This reflects a redirection of \$17.7 million to the Department of Communities in 2017-18 for clients expected to transition to the National Disability Insurance Scheme (NDIS), and the transfer of responsibility for aged care services to the Commonwealth from 1 July 2018 under the Bilateral Agreement for *Transitioning Responsibilities for Aged Care and Disability Services in Western Australia*.

### ***Hospital Services – Revised Activity and Cost Settings***

An additional \$795.2 million will be spent across the forward estimates period to reflect revised activity and cost settings for activity-based and block funded public hospital services. The revisions reflect the flow-on impacts of higher than expected 2016-17 hospital activity and costs, and updated age-weighted population rates for the period 2017-18 to 2020-21.

Hospital activity is expected to increase by 1.9% in 2017-18 and an average of 2.2% per annum for the period 2017-18 to 2020-21.

To improve the sustainability of the hospital system, growth in the unit cost of providing public hospital services in Western Australia (the State Price) has been revised down from 1.5% to 1% per annum, with the requirement to deliver an efficiency improvement of 0.5% in 2017-18 retained.

The revised settings provide for average expense growth for public hospital services of 3.1% per annum over the forward estimates period.

### ***Hepatitis C Drug Program***

Lower than anticipated uptake of new Hepatitis C direct antiviral drugs within the WA Health hospital system has resulted in a reduction of \$350.4 million in Commonwealth revenue and associated expenditure over 2016-17 to 2020-21.

### ***Multi-purpose Services Program Agreement***

WA Health will spend \$84.5 million from 2016-17 to 2018-19 to improve access to health and aged care services in small rural and remote communities under the Multi-purpose Services Program Agreement with the Commonwealth. Expenditure of \$28.1 million for this program in 2016-17 was met from within approved budget settings.

### ***Update to Depreciation Expense***

Depreciation expenses will decrease by a net \$64.5 million over 2016-17 to 2020-21, driven mainly by the delayed completion of the Perth Children's Hospital and an update to WA Health's Asset Investment Program depreciation schedule for 2020-21.

### ***Perth Children's Hospital***

The Government has approved additional recurrent expenditure of \$18.3 million in 2017-18 to meet the costs associated with delays to the Perth Children's Hospital project. This will provide additional project resources and support to ensure the safe commissioning and opening of the new hospital.

### ***National Partnership Agreement on Pay Equity for the Social and Community Services Sector***

An additional \$14.7 million will be spent in 2017-18 to provide Home and Community Care providers with wage supplementation (including backdated payments for 2015-16 and 2016-17). The spending relates to increased funding from the Commonwealth as a result of the Fair Work Australia decision of 1 February 2012 to increase wages in the social and community services sector.

### ***Continued Roll-out of the Patient Administration System (PAS)***

An amount of \$13.7 million in recurrent expenditure was converted to capital to complete the roll-out of the PAS to all WA Health metropolitan sites. This will enable the implementation of a single, modern and flexible PAS across the Western Australian health system.

### ***Organ and Tissue Donation Agreements***

Amounts of \$3.9 million in 2016-17 and \$4 million in 2017-18 will be spent to continue the Organ Donation Hospital Support and Organ and Tissue State and Territory Agreements, which support access to organ and tissue transplants. Expenditure for these Agreements in 2016-17 was met from within the approved 2016-17 expense limit.

### ***Sarich Neuroscience Research Institute (SNRI)***

Recurrent expenditure of \$1.5 million will be converted to capital in 2017-18 to support the completion of the SNRI. This facility opened in April 2017 and supports world-class neuroscience research in Western Australia.

### ***Mental Health Respite: Carer Support Agreement***

A total of \$730,000 will be spent over 2016-17 to 2017-18 to continue the Mental Health Respite: Carer Support Agreement. This expenditure will support carers to sustain their caring roles, and improve their care for people with mental illness. Expenditure for this agreement in 2016-17 was met from within the approved 2016-17 expense limit.

## **Mental Health Commission**

### **Election Commitments**

#### ***Methamphetamine Treatment Facilities***

An additional \$12 million will be spent on methamphetamine treatment facilities from 2018-19 to 2020-21. This will enable the continuation of 52 residential rehabilitation beds and eight low medical withdrawal beds in metropolitan and regional areas.

#### ***Alcohol and Other Drugs Residential Rehabilitation and Treatment Services in the South West***

A total of \$1.9 million will be spent in 2020-21 to provide alcohol and other drugs residential rehabilitation and treatment services in the South West. This is in addition to \$16.1 million in capital investment to build the facility (see Chapter 6).

#### ***Step up/Step down Mental Health Facility in Kalgoorlie***

Additional expenditure of \$1.7 million in 2020-21 has been approved for the operation of a step up/step down mental health facility in Kalgoorlie. Capital investment of \$5.6 million has also been allocated for this project (see Chapter 6).

### ***3 Tier Youth Mental Health Program***

An additional \$399,000 will be spent from 2017-18 to 2019-20 to deliver a 3 Tier Youth Mental Health Program in the Peel region. This will include awareness-raising programs, school workshops and counselling sessions about mental health.

### ***Ice Breakers Program***

Additional expenditure of \$360,000 from 2017-18 to 2018-19 has been approved for an Ice Breakers initiative in Albany to provide support to methamphetamine addicts moving from dependency to recovery. The aim of the program is to rehabilitate and support current and recovering crystal methamphetamine addicts.

***Mental Health Recovery College at Royal Perth Hospital and in Wanneroo***

Planning funds of \$200,000 have been allocated in 2017-18 for the development of a service model for Mental Health Recovery Colleges at Royal Perth Hospital and in Wanneroo.

***Alcohol and Other Drugs Residential Rehabilitation Treatment Services in Kimberley***

Funding of \$200,000 will be spent in 2017-18 on planning for drug and alcohol services in the Kimberley.

***National Rugby League State of Mind Program***

An amount of \$100,000 over 2017-18 to 2018-19 will be spent on the National Rugby League's State of Mind Program. The aim of the program is to reduce stigma around mental illness and encourage people to seek help.

**Other Spending**

***Public Specialised Mental Health Services Revised Activity and Cost Settings***

Expenditure on public specialised mental health services (which is reflected in payments to WA Health for the delivery of those public hospital services) will increase by \$24.4 million over the four years to 2020-21.

Public specialised mental health activity is expected to increase by 1.1% in 2017-18 and an average of 1.5% over of the period 2017-18 to 2020-21.

To improve the sustainability of the mental health system, the growth in the unit cost of providing mental health public hospital services in Western Australia (the State Price) has been revised down from 1.5% to 1% per annum, with a requirement to deliver an efficiency of 0.5% in 2017-18.

The revised settings provide for average expense growth for public specialised mental health services of 2.7% per annum across the forward estimates period.

***Internal Savings – Grants and Services Purchased***

Savings of \$5.8 million over 2017-18 to 2020-21 have been identified through the cessation of various grants and contracts with non-government organisations for the delivery of alcohol and other drugs and mental health services.

***Internal Savings – Internal Resourcing***

The Commission will deliver internal savings of \$1.8 million over the forward estimates period mainly through a reduction in travel, advertising and consultancy expenditure.

***Internal Savings – Administered Bodies***

Expenditure on the Mental Health Advocacy Service, the Office of the Chief Psychiatrist and the Mental Health Tribunal will reduce by \$0.4 million over 2017-18 to 2020-21.

## MINISTER FOR EDUCATION AND TRAINING

Table 5

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>EDUCATION</b>					
<b>Election Commitments</b>					
– Put Education Assistants Back in the Classroom <sup>(a)</sup>	-	3.1	9.5	16.1	19.6
– Improving Teacher Quality <sup>(a)</sup>	-	4.4	9.0	9.1	9.2
– Mental Health <sup>(a)</sup>	-	1.9	3.7	3.8	3.8
– Aboriginal and Islander Education Officers	-	0.9	2.6	3.5	3.6
– Local Projects Local Jobs	0.6	6.0	-	-	-
– Independent Learning Coordinators	-	0.7	1.5	1.5	1.5
– Science Programs in Primary Schools <sup>(a)</sup>	-	1.3	1.3	1.3	1.3
– Regional Learning Specialists	-	0.6	1.3	1.3	1.3
– Explicit Instruction in Schools and Centre of Excellence <sup>(a)</sup>	-	0.5	1.0	1.0	1.0
– Capital Grants to Non-Government Primary Schools (Administered)	-	3.0	-	-	-
– Depreciation Expense – Election Commitments	-	0.1	0.3	0.7	1.6
– Science and Coding <sup>(a)</sup>	-	2.0	-	-	-
– Internal Reallocation to Fund Election Commitments	-	-7.5	-17.5	-28.3	-15.7
<b>Other Spending</b>					
– Revision to Student Enrolments and Education Costs	3.7	9.2	-22.4	-58.1	-119.0
– Universal Access to Early Childhood Education Extension	-	16.5	29.5	-	-
– Regional Clontarf Foundation Academies	-	1.5	1.7	1.5	1.5
– Students First Funding Students with Disabilities – Reclassification of Funds	-4.3	-	-	-	-
– Boarding Away From Home Allowance	-	-	-0.4	0.8	0.5
– Per Capita Grants to Non-Government Schools (Administered)	-	-3.9	3.1	-	-
– Regional School Breakfast and Nutrition Education Program	-	-	0.2	0.2	0.2
– Non-Government Human Services Sector Indexation Adjustment	-	-0.1	-0.1	-0.1	-0.2
– 2017-18 Streamlined Budget Process Incentive Funding (SCSA)	-	0.3	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-2.6	-10.4	-18.3	-26.6
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– <sup>(b)</sup>	-0.1	-0.1	-0.1
<b>TRAINING AND WORKFORCE DEVELOPMENT</b>					
<b>Election Commitments</b>					
– Apprenticeships in Craft Industries <sup>(a)</sup>	-	1.0	1.9	2.0	2.0
– Vocational Education and Training Fee Freeze	-	0.2	0.5	0.9	1.3
– Internal Reallocation to Fund Election Commitments	-	-1.0	-1.9	-2.0	-2.0
<b>Other Spending</b>					
– Revision to Financial Forecasts	-22.5	7.3	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-0.6	-1.1	-1.7	-2.2
– Non-Government Human Services Sector Indexation Adjustment	-	-0.1	-0.1	-0.1	-0.1
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– <sup>(b)</sup>	-0.1	-0.1	-0.1
<b>TAFE COLLEGES</b>					
– Revision to Financial Forecasts	-13.9	-	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-0.5	-1.1	-1.6	-2.1
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– <sup>(b)</sup>	– <sup>(b)</sup>	-0.1	-0.1

(a) Existing agency spending has been reprioritised to meet some or all of the costs of this commitment.

(b) Amount less than \$50,000.



## **Education**

### **Election Commitments**

#### ***Put Education Assistants Back in the Classroom***

A total of \$48.3 million will be spent over 2017-18 to 2020-21 to recruit an additional 300 Education Assistants for schools.

#### ***Improving Teacher Quality***

An additional \$31.7 million from 2017-18 to 2020-21 will support selected Level 3 teachers in Western Australia to dedicate time toward mentoring and knowledge sharing activities with less experienced teachers.

#### ***Mental Health***

A total of \$13.2 million over 2017-18 to 2020-21 will deliver additional resources to approximately 300 schools for specialised mental health programs to students.

#### ***Aboriginal and Islander Education Officers***

Additional expenditure totalling \$10.6 million from 2017-18 to 2020-21 will provide for the recruitment of 50 Aboriginal and Islander Education Officers in regional government schools.

#### ***Independent Learning Coordinators***

An additional \$5.2 million will be spent over the period 2017-18 to 2020-21 on the recruitment of 10 additional Independent Learning Coordinators (ILC) in selected regional senior high schools.

#### ***Science Programs in Primary Schools***

An additional \$5 million will be spent from 2017-18 to 2020-21 across 200 primary schools to equip newly converted science laboratories with supplies and materials.

#### ***Regional Learning Specialists***

Additional recurrent expenditure of \$4.6 million over the forward estimates period will enable the recruitment of eight Regional Learning Specialists, who will travel to regional schools providing further assistance to ILCs and students studying through the School of Isolated and Distance Education, with a focus in the areas of science, social sciences, mathematics and English.

#### ***Explicit Instruction in Schools and Centre of Excellence***

A total of \$3.5 million will be spent over 2017-18 to 2020-21 to support the wider introduction of explicit teaching methods in schools, specifically the use of phonics to assist students develop numeracy and literacy skills, as well as the establishment of a Centre of Excellence in Literacy and Explicit Instruction.

#### ***Capital Grants to Non-Government Primary Schools (Administered)***

The Department will provide one-off capital grants totalling \$3 million in 2017-18 to the Catholic Education Office for upgrades and refurbishments at St Lawrence Primary School, St Kieran's Catholic Primary School and Sacred Heart Primary School.

### ***Depreciation Expense – Election Commitments***

Additional depreciation expenses totalling \$2.5 million from 2017-18 to 2020-21 will be incurred by the Department, as a result of election commitments for expansion and upgrades of assets across a number of facilities in metropolitan and regional areas (see Chapter 6).

### ***Science and Coding***

The Department will spend \$2 million in 2017-18 on the integration of coding into the primary school curriculum, as well as to facilitate the delivery of professional development to teachers to enhance the introduction of coding into teaching practices.

### ***Internal Reallocation to Fund Election Commitments***

Savings totalling \$69 million over the period 2017-18 to 2020-21 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across the Department's total cost of service.

### **Other Spending**

#### ***Revision to Student Enrolments and Education Costs***

Recurrent expenditure has been revised down by a total of \$186.6 million over the five years to 2020-21, reflecting the latest forecasts for school enrolment growth and education costs over this period. The forecast reduction is driven primarily by reductions to insurance premiums, as well as lower than expected employee expenses due to changes in the makeup of the workforce.

Importantly, recurrent funding per student is forecast to increase in every year of the forward estimates period, by an average of around 0.6% per annum.

#### ***Universal Access to Early Childhood Education (UAECE) Extension***

Recurrent expenditure will increase by \$46 million over 2017-18 and 2018-19 reflecting a one year extension to Commonwealth funding under the UAECE National Partnership. This will enable the Government to maintain the provision of 15 hours per week of kindergarten to all age-eligible children in the 2018 school year, with the State providing 11 hours and the Commonwealth providing four hours per week.

#### ***Regional Clontarf Foundation Academies***

An additional \$6.2 million will be spent from over 2017-18 to 2020-21 to support the Regional Clontarf Foundation Academies.

#### ***Students First Funding Students with Disabilities – Reclassification of Funds***

The redirection of Commonwealth recurrent Students First Funding to provide additional asset investment to assist students with a disability will result in a reduction of \$4.3 million to the Department's recurrent expense in 2016-17 (see Chapter 6).

### ***Boarding Away From Home Allowance (BAHA)***

Additional spending of \$919,000 over 2018-19 to 2020-21 has been allocated to support students currently in receipt of the BAHA subsidy boost, as existing funding arrangements for the boost will cease from 2018-19. The base subsidies provided by the Department and the Commonwealth for students boarding away from home remain unchanged.

### ***Per Capita Grants to Non-Government Schools (Administered)***

A net decrease of \$839,000 in non-government schools per capita grants over 2017-18 and 2018-19 has been approved to reflect the latest forecasts for enrolments and cost growth for the 2018 school year. Nevertheless, these per capita grants will remain above 25% of the Average Government School Recurrent Cost in 2018, consistent with the Government's commitment.

### ***Regional School Breakfast and Nutrition Education Program***

An additional \$678,000 will be spent over 2018-19 to 2020-21 to continue the Regional School Breakfast and Nutrition Education Program.

## **Training and Workforce Development**

### **Election Commitments**

#### ***Apprenticeships in Craft Industries***

A total of \$6.9 million will be spent over the forward estimates period to reinstate delivery of craft industry trade qualifications at metropolitan TAFE campuses from the 2018 training year.

#### ***Vocational Education and Training Fee Freeze***

The Government's commitment to freeze vocational education and training (VET) course fees from the 2018 training year, at a cost of \$11.8 million over the forward estimates, will result in an additional \$2.8 million spent on grants to private training providers, external to the general government sector.

The remaining \$8.9 million of expenditure has been allocated to the TAFE Colleges as a funding substitute for VET course fee revenue.

#### ***Internal Reallocation to Fund Election Commitments***

Savings totalling \$6.9 million over the period 2017-18 to 2020-21 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across the Department's total cost of service.

### **Other Spending**

#### ***Revision to Financial Forecasts***

Recurrent expenditure is estimated to decrease by a net \$15.2 million over 2016-17 to 2017-18, primarily reflecting lower demand for training delivery in the 2016 and 2017 training years.

## **TAFE Colleges**

### ***Revision to Financial Forecasts***

Total spending by the five TAFE Colleges is estimated to decrease by \$13.9 million in 2016-17, primarily reflecting lower demand for training delivery.

## MINISTER FOR ENVIRONMENT; MINISTER FOR TOURISM

Table 6

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>BIODIVERSITY, CONSERVATION AND ATTRACTIONS</b>					
<b>Election Commitments</b>					
– Aboriginal Ranger Program	-	4.0	4.0	4.0	4.0
– Creation of a National Park – Mosaic of National Parks in the Kimberley	-1.0	1.0	-	-	-
– Swan and Canning Rivers Community Rivercare	-	-	0.3	0.3	0.3
<b>Other Spending</b>					
– Murujuga Joint Management	-	9.0	1.0	1.0	1.0
– Yawuru Joint Management	-	0.7	1.1	1.1	1.1
– Wanjarri Nature Reserve	-	0.2	0.2	0.7	0.7
– Revision to Indexation for Non-Salary Expenses	-	-0.9	-1.9	-2.6	-3.3
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	– (a)	-0.1	-0.1

(a) Amount less than \$50,000.

### Biodiversity, Conservation and Attractions

#### Election Commitments

##### *Aboriginal Ranger Program*

Funding of \$20 million will be spent over five years from 2017-18 to establish an Aboriginal Ranger Program. The program will focus on jobs for rangers looking after State Parks, Indigenous Protected Areas and other Indigenous tenures. Ranger work may include biodiversity monitoring and research, rehabilitation of mine sites, fire management, and construction of campgrounds and recreational facilities.

##### *Creation of a National Park – Mosaic of National Parks in the Kimberley*

An amount of \$1 million will be spent in 2017-18, from savings achieved in 2016-17 from the Kimberley Science and Conservation Strategy, to establish a mosaic of national parks in the Kimberley, including a network of marine sanctuary zones.

##### *Swan and Canning Rivers Community Rivercare*

An amount of \$300,000 per annum will be spent from 2018-19 to 2020-21 on restoration projects by community volunteer groups for the Swan and Canning Rivers.

#### Other Spending

##### *Murujuga Joint Management*

Funding of \$12 million will be spent over four years from 2017-18 to implement the Burrup and Maitland Industrial Estates Agreement with the Murujuga Aboriginal Corporation, including joint management costs of the Murujuga National Park.

***Yawuru Joint Management***

Funding of \$4 million will be spent over four years from 2017-18 to implement the Yawuru Agreements with the Yawuru Registered Native Title Body Corporate, including joint management costs of the conservation reserves.

***Wanjarri Nature Reserve***

A total of \$2.5 million will be spent over five years from 2017-18 to negotiate and implement an Indigenous Land Use Agreement and Joint Management Agreement related to land tenure amendments at the Wanjarri Nature Reserve.

## MINISTER FOR ENVIRONMENT; MINISTER FOR WATER

Table 7

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>WATER AND ENVIRONMENTAL REGULATION</b>					
<b>Election Commitments</b>					
– Peel-Harvey Estuary <sup>(a)</sup>	-	-	0.5	0.5	0.5
– Internal Reallocation to Fund Election Commitments	-	-	-0.5	-0.5	-0.5
<b>Other Spending</b>					
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.7	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-	-0.4	-0.7	-1.0
– Western Suburbs Regional Organisation of Councils (WESROC) Collaboration Agreement	- (b)	- (b)	0.2	-	-
– Keralup Drainage Water Treatment Trials	0.2	-	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (b)	- (b)	- (b)	- (b)

(a) Existing agency spending has been reprioritised to meet some or all of the costs of this commitment.

(b) Amount less than \$50,000.

## Water and Environmental Regulation

### Election Commitment

#### *Peel-Harvey Estuary*

The Department will spend a total of \$1.5 million over 2018-19 to 2020-21 to develop a comprehensive estuary protection plan that creates an integrated approach towards catchment management and implements rehabilitation projects for the Peel-Harvey Estuary.

#### *Internal Reallocation to Fund Election Commitments*

An amount of \$1.5 million will be redirected over the period 2018-19 to 2020-21 towards the delivery of the Government's election commitments. This will be realised through the reprioritisation of expenditure across the Department's total cost of service.

### Other Spending

#### *Western Suburbs Regional Organisation of Councils (WESROC) Collaboration Agreement*

The Department will spend \$230,000 between 2016-17 and 2018-19 under the WESROC agreement. This involves the evaluation of a range of water management strategies, including recycling treated wastewater for irrigating green spaces, preliminary investigations for a managed aquifer recharge scheme and assisting with the development of a groundwater numerical model.

#### *Keralup Drainage Water Treatment Trials*

The former Department of Water spent \$150,000 in 2016-17 as part of an agreement with the Housing Authority on a pilot metropolitan program, developing new technologies to treat nutrients in water draining from agricultural land in the Peel catchment.

**MINISTER FOR CHILD PROTECTION; WOMEN’S INTERESTS;  
PREVENTION OF FAMILY AND DOMESTIC VIOLENCE;  
COMMUNITY SERVICES; MINISTER FOR DISABILITY  
SERVICES; MINISTER FOR HOUSING; VETERANS ISSUES;  
YOUTH; MINISTER FOR SENIORS AND AGEING;  
VOLUNTEERING**

Table 8

**MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL  
PROJECTIONS STATEMENT**

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>COMMUNITIES</b>					
<b>Election Commitments</b>					
– Remote Swimming Pools – Balgo and Kalumburu	-	4.0	7.3	3.6	0.6
– Local Projects Local Jobs	0.5	1.8	-	-	-
– Dalyellup Family Centre	-	-	-	1.5	-
– Target 120 Program Development	-	0.6	-	-	-
– Funding for Financial Counselling Services	-	1.0	2.1	2.1	2.1
– Stopping Family and Domestic Violence					
• Two Additional Women’s Refuges	-	-	-	1.1	2.2
• Culturally Appropriate Services to Aboriginal and Culturally and Linguistically Diverse Victims of Domestic Violence	-	0.4	0.4	0.4	0.4
• Respectful Relationship Programs in Schools	-	0.1	0.3	0.3	0.3
• Family and Domestic Violence Counselling Services in the Peel Region	-	0.1	0.3	0.3	0.3
• National ‘Our Watch’ Program	-	0.1	0.1	0.1	0.1
• Male Perpetrators of Family and Domestic Violence Service	-	0.2	-	-	-
<b>Other Spending</b>					
– National Disability Insurance Scheme	-	313.9	532.1	872.9	1,109.5
– Remote Essential Services	-	-	-	56.0	56.0
– National Partnership Agreement on Pay Equity for the Social and Community Services Sector	-	22.7	4.7	-	-
– Hardship Utility Grant Scheme	4.0	12.6	5.2	2.4	2.1
– National Partnership Agreement on Homelessness	-	15.4	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-0.1	-1.0	-2.6	-4.2
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	– (a)	– (a)	– (a)

(a) Amount less than \$50,000.

## Communities

### Election Commitments

#### *Remote Swimming Pools – Balgo and Kalumburu*

Funding totalling \$14 million will be spent from 2017-18 to 2019-20 on the construction of two swimming pools at Balgo and Kalumburu, with an additional \$300,000 in 2018-19 and \$615,000 per annum from 2019-20 for the operational expenses of the swimming pools.



### ***Dalyellup Family Centre***

Funding of \$1.5 million will be spent in 2019-20 as a grant contribution for the construction of a Family Centre in Dalyellup.

### ***Target 120 Program Development***

Target 120 is an intervention program targeted at high risk and recidivist juvenile offenders and their families to help turn lives around and reduce the rate of offending in the community. An amount of \$600,000 will be spent in 2017-18 to develop an evidence-based program, underpinned by linked data, to enable effective targeting, program design and the measurement of outcomes.

### ***Funding for Financial Counselling Services***

An additional \$7.4 million will be spent over 2017-18 to 2020-21 on financial counselling services. This will ensure assistance is available to support people in need, including women who are experiencing family and domestic violence.

## **Stopping Family and Domestic Violence**

A total of \$7.4 million will be spent across the forward estimates period on a range of initiatives aimed at stopping family and domestic violence, as outlined below.

### ***Two Additional Women's Refuges***

Additional expenditure of \$3.3 million from 2019-20 to 2020-21 will support the operation of two new Women's Refuges to provide safe and secure accommodation for victims of domestic violence. The new refuges will operate in the South West metropolitan corridor and the Peel region. This operational expenditure complements additional capital expenditure of \$5 million for the establishment of these facilities (see Chapter 6).

### ***Culturally Appropriate Services to Aboriginal and Culturally and Linguistically Diverse Victims of Domestic Violence***

An additional \$1.7 million will be spent over 2017-18 to 2020-21 to expand existing culturally appropriate support services to Aboriginal and culturally and linguistically diverse victims of family and domestic violence.

### ***Respectful Relationship Programs in Schools***

An additional \$927,000 will be spent between 2017-18 and 2020-21 to deliver respectful relationship programs in schools. These programs are designed to help shift attitudes towards family and domestic violence through education.

### ***Family and Domestic Violence Counselling Services in the Peel Region***

Funding of \$864,000 will be spent between 2017-18 and 2020-21 to establish a new family and domestic violence counselling service in the Peel region.

### ***National 'Our Watch' Program***

An additional \$498,000 will be spent between 2017-18 and 2020-21 for Western Australia to become a member of the national 'Our Watch' program, which raises awareness and engages the community in action to prevent violence against women and their children.

### ***Male Perpetrators of Family and Domestic Violence Service***

An amount of \$200,000 will be spent in 2017-18 on planning for a new behavioural change service for perpetrators of family and domestic violence who wish to change their lives.

### **Other Spending**

#### ***National Disability Insurance Scheme (NDIS)***

Additional expenditure of \$1.7 billion over the three year transition to an NDIS (2017-18 to 2019-20) is included in the Department's budget. This is in line with the existing *Bilateral Agreement between the Commonwealth and Western Australia – Transition to a National Disability Insurance Scheme (NDIS) in Western Australia* for a Western Australian-operated NDIS, which was agreed by the previous Government on 31 January 2017 and reflected in the PFPS.

Estimated additional expenditure of \$1.1 billion is reflected in the first year of the full scheme (2020-21), noting that there is currently no agreement on full scheme funding arrangements with the Commonwealth Government for a Western Australian-operated NDIS.

As at the 7 August 2017 cut-off date for this Budget, the Government was still reviewing arrangements for the NDIS in Western Australia.

#### ***Remote Essential Services***

Funding totalling \$112 million will be spent over 2019-20 and 2020-21 for the delivery of essential and municipal services in remote Aboriginal communities.

#### ***National Partnership Agreement on Pay Equity for the Social and Community Services Sector***

An additional \$27.4 million will be spent across 2017-18 and 2018-19 on providing eligible homelessness and disability services with wage supplementation (including backdated payments for 2016-17). The spending relates to increased funding from the Commonwealth as a result of the Fair Work Australia decision of 1 February 2012 to increase wages in the social and community services sector.

#### ***Hardship Utility Grant Scheme***

Additional expenditure of \$26.3 million from 2016-17 to 2020-21 has been approved for the Hardship Utility Grant Scheme (HUGS). This will provide total grant funding of \$20 million in 2017-18, which will meet the increased demand for the program, and provide an 8 per cent increase to the annual HUGS grant limit (from \$538 to \$581, and \$891 to \$962 for those living above the 26<sup>th</sup> Parallel).

This expenditure will also enable financial counselling to be reintroduced into the HUGS program, with \$5.6 million allocated across the forward estimates period.

#### ***National Partnership Agreement on Homelessness***

An additional \$15.4 million will be spent in 2017-18 to continue the National Partnership Agreement on Homelessness (NPAH) for one more year. This represents the Commonwealth's contribution under the NPAH, with the State contribution already reflected in the existing forward estimates.

## MINISTER FOR POLICE; ROAD SAFETY

Table 9

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>WESTERN AUSTRALIA POLICE</b>					
<b>Election Commitments</b>					
– Meth Border Force	-	13.3	21.8	21.4	20.6
– Regional Enforcement Unit	-	2.5	5.2	5.3	5.5
– 24 Hour Police Stations	-	-	1.8	1.8	1.8
– Road Trauma Trust Account – Increased Roadside Alcohol and Drug Testing	-	1.2	0.9	0.9	0.9
– CCTV Mandurah War Memorial	-	-	0.4	-	-
<b>Other Spending</b>					
– Community Safety Network	-	7.7	7.9	8.0	8.2
– Revision to Indexation for Non-Salary Expenses	-	-3.3	-6.4	-9.5	-12.5
– ICT Optimisation Program	-	3.0	3.0	3.0	3.0
– Regional Incentive Scheme	-	1.3	2.5	2.5	2.5
– Police Radio Network – Commonwealth Legislated Radio Frequency Change	-	1.0	1.1	1.2	0.2
– Road Trauma Trust Account					
• Community Education Program	-	7.0	-	-	-
• Speed Camera Replacement Program	-	0.9	0.8	-	-
• Cranbrook Vehicle Rest Area	-	1.2	-	-	-
• Road Safety Information Centre	-	1.0	-	-	-
• Crash Blood Legislation	-	0.2	0.2	0.2	0.3
• Strategy, Policy and Research	-	0.5	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	-0.1	-0.1	-0.2	-0.3
– Non-Government Human Services Sector Indexation Adjustment	-	– (a)	– (a)	– (a)	– (a)

(a) Amount less than \$50,000.

## Western Australia Police

### Election Commitments

#### *Meth Border Force*

A total of \$77.1 million will be spent over the forward estimates period to recruit 100 police officers and 20 specialist staff to establish a Meth Border Force to reduce the supply of methamphetamine into Western Australia. A further \$6.4 million in infrastructure investment will be spent to accommodate the additional officers (see Chapter 6).

#### *Regional Enforcement Unit*

An additional \$18.5 million will be spent over the forward estimates period to recruit 25 police officers to establish a Regional Enforcement Unit which will increase traffic enforcement on country roads.

### ***24 Hour Police Stations***

Total spending of \$5.4 million has been approved from 2018-19 to 2020-21 to operate three police stations (Armadale, Ellenbrook and Cockburn) 24 hours a day, seven days a week. An additional \$1.1 million will be invested to undertake safety upgrades at each facility (see Chapter 6).

### ***Road Trauma Trust Account – Increased Roadside Alcohol and Drug Testing***

An additional \$3.8 million over the forward estimates period will be spent to increase the volume of drug and alcohol tests undertaken by Western Australia Police on Western Australian roads.

### ***CCTV Mandurah War Memorial***

An amount of \$350,000 will be spent in 2018-19 to install additional CCTV cameras at the War Memorial in Mandurah.

## **Other Spending**

### ***Community Safety Network***

Funding totalling \$31.8 million will be spent over the forward estimates period for maintenance, site and support contract costs associated with the Community Safety Network Regional Radio Network.

### ***ICT Optimisation Program***

The Government has approved additional recurrent expenditure of \$12 million over the forward estimates period (along with a further \$28 million in capital investment (see Chapter 6)) for the Western Australia Police to undertake an ongoing program of ICT works including the upgrade and replacement of ageing ICT business systems.

### ***Regional Incentive Scheme***

A provision of \$8.8 million has been included in this Budget to meet the cost of an attraction and retention scheme for police officers deployed in regional Western Australia.

### ***Police Radio Network – Commonwealth Legislated Radio Frequency Change***

Funding totalling \$3.5 million will be spent over the forward estimates period to convert remaining analogue regional radio sites to comply with the Commonwealth's radio frequency requirements. An additional \$9.8 million in capital investment will also be spent over the forward estimates period (see Chapter 6).

## **Road Trauma Trust Account**

### ***Community Education Program***

An additional \$7 million will be spent in 2017-18 to deliver community education campaigns targeting key messages to reduce road trauma. Total spending from the Road Trauma Trust Account will be \$119.4 million in 2017-18.

***Speed Camera Replacement Program***

A total of \$1.6 million will be spent from 2017-18 to 2018-19 to meet the operational costs associated with the replacement of ageing speed cameras. An additional \$8.9 million in capital investment will be spent over the same period on the acquisition and installation of replacement speed cameras (see Chapter 6).

***Cranbrook Vehicle Rest Area***

A total of \$1.2 million will be spent on the construction of a vehicle rest area on the Albany Highway (Cranbrook) in 2017-18 to encourage drivers to take regular breaks to reduce driver fatigue.

***Road Safety Information Centre***

An additional \$1 million will be spent in 2017-18 to continue the operations of the Road Safety Information Centre. The Centre is utilised as a central hub for collecting, sharing and evaluating road safety data.

***Crash Blood Legislation***

A total of \$930,000 will be spent over the forward estimates period to implement amendments to the *Road Traffic Legislation Amendment Act 2006* to authorise police officers to collect blood or urine samples from drivers involved in vehicle incidents involving a fatality or hospital admission.

***Strategy, Policy and Research***

An additional \$518,000 will be spent in 2017-18 to conduct research to direct investment to evidence-based road safety interventions, conduct road safety trials and share research with stakeholders.

## MINISTER FOR REGIONAL DEVELOPMENT; AGRICULTURE AND FOOD; MINISTER FOR FISHERIES

Table 10

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>PRIMARY INDUSTRIES AND REGIONAL DEVELOPMENT</b>					
<b>Election Commitments</b>					
– Albany Renewable Energy Project	-	1.0	6.2	6.2	6.2
– Natural Resource Management Program	-	-	2.2	6.2	6.2
– Mandurah Eastern Foreshore Redevelopment	-	-	5.0	5.0	-
– Local Projects Local Jobs	8.6	1.4	-	-	-
– Halifax Business Park	-	-	1.5	1.5	-
– Capel Town Centre Revitalisation	-	1.3	1.0	-2.2	-
– Donnybrook Town Centre Revitalisation	-	-	0.2	1.8	-
– Riverview Residence - Upgrade to over 55's Estate in Collie	-	-	-	2.0	-
– Peel-Harvey Estuary – Grants	-	0.5	0.5	0.5	-
– Goldfields Major Solar Feasibility	-	0.3	0.3	-	-
– Eaton-Australind Waterfront Historic Walk Trail	-	0.5	-	-	-
– Peel-Harvey Estuary – 1 FTE	-	0.1	0.1	0.1	-
– Goldfields-Esperance Arts and Culture Trail	-	-	0.1	0.1	0.1
– Stockton Lake	-	0.3	-	-	-
– Oyster Reef Habitat Restoration	-	0.3	0.3	0.3	0.3
– Shark Deterrent Rebate Scheme <sup>(a)</sup>	-	0.2	0.2	-	-
– Collie River Revitalisation	-	0.1	0.1	-	-
– Balingup Town Hall	-	0.2	-	-	-
– Fishing Safety Strategy <sup>(a)</sup>	-	- (b)	- (b)	- (b)	- (b)
– Fishability WA <sup>(a)</sup>	-	- (b)	- (b)	- (b)	- (b)
– Internal Reallocation to Fund Election Commitments	-	-0.2	-0.3	-0.1	-0.1
<b>Other Spending</b>					
– Depreciation and Amortisation Expense	4.4	5.9	4.3	4.6	6.3
– Regional Development Leverage Unit	-	5.0	5.0	5.0	5.0
– Structural Deficit Adjustment	4.1	4.3	3.0	1.8	0.5
– Red Imported Fire Ant Eradication Program	0.2	2.1	2.1	2.2	2.3
– Surf Life Saving Western Australia Patrols	-	3.3	3.4	-	-
– Revision to Indexation for Non-Salary Expenses	-	-0.8	-1.7	-2.2	-2.3
– Shark Hazard Mitigation – Changes to Serious Threat Guidelines	-	-0.3	-0.3	-0.3	-0.3
– Falcon Beach Enclosure	-	0.2	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (b)	-0.1	-0.1	-0.2

(a) Existing agency spending has been reprioritised to meet some or all of the costs of this commitment.

(b) Amount less than \$50,000.

## Primary Industries and Regional Development

### Election Commitments

#### *Albany Renewable Energy Project*

Funding of \$19.5 million will be spent over four years from 2017-18 to support the deployment of a full scale wave energy prototype and the establishment of a Wave Energy Research Centre that will work with wave energy technology companies.

***Natural Resource Management Program***

Funding of \$14.6 million from 2018-19 to 2020-21 will be provided to the State Natural Resource Management (NRM) Office within the Department to support volunteer efforts of community-based, not-for-profit NRM groups helping to manage biodiversity, biosecurity, water quality and land use planning in Western Australia.

***Mandurah Eastern Foreshore Redevelopment***

An amount of \$10 million will be spent over two years from 2018-19 to provide landscaping and a significant upgrade to amenities. This project will complement the replacement Eastern Foreshore retaining wall that is currently under construction.

***Halifax Business Park***

Total funding of \$3 million in 2018-19 and 2019-20 will be provided for road, water and security improvements, the investigation of deep sewerage options, and the review of firefighting requirements for the Halifax Business Park.

***Capel Town Centre Revitalisation***

Funding totalling \$2.3 million will be contributed over two years from 2017-18 for the final stage of the revitalisation of the Capel town centre. Expenditure on this project was originally planned to occur in 2019-20, but will now commence in 2017-18.

***Donnybrook Town Centre Revitalisation***

Funding of \$2 million over two years from 2018-19 will contribute towards upgrading the Donnybrook Town Centre, including work on a new heritage precinct and a museum showcasing the history of the apple industry.

***Riverview Residence – Upgrade to over 55's Estate in Collie***

An amount of \$2 million will be spent in 2019-20 to assist with an upgrade of the Riverview Residence over 55's estate in Collie.

***Peel-Harvey Estuary – Grants***

An amount totalling \$1.5 million from 2017-18 to 2019-20 will be provided for grants to ensure the continued health of the Peel-Harvey Estuary.

***Goldfields Major Solar Feasibility***

Funding of \$500,000 will be provided over two years from 2017-18 to undertake a feasibility study for a major energy project in the Goldfields region.

***Eaton-Australind Waterfront Historic Walk Trail***

Funding of \$500,000 will be provided in 2017-18 as a contribution towards the creation of a historic walking trail along the Leschenault Estuary. The trail will provide information on the region's Aboriginal and colonial past using interpretive signs, as well as providing a pedestrian link between the Shires of Dardanup and Harvey.

***Peel-Harvey Estuary – 1 FTE***

An amount of \$345,000 will be provided over three years from 2017-18 to enable the employment of an officer to drive the process of rehabilitation of the Peel-Harvey Estuary.

***Goldfields-Esperance Arts and Culture Trail***

Funding totalling \$300,000 will be spent from 2018-19 to 2020-21 to establish an online Arts and Cultural Trail, which will provide more opportunities for visitors to enjoy and understand the unique features of the Goldfields region.

***Stockton Lake***

An amount of \$250,000 will be provided in 2017-18 on the improvement of facilities and amenities at Stockton Lake including the installation of boating infrastructure.

***Oyster Reef Habitat Restoration***

Funding of \$250,000 per annum will be spent over four years from 2017-18 to meet an election commitment for oyster reef habitat restoration in Albany Harbour.

***Shark Deterrent Rebate Scheme***

An amount of \$200,000 per annum will be spent over two years from 2017-18 for the establishment of the shark deterrent rebate scheme. Rebates will be available when purchasing an approved shark deterrent.

***Collie River Revitalisation***

Funding of \$250,000 will be spent over two years from 2017-18 on the installation of a dam, and weed and salinity reduction programs to improve the health of the Collie River.

***Balingup Town Hall***

A total of \$200,000 will be contributed in 2017-18 towards upgrades and maintenance works to the Balingup Town Hall.

***Fishing Safety Strategy***

An amount of \$105,000 will be spent over four years from 2017-18 to meet an election commitment to fund a State-wide Fishing Safety Program.

***Fishability WA***

A total of \$105,000 will be spent over four years from 2017-18 to meet an election commitment to provide ongoing funding to Fishability WA.

***Internal Reallocation to Fund Election Commitments***

Savings totalling \$610,000 over the period 2017-18 to 2020-21 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across the Department's total cost of service.



## **Other Spending**

### ***Depreciation and Amortisation Expense***

Additional expenditure of \$25.5 million over five years to 2020-21 will be incurred to meet depreciation and amortisation expenses following a review of the Department's asset base, including accelerated depreciation of the South Perth Site, information system upgrades and completion of the Doppler radar stations.

### ***Regional Development Leverage Unit***

Funding of \$5 million per annum, over four years commencing in 2017-18, will be used to establish a Regional Development Leverage Unit to identify opportunities for third-party investment from the Commonwealth, private sector and other parties in regional Western Australia.

### ***Structural Deficit Adjustment***

Additional expenditure of \$13.7 million over five years from 2016-17 has been approved to address structural deficit issues identified following a review of the operations of the former Department of Fisheries. The increase in expenditure is fully offset by expected increases in own source revenue.

### ***Red Imported Fire Ant Eradication Program***

An amount of \$8.8 million from 2016-17 to 2020-21 will be provided as Western Australia's contribution to a national cost-shared funding program to deliver the National Red Imported Fire Ant Eradication Program.

### ***Surf Life Saving Western Australia Patrols***

Expenditure of \$6.7 million over two years from 2017-18 will provide for the continuation of aerial and beach patrols by Surf Life Saving Western Australia.

### ***Shark Hazard Mitigation – Changes to Serious Threat Guidelines***

Expenditure will reduce by \$250,000 per annum over four years from 2017-18 following changes to the guidelines for taking sharks posing a serious threat to public safety.

### ***Falcon Beach Enclosure***

A grant of \$200,000 will be provided to the City of Mandurah in 2017-18 as a contribution towards the cost of establishing a beach enclosure at Falcon Beach.

## MINISTER FOR REGIONAL DEVELOPMENT; AGRICULTURE AND FOOD

Table 11

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>RURAL BUSINESS DEVELOPMENT CORPORATION</b>					
– 2017-18 Streamlined Budget Process Incentive Funding	-	– (a)	-	-	-
– Revision to Indexation for Non-salary Expenses	-	-	– (a)	– (a)	– (a)
<b>WESTERN AUSTRALIAN MEAT INDUSTRY AUTHORITY</b>					
<b>Election Commitment</b>					
– New Livestock Precinct to Replace the Boyanup Saleyards <sup>(b)</sup>	-	0.1	-	-	-
– Internal Reallocation to Fund Election Commitment	-	-0.1	-	-	-

(a) Amount less than \$50,000

(b) Existing agency spending has been reprioritised to meet some or all of the costs of this commitment.

### Western Australian Meat Industry Authority

#### Election Commitment

##### *New Livestock Precinct to Replace the Boyanup Saleyards*

The Western Australian Meat Industry Authority will spend \$100,000 in 2017-18 to undertake a feasibility study for a new Livestock Precinct to replace the Boyanup Saleyards, as the current lease with the Shire of Capel expires in 2022.

##### *Internal Reallocation to Fund Election Commitment*

Savings totalling \$100,000 in 2017-18 will be reinvested towards the delivery of the above election commitment. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across the Authority's total cost of service.

## MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES

Table 12

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>FIRE AND EMERGENCY SERVICES</b>					
– Fire Crew Protection	2.2	4.2	-	-	-
– Bushfire Risk Management Plans	-	3.7	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	– (a)	-0.1	-0.1	-0.2
– Wild Fire Suppression	3.9	-	-	-	-
– State Emergency Service Response and Recovery Operations	1.6	-	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	– (a)	– (a)	-0.1
<b>OFFICE OF EMERGENCY MANAGEMENT</b>					
– Western Australia Natural Disaster Relief and Recovery Arrangements	15.3	87.9	30.0	30.0	30.0
– Emergency Alert Phase Four System	-	2.0	0.2	-	-
– Revision to Indexation for Non-Salary Expenses	-	-0.1	-0.2	-0.2	-0.2
<b>OFFICE OF THE INSPECTOR OF CUSTODIAL SERVICES</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	– (a)	– (a)	– (a)
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	– (a)	– (a)	– (a)
– 2017-18 Streamlined Budget Process Incentive Funding	-	– (a)	-	-	-

(a) Amount less than \$50,000.

### Fire and Emergency Services

#### *Fire Crew Protection*

Additional expenditure totalling \$6.4 million over 2016-17 to 2017-18 will enable the completion of the fire appliance crew protection program.

#### *Bushfire Risk Management Plans*

Spending of \$3.7 million in 2017-18 will enable the Department to continue the delivery of Bushfire Risk Management Plans for identified local governments across the State.

#### *Wild Fire Suppression*

Additional expenditure of \$3.9 million in 2016-17 was incurred where significant incidents required the provision of additional resources and demand on both career and volunteer firefighters.

#### *State Emergency Service Response and Recovery Operations*

An additional \$1.6 million was spent in 2016-17 on the hire of aircraft and other heavy equipment, State Emergency Service volunteer travel, and overtime for incident controllers responding to emergency incidents.

## **Office of Emergency Management**

### ***Western Australia Natural Disaster Relief and Recovery Arrangements***

An additional \$15.3 million in 2016-17 was spent on Western Australia Natural Disaster Relief and Recovery Arrangements (WANDRRA) payments. A further \$177.9 million has been allocated over the four years from 2017-18, reflecting an unprecedented number of natural disasters in 2016-17 (including bushfires in the Peel and South-West regions, and severe flooding in the Goldfields-Esperance region), and to better reflect historical spending patterns associated with WANDRRA.

### ***Emergency Alert Phase Four System***

An amount of \$2.2 million will be spent over 2017-18 to 2018-19 for the upgrade of the Emergency Alert Phase Four System. The system will allow emergency services to alert people through voice and text messages of potential or actual emergencies.

## ATTORNEY GENERAL; MINISTER FOR CORRECTIVE SERVICES

Table 13

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>JUSTICE</b>					
<b>Election Commitments</b>					
– Methamphetamine Action Plan – Triage Unit	-	0.6	0.6	0.6	0.6
– Methamphetamine Action Plan – Drug Testing	-	0.3	0.3	0.3	0.3
– Law Reform Initiatives – High Risk Violent Offenders Board	-	-	0.1	0.1	0.1
<b>Other Spending</b>					
– Growth in Prisoner Population	9.9	49.8	40.7	43.5	55.1
– Recalculation of Savings Targets	-	3.3	10.1	14.4	26.4
– District Court Judicial Resources	-	1.4	2.9	2.9	3.0
– Justice Pipeline Model	-	0.9	-	-	-
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.2	-	-	-
– Non-Government Human Services Sector Indexation Adjustment	-	-0.2	-0.3	-0.3	-0.3
– Revision to Indexation for Non-Salary Expenses	-	-0.7	-3.1	-7.1	-11.1
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	-0.5	-1.0	-1.6	-2.5
– Ex-gratia Payments	-	- <sup>(a)</sup>	-	-	-

(a) Not able to be disclosed, pending final outcomes.

## Justice

### Election Commitments

#### *Methamphetamine Action Plan – Triage Unit*

A total of \$2.4 million will be spent over the forward estimates period to establish a triage unit within the metropolitan courts to identify suitable prisoners for the State's alcohol and other drugs rehabilitation prison to be established at the Wandoo Facility.

#### *Methamphetamine Action Plan – Drug Testing*

A total of \$1.3 million will be spent over the forward estimates period to establish drug detection capabilities for an alcohol and other drugs rehabilitation prison to be established at the Wandoo Facility. A further \$600,000 will be invested in 2017-18 on drug detection assets (see Chapter 6).

#### *Law Reform Initiatives – High Risk Violent Offenders Board*

An additional \$320,000 will be spent from 2018-19 to 2020-21 to establish a High Risk Violent Offenders Board, which will assess eligible offenders designated by the Supreme Court for continued detention or supervision post sentence.

## **Other Spending**

### ***Growth in Prisoner Population***

An additional \$198.9 million has been provided over the forward estimates period to manage an increase in the State's daily average prisoner population (DAPP), including \$9.9 million to reflect additional growth during 2016-17.

Following recent material increases in the DAPP, growth in prisoner numbers is forecast to continue over the forward estimates period, from an average of 6,489 prisoners at the end of 2016-17 to 7,399 in 2020-21.

The increased expenditure reflects the cost of additional prison officers, and goods and services, including prison consumables and programs, required to accommodate and manage the increase in the prison population. This increase in the Department's spending is partially offset by provisions made for forecast growth in the DAPP in the PFPS totalling \$53.3 million.

### ***Recalculation of Savings Targets***

As a result of the recalculation of key savings measures targets, total expenditure will increase by \$54.1 million over the forward estimates period to ensure the Department is fully funded for contract costs related to privately operated prisons, and court security and custodial transport services. In light of continued sustained growth in the prisoner population and the need to achieve significant embedded savings targets, the revision to the savings targets provides a more sustainable and realistic expenditure profile over the forward estimates period.

### ***District Court Judicial Resources***

An additional \$10.3 million will be spent over the forward estimates period for two additional judges, and associated support costs, to address current and emerging demand pressures impacting on the District Court.

### ***Justice Pipeline Model***

The Department's total expenditure will increase by \$850,000 in 2017-18 to fund the development of a Justice Pipeline Model, to simulate the flow of activities and costs in Western Australia's criminal justice system (see Feature Box earlier in this chapter).

### ***Resolution of Native Title in the South West of Western Australia (Settlement)***

An amount of \$188,000 will be spent in 2017-18 to meet the State Solicitor's Office costs of providing advice on the Indigenous Land Use Agreement registration and implementation process.

### ***Ex-gratia Payments***

A provision has been approved for ex-gratia payments to be made on behalf of the State in 2017-18.

## MINISTER FOR LOCAL GOVERNMENT; CULTURE AND THE ARTS; MINISTER FOR SPORT AND RECREATION; MINISTER FOR RACING AND GAMING; CITIZENSHIP AND MULTICULTURAL INTERESTS

Table 14

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES</b>					
<b>Election Commitments</b>					
– Local Projects Local Jobs	3.6	8.7	1.1	-	-
– Regional Exhibition Touring Boost	-	0.5	0.5	1.8	1.8
– Centennial Park Sporting and Event Precinct	-	3.0	3.9	-	-
– Albany Motorplex	-	0.3	-	-	5.5
– Hay Park – Bunbury	-	-	4.0	-	-
– Eaton Bowling Club	-	-	2.0	-	-
– Collie Mineworkers Memorial Pool	-	-	-	2.0	-
– Redevelopment of Morley Sport and Recreation Centre <sup>(a)</sup>	-	2.0	-	-	-
– Broome Multipurpose Outdoor Courts	-	-	-	1.9	-
– Gibson Park Netball Courts Upgrade <sup>(a)</sup>	-	1.8	-	-	-
– Robinson Reserve Upgrade <sup>(a)</sup>	-	1.5	-	-	-
– Rapid Response Signs	-	0.3	0.3	0.3	0.4
– Regional Museum Grants	-	-	0.3	0.3	0.3
– Kununurra Water Playground	-	0.6	-	-	-
– Kingsway Netball Facilities Upgrade <sup>(a)</sup>	-	0.5	-	-	-
– Dalyellup Surf Life Saving Club	-	-	0.3	-	-
– Albany Artificial Surf Reef	-	-	0.3	-	-
– Bunbury Bowling Club	-	0.2	-	-	-
– Entry Statement and Signage for Bunbury	-	-	0.2	-	-
– Bunbury Artificial Surfing Reef <sup>(a)</sup>	-	-	0.2	-	-
– Motoring South West	-	-	0.1	-	-
– Internal Reallocation to Fund Election Commitments	-	-5.8	-0.2	-	-
<b>Other Spending</b>					
– ScreenWest Exit from Government	-	-13.9	-13.1	-12.9	-9.8
– New Museum Project Operating Costs	-	-	-	2.7	23.3
– Revision to Indexation for Non-Salary Expenses	-	-0.3	-1.1	-1.5	-1.9
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.6	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- <sup>(b)</sup>	-0.1	-0.1	-0.1

(a) Existing agency spending has been reprioritised to meet some or all of the costs of this commitment.

(b) Amount less than \$50,000.

## Local Government, Sport and Cultural Industries

### Election Commitments

#### *Regional Exhibition Touring Boost*

Funding of \$8 million will be spent over six years from 2017-18 to boost the reach of touring art exhibitions to widen the exposure of collections, and increase access to arts and culture to people living outside the metropolitan area.

### ***Centennial Park Sporting and Event Precinct***

A further \$6.9 million will be spent from 2017-18 to 2018-19 to complete the Centennial Park Sporting and Event Precinct in Albany. This will encompass both the eastern and western precincts to include an AFL Junior oval, sheltered activity space, refurbishment of the eastern stadium surrounding green space, lighting, shared pathways and street furniture and signage.

### ***Albany Motorplex***

An amount of \$250,000 will be spent in 2017-18 to prepare a business case on the demand for, and provision of, motorsports in Western Australia. Subject to approval of the business case, funding of \$5.5 million will be spent in 2020-21 to develop a world class motorplex in Albany.

### ***Hay Park – Bunbury***

An amount of \$4 million will be spent in 2018-19 to upgrade facilities at Hay Park in Bunbury, which will include addressing drainage and lighting issues at the sporting complex.

### ***Eaton Bowling Club***

Funding totalling \$2 million will be spent in 2018-19 to upgrade the Eaton Bowling Club to create a multi-purpose community hub capable of hosting a range of functions and events.

### ***Collie Mineworkers Memorial Pool***

An amount of \$2 million will be spent in 2019-20 as a contribution towards the construction of an indoor 25 metre pool at the Collie Mineworkers Pool, converting the outdoor heated pool into a year-round swimming venue.

### ***Redevelopment of Morley Sport and Recreation Centre***

An amount of \$2 million in 2017-18 will be spent on the redevelopment of the Morley Sport and Recreation Centre as well as upgrades to Pat O'Hara Reserve.

### ***Broome Multipurpose Outdoor Courts***

An amount of \$1.9 million in 2019-20 will be provided to upgrade the multipurpose outdoor courts in Broome, including a weatherproof structure, seating and lighting works.

### ***Gibson Park Netball Courts Upgrade***

An amount of \$1.8 million will be spent in 2017-18 to upgrade netball courts at Gibson Park in Bicton. Works include an extension of the main pavilion, show courts enclosure and the provision of more spectator seating.

### ***Robinson Reserve Upgrade***

An amount of \$1.5 million will be spent in 2017-18 on upgrades to Robinson Reserve in Osborne Park.

### ***Rapid Response Signs***

An additional \$1.3 million will be spent from 2017-18 to 2020-21 through a grants program for Local Governments and Shires that wish to install Rapid Response Signs, which assist emergency services identify the location of beaches when responding to calls for assistance.



***Regional Museum Grants***

Funding of \$750,000 will be spent from 2018-19 to 2020-21 to provide support to regional museums for the development of visitor attraction plans, marketing promotions and activities to improve visitation and integration with regional tourism strategies.

***Kununurra Water Playground***

An amount of \$590,000 will be spent in 2017-18 to build a water playground in Kununurra.

***Kingsway Netball Facilities Upgrade***

A total of \$500,000 will be spent in 2017-18 towards the improvement of existing netball facilities at the Kingsway Sporting Complex, including the change rooms.

***Dalyellup Surf Life Saving Club***

Funding of \$300,000 has been provided in 2018-19 towards the provision of an interim facility for the Dalyellup Surf Life Saving Club.

***Albany Artificial Surf Reef***

Funding of \$250,000 will be provided in 2018-19 for a feasibility study into the development of a South Coast Surf Reef, subject to a matching contribution being made by the City of Albany.

***Bunbury Bowling Club***

An amount of \$200,000 will be spent in 2017-18 to support the creation of a green at the Bunbury Bowling Club accessible to people living with a disability.

***Entry Statement and Signage for Bunbury***

An additional \$200,000 will be spent in 2018-19 to assist the City of Bunbury develop an entry statement and signage for Bunbury.

***Bunbury Artificial Surfing Reef***

An amount of \$200,000 will be spent in 2018-19 on a feasibility study into the development of an artificial surfing reef off BP Beach in Bunbury.

***Motoring South West***

Funding of \$100,000 will be spent in 2018-19 to enable Motoring South West to undertake a marketing program to promote the Collie Motorplex.

***Internal Reallocation to Fund Election Commitments***

Savings totalling \$6 million over the period 2017-18 to 2018-19 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across the Department's total cost of service.

## **Other Spending**

### ***ScreenWest Exit from Government***

A reduction in expenditure of \$49.7 million will be realised over the period 2017-18 to 2020-21 (matched by a corresponding reduction in own-source revenue) following the exit of ScreenWest Inc. from Government after the change in legal status and its re-establishment as a non-government organisation.

### ***New Museum Project Operating Costs***

An additional \$26 million will be spent from 2019-20 to 2020-21 to meet the forecast operating costs of the New Museum as it transitions to its first full year of operations in 2020-21. These forecasts reflect additional costs associated with operating a significantly larger facility, and comprise staffing costs (\$7.5 million), depreciation (\$11.3 million), building maintenance (\$1.5 million), accommodation expense (\$1.8 million) and other operating expenses (\$3.9 million). The increase in expenses in 2020-21 is partly offset by revenue generated by activities conducted at the New Museum. Operating cost estimates are expected to be further refined as the project progresses.

## MINISTER FOR LOCAL GOVERNMENT; HERITAGE

Table 15

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>HERITAGE COUNCIL OF WESTERN AUSTRALIA</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	-(a)	-(a)	-0.1
– 2017-18 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-
<b>NATIONAL TRUST OF AUSTRALIA (WA)</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	-(a)	-0.1	-0.1
– 2017-18 Streamlined Budget Process Incentive Funding	-	-(a)	-	-	-

(a) Amount less than \$50,000.

## MINISTER FOR PLANNING; LANDS; MINISTER FOR HERITAGE; MINISTER FOR ABORIGINAL AFFAIRS

Table 16

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>PLANNING, LANDS AND HERITAGE</b>					
<b>Election Commitments</b>					
– Swan Valley Development Package <sup>(a)</sup>	-	-	0.2	0.2	0.2
– Grant to the Kimberley Aboriginal Law and Cultural Centre	-	-	0.1	0.1	0.1
– Internal Reallocation to Fund Election Commitments	-	-	-0.2	-0.2	-0.2
<b>Other Spending</b>					
– Kariyarra Indigenous Land Use Agreement	-	4.5	0.7	0.5	0.4
– Strategic Assessment of the Perth and Peel Regions	-	1.6	-	-	-
– Funding and Management of the Aboriginal Affairs Planning Authority and the Aboriginal Lands Trust	-	1.1	-	-	-
– 2017-18 Streamlined Budget Process Incentive Funding	-	1.1	-	-	-
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.3	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-	-0.7	-1.0	-1.3
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (b)	- (b)	-0.1	-0.1
<b>PLANNING, LANDS AND HERITAGE - ADMINISTERED</b>					
<b>Election Commitment</b>					
– Carter's Block Administered Grant	1.5	-	-	-	-

(a) Existing agency spending has been reprioritised to meet some or all of the costs of this commitment.

(b) Amount less than \$50,000.

## Planning, Lands and Heritage

### Election Commitments

#### *Swan Valley Development Package*

The Department will spend \$600,000 over 2018-19 to 2020-21 on the Swan Valley Development Package, which includes reviewing and finalising the Swan Valley Development Plan and the Swan Valley Protection Bill.

#### *Grant to the Kimberley Aboriginal Law and Cultural Centre*

Funding totalling \$500,000 over four years (2018-19 to 2021-22) will be provided to the Kimberley Aboriginal Law and Cultural Centre for the documentation and teaching of traditional language.

#### *Internal Reallocation to Fund Election Commitments*

Savings totalling \$600,000 over the period 2018-19 to 2020-21 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across the Department's total cost of service.

## **Other Spending**

### ***Kariyarra Indigenous Land Use Agreement***

In July 2017, the Government approved the execution by the Minister for Lands of an Indigenous Land Use Agreement (ILUA) with the Kariyarra people in Port Hedland. Accordingly, the Department will spend \$6.1 million over the forward estimates period to deliver the State's obligations under this ILUA. This includes expenditure of \$3.8 million in 2017-18 for compensation liabilities that have accrued to date, and \$2.3 million between 2017-18 and 2020-21 to deliver operational services, such as land surveys and plan preparation, to manage the operation of the ILUA over this period.

### ***Strategic Assessment of the Perth and Peel Regions***

An additional \$1.6 million will be spent in 2017-18 as part of the Strategic Assessment of the Perth and Peel Regions. The Department will continue to review its State Planning Policy suite, as the Strategic Assessment will entail considerable change to the State planning system.

### ***Funding and Management of the Aboriginal Affairs Planning Authority and the Aboriginal Lands Trust***

The Department will provide a grant of \$1.1 million in 2017-18 to the Aboriginal Affairs Planning Authority to meet its legal and statutory obligations relating to the continued management of the Aboriginal Lands Trust (ALT) estate. The ALT's responsibilities previously undertaken by the Department of Aboriginal Affairs have been transferred to the new Department of Planning, Lands and Heritage.

### ***Resolution of Native Title in the South West of Western Australia (Settlement)***

An amount of \$328,000 will be spent in 2017-18 on the implementation of the Noongar Standard Heritage Agreement in the South West region and to facilitate the divestment of the ALT estate to the Noongar Boodja Trust.

## **Planning, Lands and Heritage – Administered**

### **Election Commitment**

#### ***Carter's Block Administered Grant***

The former Department of Lands provided a \$1.5 million grant to the City of Bayswater in 2016-17 to deliver the election commitment to match the City's payment towards the purchase of the wetlands known as Carter's Block.

## ATTORNEY GENERAL

Table 17

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>CORRUPTION AND CRIME COMMISSION</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	-0.2	-0.3	-0.4
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.3	-	-	-
<b>COMMISSIONER FOR EQUAL OPPORTUNITY</b>					
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	– (a)	– (a)	– (a)
– Revision to Indexation for Non-Salary Expenses	-	-	– (a)	– (a)	-0.1
– 2017-18 Streamlined Budget Process Incentive Funding	-	– (a)	-	-	-
<b>OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS</b>					
– Revision to Public Sector Workforce Renewal Policy Calculation	-	1.6	1.9	1.9	1.9
– Increased Grants From the Confiscation Proceeds Account	-	1.1	1.1	1.1	1.1
– Special Prosecution Division	-	1.5	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-0.2	-0.3	-0.4	-0.4
– Delay to Agency Expenditure Review	-	1.0	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	-0.1	-0.1	-0.2	-0.2
<b>COMMISSIONER FOR CHILDREN AND YOUNG PEOPLE</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	– (a)	– (a)	– (a)
– 2017-18 Streamlined Budget Process Incentive Funding	-	– (a)	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	– (a)	– (a)	– (a)
<b>OFFICE OF THE INFORMATION COMMISSIONER</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	– (a)	– (a)	– (a)
– 2017-18 Streamlined Budget Process Incentive Funding	-	– (a)	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	– (a)	– (a)	– (a)
<b>PARLIAMENTARY INSPECTOR OF THE CORRUPTION AND CRIME COMMISSION</b>					
– 2017-18 Streamlined Budget Process Incentive Funding	-	– (a)	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	-	-	-	– (a)
<b>LEGAL AID COMMISSION OF WESTERN AUSTRALIA</b>					
– Grants of Legal Aid – State Indictable Matters	-	2.8	3.8	4.0	4.2
– Revision to Indexation for Non-Salary Expenses	-	-0.2	-0.4	-0.5	-0.7
– Kimberley Interpreting Service	-	0.2	-	-	-
– Non-Government Human Services Sector Indexation Adjustment	-	– (a)	– (a)	– (a)	– (a)

(a) Amount less than \$50,000.

## **Office of the Director of Public Prosecutions**

### ***Revision to Public Sector Workforce Renewal Policy Calculation***

The Office's expense limit has been increased by \$7.3 million from 2017-18 to 2020-21, following a revision to its savings calculation under the previous Government's Public Sector Workforce Renewal Policy.

### ***Increased Grants from the Confiscation Proceeds Account***

An additional \$4.2 million will be spent over the forward estimates period to meet increased demand on the Office, funded from the Confiscation Proceeds Account.

### ***Special Prosecution Division***

An additional \$1.5 million will be spent in 2017-18 to establish a special prosecution division to carry out the initial stages of a complex and high-profile case arising from Western Australia Police's Taskforce Macro operation.

### ***Delay to Agency Expenditure Review***

To assist in meeting increased demand, commencement of the Office's Agency Expenditure Review savings target has been delayed by one year, resulting in a \$1 million increase in expenditure in 2017-18.

## **Legal Aid Commission of Western Australia**

### ***Grants of Legal Aid – State Indictable Matters***

The Commission's expenditure will increase by \$14.8 million between 2017-18 and 2020-21 to reflect an adjustment to the base spending allocation for external grants of legal aid. The additional spending is in recognition of recent actual increases in the demand for legal assistance services for State indictable matters in the District and Supreme Courts.

### ***Kimberley Interpreting Service***

An additional \$200,000 will be spent in 2017-18 to provide the Kimberley Interpreting Service with a grant to support the provision of interpretation and translation services for Aboriginal people.

## MINISTER FOR SPORT AND RECREATION

Table 18

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>WESTERN AUSTRALIAN SPORTS CENTRE TRUST</b>					
– Revised Financial Forecasts	-0.3	-0.9	-0.9	-0.9	-0.9
– Revision to Indexation for Non-Salary Expenses	-	-0.2	-0.4	-0.4	-0.6
– Perth Motorplex Operating Deficit	-0.6	0.2	-	-	-

### Western Australian Sports Centre Trust (VenuesWest)

#### *Revised Financial Forecasts*

VenuesWest has revised its financial forecasts to better reflect prevailing economic conditions, resulting in reductions to spending of \$3.8 million over 2016-17 to 2020-21.

#### *Perth Motorplex Operating Deficit*

Lower forecast revenue has resulted in a net \$0.4 million reduction to expenses over 2016-17 and 2017-18 for the costs associated with the management of the Perth Motorplex.



**TREASURER; MINISTER FOR FINANCE; ENERGY**

Table 19

**MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>TREASURY</b>					
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.4	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-	-0.3	-0.4	-0.5
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (a)	-0.1	-0.1	-0.1
<b>ECONOMIC REGULATION AUTHORITY</b>					
– Electricity Market	-	2.5	2.4	2.1	2.1
– 2017-18 Streamlined Budget Process Incentive Funding	-	- (a)	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-	- (a)	- (a)	- (a)
<b>OFFICE OF THE AUDITOR GENERAL</b>					
– Local Government Performance Audits	-	1.0	1.4	1.7	2.1
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-	- (a)	-0.1	-0.1
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (a)	- (a)	- (a)	- (a)
<b>FINANCE</b>					
– Capped Rebates for WA Seniors Card Holders (Administered)	-	-9.2	-9.7	-10.5	-11.0
– Early Cessation of First Home Owner Grant Boost (Administered)	1.5	-19.0	-3.0	-1.0	-
– First Home Owner Grant Forecasts (Administered)	-7.7	-6.8	-6.2	-5.8	-
– Decentralisation of Office Accommodation to Joondalup – Double Rent	-	-	3.8	9.2	-
– Government Accommodation Reform Program	-	2.1	2.3	1.2	1.2
– Decentralisation of Office Accommodation to Joondalup – Depreciation for Fit-outs	-	-	0.6	1.3	1.3
– Decentralisation of Office Accommodation to Joondalup – Net Rent Impact	-	-	2.3	-0.3	-0.2
– Decentralisation of Office Accommodation to Joondalup – Relocation Project	-	0.4	0.5	0.4	0.3
– Backfill of Vacant Office Accommodation Space at Dumas House and Gordon Stephenson House	-	-	-	-0.6	2.1
– Revision to Indexation for Non-Salary Expenses	-	-0.2	-0.4	-0.7	-0.9
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (a)	- (a)	-0.1	-0.1
<b>HORIZON POWER <sup>(b)</sup></b>					
– Operating Subsidy for Electricity Tariffs	-	-6.5	-8.9	-3.6	-
– Operating Subsidy for Electricity Concessions, Rebates and Remote Communities	1.1	0.4	0.2	-0.1	-0.2
<b>SYNERGY <sup>(b)</sup></b>					
– Operating Subsidy for Electricity Tariffs	-	-21.1	-76.7	-18.5	-0.2
– Operating Subsidy for Electricity Concessions and Rebates	-	9.8	7.9	6.0	3.7

(a) Amount less than \$50,000.

(b) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and paid through the Department of Treasury.

## **Economic Regulation Authority**

### ***Electricity Market***

The Economic Regulation Authority will spend \$9 million from 2017-18 to 2020-21 primarily to perform functions previously undertaken by the Independent Market Operator (including compliance, enforcement and Rule Change Panel responsibilities) and on the regulatory determination for Western Power's fourth access arrangement.

## **Office of the Auditor General**

### ***Local Government Performance Audits***

An amount of \$6.2 million will be spent from 2017-18 to 2020-21 to undertake performance audits of local governments, as determined by the Auditor General, following amendments to its legislation to make local governments more accountable.

## **Finance**

### ***Capped Rebates for WA Seniors Card Holders (Administered)***

A total of \$40.4 million will be saved over the forward estimates period as a result of the previously announced decision to implement a \$100 cap per household on each of the 25% rebates WA Seniors Card holders receive on local government rates and the underground electricity connection charge.

### ***Early Cessation of First Home Owner Grant Boost (Administered)***

The early cessation of the \$5,000 First Home Owner Grant Boost for new homes on 30 June 2017 (as previously announced) is expected to generate savings of around \$21.5 million over the four years to 2019-20.

### ***First Home Owner Grant (FHOG) Forecasts (Administered)***

FHOG expenditure is expected to reduce by \$26.5 million over the four years to 2019-20, in line with weaker than expected demand for first home purchases. This reflects a broader softening in housing market conditions, a deterioration in labour market conditions, record low wages growth and reduced population forecasts, all of which are expected to weigh on first home buyer activity.

### ***Decentralisation of Office Accommodation to Joondalup – Double Rent***

A provision of \$12.9 million has been set aside over the period 2018-19 to 2019-20 for double rent and 'make good' costs to meet current rent commitments while relocating government employees to new office accommodation in Joondalup from 2018 onwards.

### ***Government Accommodation Reform Program***

An additional \$6.8 million will be spent from 2017-18 to 2020-21 to meet the costs (including additional staffing and building condition assessment costs) associated with the delivery of targeted savings of \$78 million over the forward estimates period. The savings will be achieved largely by space reduction through more efficient utilisation, and lease and outgoings cost reductions.

### ***Decentralisation of Office Accommodation to Joondalup – Depreciation for Fit-outs***

An amount of \$3.2 million will be incurred from 2018-19 to 2020-21 to meet depreciation expenses associated with the fit-out of the new office accommodation in Joondalup.

***Decentralisation of Office Accommodation to Joondalup – Net Rent Impact***

An amount of \$1.8 million will be spent from 2018-19 to 2020-21 to meet the lease commitments of agencies relocating to new office accommodation in Joondalup.

***Decentralisation of Office Accommodation to Joondalup – Relocation Project***

An additional \$1.6 million will be spent from 2017-18 to 2020-21 for project management costs and the maintenance cost of fit-outs in new office accommodation in Joondalup.

***Backfill of Vacant Office Accommodation Space at Dumas House and Gordon Stephenson House***

An additional \$1.4 million will be spent from 2019-20 to 2020-21 to backfill vacant office accommodation space within Dumas House and Gordon Stephenson House.

**Horizon Power**

***Operating Subsidy for Electricity Tariffs***

The operating subsidy, which partly funds the difference between the cost of providing electricity and prices paid by consumers, will reduce by \$18.9 million across the forward estimates period due to the net impact of a forecast reduction in demand, the annual update of the efficient costs of electricity supply, a 10.9% increase in 2017-18 residential electricity tariffs (rather than the previously assumed 7%), and the Government's revised forward electricity tariff path (see Appendix 8: *Public Corporations and Major Tariffs, Fees and Charges*).

***Operating Subsidy for Electricity Concessions, Rebates and Remote Communities***

The operating subsidy for electricity concessions, rebates and remote communities has increased by a net \$1.4 million over the forward estimates period. This is driven by higher than forecast costs in remote communities in 2016-17 (\$1.1 million subsidy impact), and an increase in the Energy Assistance Payment to \$300 in 2017-18 as part of the Government's Utilities Concessions Package.

**Synergy**

***Operating Subsidy for Electricity Tariffs***

The operating subsidy, which provides for the difference between the cost of providing electricity and the prices that are paid by consumers, will decrease by \$116.5 million over 2017-18 to 2020-21. This reflects the net impact of a forecast reduction in demand, the annual update of the efficient costs of electricity supply, a 10.9% increase in 2017-18 residential electricity tariffs, the revised forward electricity tariff path (see Appendix 8) and the Government's decision to remove Synergy's operating subsidy from 2018-19 onwards.

***Operating Subsidy for Electricity Concessions and Rebates***

The forecast value of electricity concessions and rebates has been revised up by \$27.4 million over the period 2017-18 to 2020-21. This is largely due to an increase in the Energy Assistance Payment to \$300 in 2017-18 as part of the Government's Utilities Concessions Package.

## MINISTER FOR RACING AND GAMING; SMALL BUSINESS

Table 20

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>SMALL BUSINESS DEVELOPMENT CORPORATION</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	-0.2	-0.2	-0.3
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (a)	– (a)	– (a)	– (a)

(a) Amount less than \$50,000.

## MINISTER FOR MINES AND PETROLEUM; COMMERCE AND INDUSTRIAL RELATIONS; ELECTORAL AFFAIRS

Table 21

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>MINES, INDUSTRY REGULATION AND SAFETY</b>					
<b>Election Commitments</b>					
– Employment Law Centre <sup>(a)</sup>	-	0.3	0.3	0.3	-
– Review of the <i>Industrial Relations Act 1979</i>	-	0.3	-	-	-
– Internal Reallocation to Fund Election Commitments	-	-0.3	-0.3	-0.3	-
<b>Other Spending</b>					
– Revision to Indexation for Non-Salary Expenses	-	-0.6	-1.1	-1.6	-2.1
– Home Indemnity Insurance Scheme	-	0.6	0.6	0.2	0.1
– Resolution of Native Title in the South West of Western Australia (Settlement)	-	0.1	-	-	-
– Non-Government Human Services Sector Indexation Adjustment	-	– (b)	– (b)	– (b)	– (b)
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (b)	-0.1	-0.1	-0.1
<b>REGISTRAR, WESTERN AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION</b>					
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-	-0.1	-0.1	-0.2
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (b)	-0.1	-0.1	-0.1
<b>WESTERN AUSTRALIAN ELECTORAL COMMISSION</b>					
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-	-0.1	-0.1	-0.3
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	– (b)	– (b)	– (b)	– (b)

(a) Existing agency spending has been reprioritised to meet some or all of the costs of this commitment.

(b) Amount less than \$50,000.

## Mines, Industry Regulation and Safety

### Election Commitments

#### *Employment Law Centre*

An amount of \$990,000 over three years from 2017-18 will be provided towards the operational cost of the Employment Law Centre, a not-for-profit community centre that assists disadvantaged and vulnerable employees with work-related legal matters.

#### *Review of the Industrial Relations Act 1979*

An amount of \$300,000 will be spent in 2017-18 to review the *Industrial Relations Act 1979* with the objective of streamlining and simplifying the Western Australian industrial relations system, as well as making it fairer.

***Internal Reallocation to Fund Election Commitments***

Savings totalling \$990,000 over the period 2017-18 to 2019-20 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across the Department's total cost of service.

**Other Spending**

***Home Indemnity Insurance Scheme***

An additional \$1.4 million will be provided over four years from 2017-18 to meet increased costs associated with the Home Indemnity Insurance Scheme due to changes to the structure of Home Indemnity Insurance premiums levied on builders.

***Resolution of Native Title in the South West of Western Australia (Settlement)***

An amount of \$127,000 will be spent in 2017-18 on implementation costs associated with the finalisation of the native title settlement, primarily on the assessment of statutory approvals for the creation of the Noongar Land Estate.

## MINISTER FOR TRANSPORT; PLANNING; LANDS

Table 22

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>TRANSPORT</b>					
<b>Election Commitments</b>					
– Principal Shared Path Program	-	-	-	12.7	20.0
– Fremantle Container Rail Subsidy Increase	-0.6	0.7	2.6	3.0	3.5
– Broome Boating Facilities Upgrade	-	5.2	4.5	-	-
– Safe Active Streets Program Extension	-	-	3.0	3.0	3.0
– Western Australian Bicycle Network Grants Program <sup>(a)</sup>	-	0.3	1.3	2.3	2.3
– Outer Harbour Planning	-	1.0	1.5	1.5	2.0
– Local Projects Local Jobs	0.1	0.4	1.9	-	-
– Trial of Subsidised Perth-Derby Regular Air Services	-	-	1.0	-	-
– Broome Boat Harbour Planning	-	0.5	0.5	-	-
– Bremer Bay Boat Harbour Upgrade Planning	-	-	0.3	-	-
– Internal Reallocation to Fund Election Commitments	-	-0.3	-1.3	-	-
<b>Other Spending</b>					
– Geraldton Regional Airport Pavement Renewal	-	4.9	1.6	-	-
– On-demand Transport Industry Regulation	-	-0.1	-0.3	3.9	2.7
– East Perth Multi-Modal Initiatives	-	2.1	-	-	-
– Broome Cruise Ship Strategy	-	0.3	-	-	-
– Revision to Indexation for Non-Salary Expenses	-	-0.2	-0.3	-0.4	-0.3
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (b)	- (b)	-0.1	-0.1
<b>COMMISSIONER OF MAIN ROADS</b>					
<b>Election Commitments</b>					
– Stephenson Avenue Extension	-	1.0	3.0	15.0	41.0
– Marmion Avenue Duplication – Butler to Yanchep	23.0	-	-	-	-
– Collie-Preston Local Road Grants	-	-	15.0	-	-
– Bidyadanga Road	-	2.0	2.0	-	-
– Lightning Park Access Roads <sup>(a)</sup>	-	-	3.0	-	-
– Scarborough Beach Road Intersection Upgrade	-	0.5	2.5	-	-
– Walter Road West and Wellington Road Intersection	-	-	1.0	-	-
– Erindale Road Intersection Upgrades	-	0.8	-	-	-
– Intersection Upgrades in Hilton, Beaconsfield and South Fremantle	-	0.7	-	-	-
– Town of Vincent Pedestrian Crossings	0.6	-	-	-	-
– Nicholson Road Roundabout	-	-	0.5	-	-
– Bassendean Road Improvements	-	0.1	-	-	-
– Internal Reallocation to Fund Election Commitments	-	-	-3.0	-	-
<b>Other Spending</b>					
– Revision to Indexation for Non-Salary Expenses	-	-5.2	-10.5	-15.9	-21.2
– Depreciation and Maintenance Expenditure	-	-	-	14.2	37.3
– State Road Funds to Local Government Agreement Grants Update	-	-10.3	-9.8	-9.8	-9.8
– Perth Freight Link Cancellation	-	-	-	-15.1	-15.0
– Square Kilometre Array Road Upgrades	-	10.0	12.0	4.0	3.0
– Operating Expenditure	-	-20.2	-14.5	-8.3	33.1
– Local Roads Expenditure Update	-	-	-3.0	-5.3	-5.3
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (b)	- (b)	- (b)	- (b)

Table 22 (cont.)

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>PUBLIC TRANSPORT AUTHORITY OF WESTERN AUSTRALIA <sup>(c)</sup></b>					
<b>Election Commitments</b>					
– Increasing the Use of Public Transport	-	-3.3	-4.0	-4.3	-4.4
– Additional Bus Services	-	2.0	2.1	2.1	2.2
<b>Other Spending</b>					
– Forrestfield-Airport Link Operating Costs	-	-	5.0	15.9	30.4
– Revised Interest Expenses	-	4.2	10.2	12.4	11.3
– Reduced Operating Subsidy for Transperth Fare Increases	-	-3.8	-3.9	-4.3	-5.7
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (b)	- (b)	- (b)	- (b)
<b>SOUTHERN PORTS AUTHORITY</b>					
<b>Election Commitment</b>					
– Bunbury Port Planning	-	0.5	-	-	-
<b>METROPOLITAN REDEVELOPMENT AUTHORITY <sup>(c)</sup></b>					
<b>Election Commitments</b>					
– Inner City College	-	6.6	-	-	-
<b>Other Spending</b>					
– Scarborough Beach Redevelopment Area	-	-8.8	-	-	-
<b>WESTERN AUSTRALIAN PLANNING COMMISSION</b>					
<b>Election Commitments</b>					
– Formation of Bunbury Development Committee <sup>(a)</sup>	-	0.1	0.1	0.1	0.1
– Internal Reallocation to Fund Election Commitments	-	-0.1	-0.1	-0.1	-0.1
<b>Other Spending</b>					
– Revision to Indexation for Non-Salary Expenses	-	-	-0.1	-0.2	-0.2
– 2017-18 Streamlined Budget Process Incentive Funding	-	0.1	-	-	-
<b>WESTERN AUSTRALIAN LAND AUTHORITY (LANDCORP) <sup>(c)</sup></b>					
– Australian Marine Complex – Common User Facility – Floating Dock Ballast System Upgrade	-	8.3	-	-	-
<b>WESTERN AUSTRALIAN LAND INFORMATION AUTHORITY (LANDGATE)</b>					
– Strategic Development Plan	-9.7	6.5	-5.7	-10.2	-10.0
– Revision to Indexation for Non-Salary Expenses	-	-0.1	-0.2	-0.3	-0.4
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (b)	- (b)	- (b)	- (b)

(a) Existing agency spending has been reprioritised to meet some or all of the costs of this commitment.

(b) Amount less than \$50,000.

(c) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and paid through the Department of Treasury.



## **Transport**

### **Election Commitments**

#### ***Principal Shared Path Program***

An additional \$32.7 million will be invested in the Principal Shared Path network over the forward estimates period. The funding increase will make a total of \$20 million available for planning and investment in the network in each of 2019-20 and 2020-21, consistent with the Government's commitment.

#### ***Fremantle Container Rail Subsidy Increase***

Transport has been allocated an additional \$9.8 million over the forward estimates period to meet the Government's commitment to increase the value of Fremantle Container Rail Service Subsidy payments to \$50 per container from 1 January 2018. Total subsidy funding available over the forward estimates period is \$19.4 million.

#### ***Broome Boating Facilities Upgrade***

Funding of \$9.7 million will be provided as a grant for the upgrade of Broome boating facilities at Entrance Point (\$5.2 million in 2017-18) and Town Beach (\$4.5 million in 2018-19).

#### ***Safe Active Streets Program Extension***

An amount of \$9 million will be spent over 2018-19 to 2020-21 under the State Road Funds to Local Government Agreement to continue the Safe Active Streets (Bike Boulevard) program beyond 2017-18.

#### ***Western Australian Bicycle Network Grants Program***

A further \$6.3 million has been allocated to the Western Australian Bicycle Network (WABN) Grants Program over the forward estimates period. Of this new allocation, \$4.6 million will be spent under the State Road Funds to Local Government Agreement. This brings total funding available under the WABN Grants Program to \$17 million.

#### ***Outer Harbour Planning***

An amount of \$6 million has been allocated over the forward estimates period to progress planning for an Outer Harbour at Kwinana.

#### ***Trial of Subsidised Perth-Derby Regular Air Services***

Funding of \$1 million will be spent in 2018-19 to trial a subsidy for regular Perth-Derby air services for 12 months. There has been no regular public transport air service operating between Perth and Derby since March 2016.

#### ***Broome Boat Harbour Planning***

An amount of \$1 million will be spent over 2017-18 and 2018-19 for the development of a business case for a new boat harbour in Broome.

### ***Bremer Bay Boat Harbour Upgrade Planning***

Funding of \$250,000 will be provided in 2018-19 towards the development of a business case for upgrades to the Bremer Bay Boat Harbour to support tourism activities.

### ***Internal Reallocation to Fund Election Commitments***

Savings totalling \$1.7 million from 2017-18 to 2018-19 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across the Department's total cost of service.

## **Other Spending**

### ***Geraldton Regional Airport Pavement Renewal***

Funding totalling \$6.5 million over 2017-18 and 2018-19 will be provided as a grant under the Regional Airports Development Scheme towards the replacement of the main runway pavement overlay and associated aircraft movement areas at Geraldton Regional Airport.

### ***On-demand Transport Industry Regulation***

In its role as regulator of the on-demand transport industry in Western Australia, Transport will spend an additional \$6.2 million over the forward estimates period following a review of associated structures and costs. These costs will initially be met from service appropriation (\$4.4 million) and an increase in regulatory fees (\$1.8 million). It is anticipated that the regulatory function will transition to full cost recovery by 2022-23.

### ***East Perth Multi-Modal Initiatives***

An amount of \$2.1 million will be spent in 2017-18 to upgrade infrastructure in East Perth to cater for large crowd movements over the Swan River Pedestrian Bridge and Windan Bridge into East Perth during Perth Stadium events. The upgrades include signage, footpaths, lighting and extending CCTV coverage. Funding will be provided from the Perth Parking Licensing Account.

### ***Brome Cruise Ship Strategy***

The Department will spend \$250,000 in 2017-18 for the development of a business case and associated planning and environmental approvals for a cruise ship strategy for Broome.

## **Commissioner of Main Roads**

### **Election Commitments**

#### ***Stephenson Avenue Extension***

A total of \$60 million has been allocated over the forward estimates period for grants to the City of Stirling towards the extension of Stephenson Avenue between Scarborough Beach Road and the Mitchell Freeway. The project will reduce congestion near Westfield Innaloo Shopping Centre and the Osborne Park industrial and commercial area. Funding is subject to confirmation of Commonwealth (or other) funding for the remainder of project costs.

***Marmion Avenue Duplication – Butler to Yanchep***

A grant of \$23 million was provided to the City of Wanneroo in 2016-17 to construct a dual carriageway on Marmion Avenue between Butler and Yanchep, to improve travel times and safety.

***Collie-Preston Local Road Grants***

Grants totalling \$15 million will be provided to local governments in the Collie-Preston area in 2018-19 towards a range of local road upgrades.

***Bidyadanga Road***

Bidyadanga Road provides access to the Bidyadanga Aboriginal Community from the Great Northern Highway, totalling \$4 million will be spent across 2017-18 and 2018-19 to seal the remaining 13 kilometres of unsealed sections on the road to improve safety and reduce vehicle damage.

***Lightning Park Access Roads***

Main Roads will undertake works at an estimated cost of \$3 million in 2018-19 to improve road access to Lightning Park, which was impacted by the NorthLink WA project.

***Scarborough Beach Road Intersection Upgrade***

A total of \$3 million will be spent over 2017-18 and 2018-19 for upgrades to the intersection of Scarborough Beach Road, Main Street, Brady Street and Green Street, to improve safety for road users and pedestrians.

***Walter Road West and Wellington Road Intersection***

A grant of \$1 million will be provided to the City of Bayswater in 2018-19 towards upgrading the intersection of Walter Road West and Wellington Road in Morley, which will reduce congestion around the Galleria Shopping Centre and Coventry Village.

***Erindale Road Intersection Upgrades***

A grant of \$750,000 will be provided to the City of Stirling in 2017-18 towards upgrading the intersection of Erindale Road and Boya Way in Balcatta.

***Intersection Upgrades in Hilton, Beaconsfield and South Fremantle***

Grants totalling \$650,000 will be provided in 2017-18 towards upgrading intersections to improve safety at Paget Street and South Street, Hilton (\$250,000); Hampton Road and Scott Street, Beaconsfield (\$200,000); and South Terrace and Little Lefroy Lane, South Fremantle (\$200,000).

***Town of Vincent Pedestrian Crossings***

Grants totalling \$600,000 were provided to the Town of Vincent in 2016-17 towards three traffic-light crossings to improve pedestrian safety. The crossings will be constructed on Vincent Street, Fitzgerald Street and Charles Street in North Perth.

***Nicholson Road Roundabout***

A grant of \$500,000 will be provided to the City of Gosnells in 2018-19 towards improvements at the roundabout intersecting Nicholson Road, Garden Street and Yale Road in Gosnells, which will reduce congestion.

### ***Bassendean Road Improvements***

A grant of \$100,000 will be provided to the Town of Bassendean in 2017-18 towards road improvements in Bassendean.

### ***Internal Reallocation to Fund Election Commitments***

Savings totalling \$3 million in 2018-19 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across Main Roads' total cost of service.

## **Other Spending**

### ***Depreciation and Maintenance Expenditure***

As a result of the Government's commitments to new road projects in the 2017-18 Budget (see Chapter 6), Main Roads' depreciation and maintenance expenditure will increase by \$14.2 million in 2019-20 and \$37.3 million per annum from 2020-21.

### ***State Road Funds to Local Government Agreement Grants Update***

As part of the 2016-17 Budget, the previous Government decided to discontinue vehicle licence concessions for local government authorities. On 27 June 2017, a disallowance motion was passed in the Legislative Council reversing this decision. Grant payments to local governments under the State Road Funds to Local Government Agreement have been reduced by \$10.3 million in 2017-18 and \$9.8 million per annum from 2018-19 to offset the revenue impact of the concessions being continued.

### ***Perth Freight Link Cancellation***

As part of the reallocation of the cancelled Perth Freight Link project, Main Roads' operational expenditure will be reduced by \$30.1 million across 2019-20 and 2020-21 to partially offset capital funding requirements for new projects.

### ***Square Kilometre Array Road Upgrades***

Funding totalling \$29 million between 2017-18 and 2020-21 (and a further \$6 million beyond the forward estimates period) will be spent towards upgrades to local government roads to support the construction of the Square Kilometre Array (SKA) radio telescope in the Murchison. The works will include priority upgrades and improved grading to unsealed roads along the 294-kilometre route to the site, which will facilitate increased travel by heavy vehicles during the construction phase and reduce the risk of road closures due to flooding.

### ***Operating Expenditure***

Main Roads' operating expenditure is expected to decrease by a net \$10 million over the forward estimates period as a result of an expected reduction in motor vehicle licence revenue of the same amount (this revenue is hypothecated to Main Roads under the *Road Traffic (Administration) Act 2008*).

### ***Local Roads Expenditure Update***

Main Roads' expenditure on State-initiated local road projects under the State Road Funds to Local Government Agreement has been reduced by \$13.6 million from 2018-19 to 2020-21. This funding has been reallocated to local government cycling grant programs administered by the Department of Transport (Safe Active Streets and Western Australia Bicycle Network grants).

## **Public Transport Authority of Western Australia**

### **Election Commitments**

#### ***Increasing the Use of Public Transport***

The Authority will undertake a promotional campaign to encourage people to use public transport. As a result of this initiative, the operating subsidy paid to the Authority is expected to reduce by \$16 million over the period 2017-18 to 2020-21. This reflects a \$16.5 million increase in forecast revenue, which is partly offset by the \$500,000 cost of the promotional campaign.

#### ***Additional Bus Services***

An amount of \$8.3 million will be spent over the period 2017-18 to 2020-21 to provide additional Transperth bus services. The services include a contribution towards the establishment of new bus services linking Ellenbrook to Midland and the Joondalup rail line.

### **Other Spending**

#### ***Forrestfield-Airport Link Operating Costs***

The Authority will spend an additional \$51.2 million between 2018-19 and 2020-21 on operating costs of the Forrestfield-Airport Link. This includes recruitment and training costs prior to the commencement of services in 2020.

#### ***Revised Interest Expenses***

An additional \$38.1 million will be spent between 2017-18 and 2020-21, reflecting the impact of higher than previously forecast interest rates on the Authority's debt servicing costs.

#### ***Reduced Operating Subsidy for Transperth Fare Increases***

The operating subsidy paid to the Authority will reduce by \$17.7 million over the period 2017-18 to 2020-21 as a result of Transperth fare increases announced on 22 June 2017. Further information on Transperth fare changes is available in Appendix 8.

## **Southern Ports Authority**

### **Election Commitment**

#### ***Bunbury Port Planning***

An amount of \$500,000 will be spent by the Authority in 2017-18 to plan the development and expansion of Bunbury Port. A further \$9.5 million will be held as a global provision pending a funding decision as part of the 2018-19 Budget.

## **Metropolitan Redevelopment Authority**

### **Election Commitments**

#### *Inner City College*

An additional \$6.6 million will be spent in 2017-18 to undertake statutory planning, project planning and site works to prepare the Inner City College site for construction.

### **Other Spending**

#### *Scarborough Beach Redevelopment Area*

Overall expenditure on the Scarborough Beach Redevelopment Area will be reduced by \$8.8 million in 2017-18. This reflects a \$9.3 million reduction from the cancellation of the previously planned road extensions to the north and south of the Esplanade beachfront area, partially offset by an additional \$500,000 for a one-off disruption payment to eligible businesses affected by the foreshore works.

## **Western Australian Planning Commission**

### **Election Commitments**

#### *Formation of Bunbury Development Committee*

The Western Australian Planning Commission will spend \$400,000 over 2017-18 to 2020-21 to form a Bunbury Development Committee. Formed under delegation from the Commission, the Committee will guide the development of Casuarina Harbour, Withers and Glen Iris.

#### *Internal Reallocation to Fund Election Commitments*

Savings totalling \$400,000 over the period 2017-18 to 2020-21 will be reinvested towards the delivery of the Government's recurrent election commitments. These savings will be realised through operational efficiencies and the reprioritisation of current expenditure across the Commission's total cost of service.

## **Western Australian Land Authority (LandCorp)**

### **Other Spending**

#### *Australian Marine Complex – Common User Facility – Floating Dock Ballast System Upgrade*

An amount of \$8.3 million will be spent in 2017-18 to upgrade the floating dock ballast system at the Australian Marine Complex – Common User Facility. This facility supports projects in the sectors of oil and gas, resources, marine and defence. The floating dock is a key piece of infrastructure supporting the sustainment of the Royal Australian Navy's Collins Class submarines and ANZAC frigates.

## **Western Australian Land Information Authority (Landgate)**

### *Strategic Development Plan*

A reduction of \$9.7 million has been achieved by Landgate in 2016-17 as a result of greater salaries and superannuation savings, and less expenditure on various contracts associated with the transition to its new business operating model.

The Strategic Development Plan also incorporates a projected \$19.4 million reduction in expenditure between 2017-18 and 2020-21, with registration and search services performed by Landgate expected to be significantly lower than previously estimated as a result of the continued softening of the Western Australian property market.

## MINISTER FOR WATER; FORESTRY; INNOVATION AND ICT; SCIENCE

Table 23

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>WATER CORPORATION <sup>(a)</sup></b>					
– Operating Subsidy	-21.9	-31.3	-33.2	-25.0	-20.8
<b>CHEMISTRY CENTRE (WA)</b>					
– Agency Expenditure Review – Tranche 3	0.5	1.8	1.4	1.5	1.5
– Freeze Salaries and Allowances Tribunal Determined Salaries	-	- (b)	- (b)	- (b)	- (b)
– Revision to Indexation for Non-Salary Expenses	-	-0.1	-0.2	-0.2	-0.2

(a) Represented in general government expenses as grants and subsidies, sourced from the Consolidated Account and paid through the Department of Treasury.

(b) Amount less than \$50,000.

## Water Corporation

### *Operating Subsidy*

The operating subsidy paid to the Corporation, which reflects the difference between the cost of service and charges paid by consumers, will decrease by a total of \$132.2 million over 2016-17 to 2020-21. This primarily reflects a reduction to the cost of service resulting from lower than anticipated capital and operating expenditure in country regions, and increased revenue from customers associated with the reduction of the seniors water services charge rebate cap to \$100 from 1 July 2017.

## Chemistry Centre (WA)

### *Agency Expenditure Review – Tranche 3*

An additional \$6.6 million will be spent over 2016-17 to 2020-21 as a result of measures taken by the Centre during its Agency Expenditure Review. This has been driven by a \$6.9 million increase in salaries and equipment expenses associated with the National Measurement Institute (NMI) transaction with the Commonwealth Government. A separate \$300,000 reduction in salaries expense will partially offset this increased expenditure. The remaining additional expenditure will be more than offset by increased fee for service revenue generated from the NMI transaction and ensures that the Centre exceeds its Agency Expenditure Review savings target of \$0.9 million.



## PROVISIONS

Table 24

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>Provisions</b>					
Budget Repair Measures:					
– \$1,000 Wages Policy	-0.9	-30.7	-87.4	-155.7	-223.1
– Remaining Service Priority Review Provision	-	-	-80.5	-82.8	-86.0
– Voluntary Targeted Separation Scheme	-	185.0	-180.0	-180.0	-180.0
– State Fleet Policy and Procurement Initiatives	-	-3.3	-12.7	-13.8	-14.4
– Government Office Accommodation Reform Program	-	-7.0	-14.2	-24.0	-38.7
Other changes:					
– Revised Road Trauma Trust Account Spending	-	6.7	22.3	23.1	22.9
Allocation of PFPS Provisions to Agencies: <sup>(a)</sup>					
– Daily Average Prisoner Population	-3.8	-20.7	-13.6	-7.6	-
– Hardship Utility Grant Scheme	-5.0	-	-7.5	-7.8	-
– Essential and Municipal Services – Remote Aboriginal Communities <sup>(b)</sup>	-	-	-	-46.0	-
– Road Trauma Trust Account Spending <sup>(c)</sup>	-3.0	-28.9	-29.9	-28.5	-
– Delayed Completion of the Perth Children’s Hospital	-7.0	-	-	-	-
– Transition to National Disability Insurance Scheme	-	-309.7	-264.4	-604.2	-

(a) A range of provisions for anticipated unavoidable costs were reflected in the 2016-17 PFPS released on 9 February 2017. Provisions that have been allocated to agencies elsewhere in this chapter have been removed as global adjustments in this Budget.

(b) Represented in general government expenses as grants and subsidies.

(c) Includes provision for spending of additional red light and speed camera revenue (disclosed in the 2016-17 Mid-year Review).

## Provisions

### Budget Repair Measures

Savings for a number of the Government’s Budget repair measures have been included as global provisions in this Budget, with the savings to be reflected in individual agency budgets in the 2017-18 Mid-year Review or the 2018-19 Budget (see Chapter 1: *Overview* for more information on the Budget repair measures). Provisions for these measures include:

- *\$1,000 Wages Policy* – this policy is anticipated to reduce expenses by \$498 million to 2020-21;
- *Remaining Service Priority Review Provision* – a \$249 million savings provision reflects Service Priority Review savings to be achieved through the Machinery of Government changes announced on 28 April 2017 and the Government’s commitment to reduce the number of Senior Executive Service positions by 20%, supported by the Voluntary Targeted Separation Scheme (discussed below);
- *Voluntary Targeted Separation Scheme* – detailed in Chapter 1, this Scheme is expected to result in savings of \$355 million after allowing for implementation costs, incentive funding for agencies, and a contribution to the achievement of the remaining Service Priority Review savings;

- *State Fleet Policy and Procurement Initiatives* – revisions to the State Fleet motor vehicle policy and procurement processes (which include extending vehicle lease terms, aggregated buying of vehicles, rationalising the range of vehicles and abolishing some Senior Officer Vehicle Scheme entitlements) to deliver savings of \$49 million over the forward estimates period; and
- *Government Office Accommodation Reform Program* – this Program involves a range of initiatives largely focusing on space reduction through more efficient utilisation and lease and outgoings cost reductions. Lower accommodation expenses of \$84 million have been included as a provision in this Budget, with net savings (after incorporation of lease incentives and higher associated costs for Finance) expected to total \$78 million over the Budget period.

## **Other Changes**

### **Revised Road Trauma Trust Account Spending**

A \$249.8 million provision for anticipated spending from the Road Trauma Trust Account (RTTA) over 2017-18 to 2020-21 is reflected in this Budget. Of this, \$174.9 million is forecast to be capitalised and \$74.9 million is forecast to be expensed. This spending provision has been updated from the PFPS to reflect an expectation – consistent with current policy settings – that the revenue that is forecast to flow in to the RTTA will be fully spent each year. RTTA spending is allocated to agencies in the annual Budget process, and in 2017-18 is reflected in the budgets of Western Australia Police, the Departments of Transport and Education, WA Health, the Mental Health Commission and Main Roads.

### **Allocation of PFPS Provisions to Agencies**

The PFPS included a number of provisions for expenditure deemed highly likely to materialise over the forward estimates period. With the exception of the provision for Workers' Compensation for Western Australia Police (which remains in this Budget as a provision), and a residual provision for as yet unallocated RTTA spending (see above), these items have now been allocated to agency budgets.



# Asset Investment

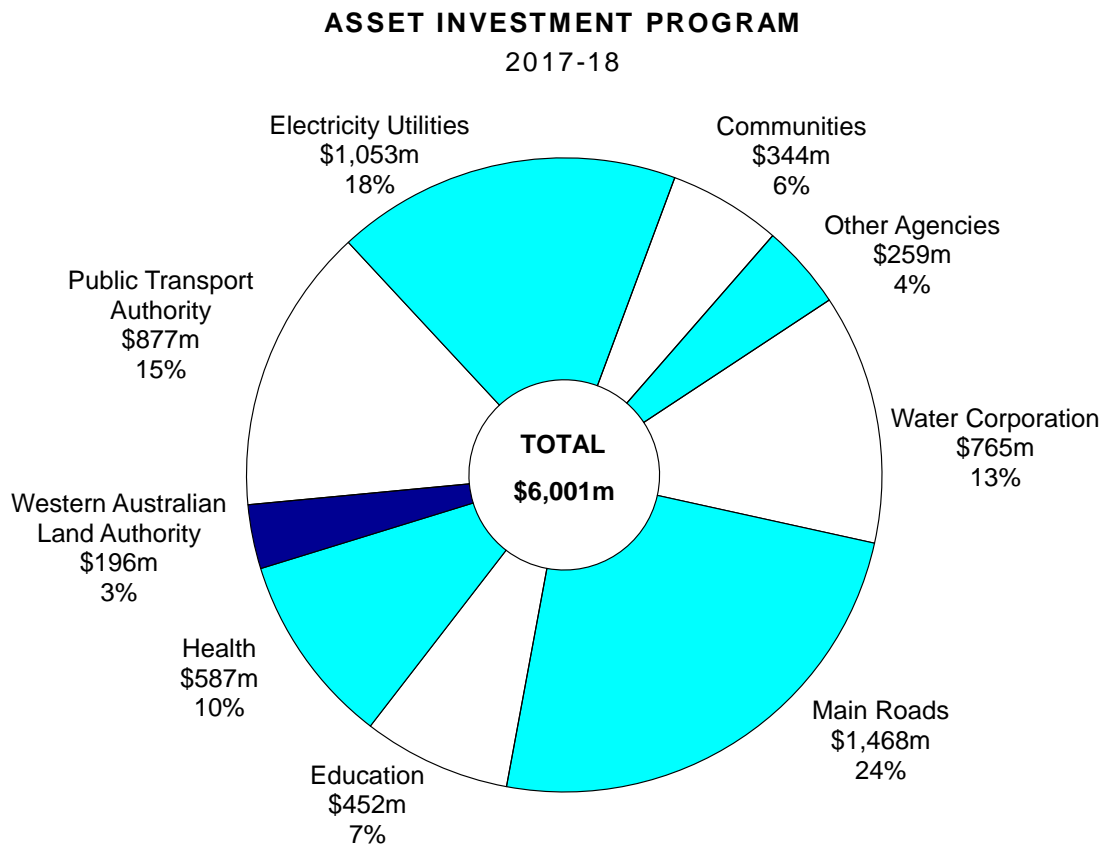
## HIGHLIGHTS

- In 2017-18, the State's investment in economic and social infrastructure (i.e. the Asset Investment Program or AIP) is forecast to total \$6 billion, an increase of \$820 million on the estimated outturn for 2016-17.
- Infrastructure investment in this Budget is dominated by roads, public transport, water and electricity, with these sectors accounting for around 70% of the 2017-18 AIP. Health and education account for a further \$1 billion or 17% of the 2017-18 AIP.
- Delivering the Government's election commitments is a major focus of the program, with \$2.9 billion in new asset investment in this Budget including:
  - \$1.3 billion towards METRONET Stage 1 projects. This includes work commencing on the extension to Yanchep and the Thornlie-Cockburn Link;
  - \$809 million for upgrades to key roads, including the Armadale Road – North Lake Road Bridge at Kwinana Freeway, extension of Leach Highway between Carrington Street and Stirling Highway, and investment in regional roads such as the Karratha to Tom Price Road, and Albany and Bunbury Ring Roads;
  - \$362 million for the construction, refurbishment, and expansion of public schools across Western Australia;
  - \$16 million for a new Capel Police Station, establishment of the Meth Border Force and to support 24 hour services at Armadale, Ellenbrook and Cockburn Police Stations, and extended hours at Forrestfield, Belmont and Canning Vale Stations; and
  - \$10 million to establish the State's alcohol and other drugs rehabilitation prison at the Wandoo facility and invest in drug detection assets.
- Wherever possible, the Government has minimised the net debt impact of these new investments by reallocating funding from other projects (such as the now cancelled Perth Freight Link project) and identifying new funding sources.

## Introduction

Asset investment of \$22.3 billion between 2017-18 and 2020-21 will continue the trend towards investment in large transport projects. In 2017-18, the largest contributors to the AIP are roads, public transport, water and electricity, accounting for around 70% of the total AIP (see figure below).

Figure 1



Note: Segments may not add due to rounding.

The share of the AIP delivered by the State’s public corporations (rather than the general government sector) is expected to increase from almost 52% in 2017-18 to almost 74% by 2020-21, reflecting increased investment in power, water and public transport infrastructure.

Funding of the AIP continues to be a mix of internal funds and cash balances, Royalties for Regions, Commonwealth grants and borrowings. The composition of AIP funding is expected to change significantly over the forward estimates period, with the proportion funded by cash, land and property sales increasing from 31% to 57%. This is consistent with the move to an increasing share of investment by the public corporations sector.

## Investing in Transport

Government investment in roads, public transport and port authorities totals \$2.5 billion in 2017-18 (up from an estimated \$1.7 billion in 2016-17) and a record \$8.1 billion over the four-year forward estimates period. Consistent with the Government's focus on expanding public transport infrastructure, the forward program reflects the Public Transport Authority delivering a larger proportion of the AIP.

Table 1

### ASSET INVESTMENT IN ROADS, PUBLIC TRANSPORT AND PORTS

	2016-17	2017-18	2018-19	2019-20	2021-21
	\$m	\$m	\$m	\$m	\$m
Main Roads	979	1,468	989	736	542
Public Transport Authority	631	877	1,001	1,063	808
Western Australian Port Authorities	104	196	318	68	62
<b>Total</b>	<b>1,715</b>	<b>2,540</b>	<b>2,308</b>	<b>1,868</b>	<b>1,412</b>

Note: Columns may not add due to rounding.

## **METRONET**

This Budget includes investment of \$1.3 billion over the period 2017-18 to 2020-21 for METRONET Stage 1 projects, with a further \$469.3 million beyond the forward estimates period.

The costs of constructing the Thornlie-Cockburn Link and the Yanchep Rail Extension have both been funded, with an estimated total cost of \$1.1 billion over five years from 2017-18 (including \$44.5 million in 2021-22 for new buses). A further \$22.1 million will be spent across 2017-18 and 2018-19 to undertake planning and develop business cases for the Morley-Ellenbrook rail line and extension of the Armadale line to Byford. The funding for constructing these rail lines will be included in future Budgets.

The Government has committed to removing four rail level crossings on the Midland and Armadale lines. This Budget includes \$70 million over the period 2017-18 to 2019-20 to remove the Denny Avenue level crossing on the Armadale line (Kelmscott) and to undertake planning for the removal of the remaining three crossings at Caledonian Avenue (Maylands), Oat Street (Carlisle) and Wharf Street (Queens Park).

A further \$54.2 million has been allocated over the period 2017-18 to 2020-21 (with a further \$47.1 million beyond the forward estimates period) for New Stations and Existing Station Upgrades. The Government will undertake planning and develop business cases for the construction of a train station at Karnup on the Mandurah line, and for extending the Midland line to Bellevue. The Budget includes an allocation to purchase land in Bellevue for the future station. The Government will also commence a program to upgrade existing stations, by improving disability access, CCTV, lighting, station access and pathways.

A total of 102 new railcars will be acquired to cater for METRONET Stage 1 projects, at a cost of \$322.7 million over the period 2017-18 to 2020-21 (and a further \$185.5 million beyond the forward estimates period). These railcars will provide for services on the Thornlie-Cockburn Link and Yanchep Rail Extension, as well as the new rail lines, rail line extensions and new stations to be funded in future Budgets. The railcars will be procured as six-car sets, to provide additional passenger capacity.

An amount of \$7.4 million has been allocated across 2017-18 and 2018-19 to undertake planning for a modern Automatic Train Control signalling system, with investment to be funded in a future Budget.

Over the forward estimates period, METRONET will be funded through the reallocation of \$1.2 billion funding from the cancellation of Perth Freight Link (\$459 million of State funding and \$776.4 million of Commonwealth funding), and \$104.8 million from value capture and land sales revenue (as shown in the following table).

Table 2

**METRONET – Stage 1 Projects**

	2017-18	2018-19	2019-20	2020-21
	\$m	\$m	\$m	\$m
<b>Capital Expenditure</b>				
Yanchep Rail Extension	30.7	105.0	161.5	143.6
Thornlie-Cockburn Link	8.0	110.0	155.0	150.0
Railcar Acquisition	1.0	48.3	107.7	165.7
Rail Line Planning	10.0	12.1	-	-
Level Crossing Removal Program				
- Planning	1.0	-	-	-
- Denny Avenue	-	35.0	34.0	-
New Stations and Existing Station Upgrades				
- Planning	4.0	1.2	-	-
- Land Acquisition	-	25.0	-	-
- Upgrades	-	2.1	10.8	11.0
Automatic Train Control Planning	4.2	3.2	-	-
<b>Total</b>	<b>58.9</b>	<b>341.9</b>	<b>469.0</b>	<b>470.4</b>
<b>Funding</b>				
Commonwealth (reallocation of PFL)	9.0	25.0	84.4	658
Land Sales and Value Capture	-	-	34.9	69.9
State Capital Appropriation (reallocation of PFL) <sup>(a)</sup>	49.9	316.9	349.7	-257.5

(a) The State Capital Appropriation reflects the current profile and differences between capital expenditure and Commonwealth funding. The timing of Commonwealth funding will be revised in consultation with the Commonwealth and reflected in future Budget updates.

**Investing in our Children's Education**

From 2017-18 to 2020-21, the Government will invest \$1.4 billion in the construction, refurbishment and expansion of public schools across Western Australia, including \$452 million in 2017-18. The delivery of education infrastructure will focus on additional student accommodation and school facilities State-wide. Significant investment will address enrolment growth pressures in the northern and southern metropolitan growth corridors, as well as Perth's inner city suburbs.

Table 3

**ASSET INVESTMENT IN WESTERN AUSTRALIAN EDUCATION**

	2016-17	2017-18	2018-19	2019-20	2021-21
	\$m	\$m	\$m	\$m	\$m
Department of Education	346	452	437	301	190



## Utilities

The Government is committed to ensuring the safe and reliable provision of essential services, with asset investment of \$7 billion over the next four years for power and water infrastructure, including \$1.8 billion in 2017-18 (representing 31% of the total AIP).

Table 4

<b>ASSET INVESTMENT IN WESTERN AUSTRALIAN UTILITIES</b>					
	2016-17	2017-18	2018-19	2019-20	2021-21
	\$m	\$m	\$m	\$m	\$m
Electricity Corporations	834	1053	998	913	944
Water Corporation	806	765	757	835	694
Bunbury and Busselton Water Corporations	7	15	14	7	7
<b>Total</b>	<b>1,646</b>	<b>1,833</b>	<b>1,769</b>	<b>1,754</b>	<b>1,644</b>

Note: Columns may not add due to rounding.

## Investing in Regional Western Australia

Of the total four-year AIP, and excluding State-wide initiatives, \$3.5 billion relates to discrete investments in regional towns and centres. Key areas of investment include:

- \$830 million on regional roads, including investments in the next stage of the new road between Karratha and Tom Price, the South Coast Highway, the Albany and Bunbury Ring Roads, and major upgrades to the Great Northern Highway between Muchea and Wubin;
- \$556 million in regional water projects, including \$27 million to connect Harris Dam to Stirling Dam to help secure the long-term water supply for the 44 towns in the Great Southern Town Water Supply Scheme;
- \$215 million to deliver new and upgraded schools in regional Western Australia, with key projects in Broome, Geraldton and Margaret River; and
- \$202 million for the ongoing redevelopment and expansion of regional and small hospitals, medical facilities, nursing posts and primary health centres.

## Major Infrastructure Changes by Portfolio

### Summary

The following tables provide details of major changes in total public sector infrastructure spending by agency since the *Pre-election Financial Projections Statement* (PFPS) was released in February 2017. These include policy decisions made between the cut-off date for the PFPS (2 February 2017) and the cut-off date for this Budget (7 August 2017), and other changes of a material nature affecting agency infrastructure spending over the forward estimates period.

The timing of cashflows for some previously announced projects may have also been revised but are not included in this chapter as they are broadly net debt neutral across the forward estimates period. Further details on individual projects are contained in Budget Paper No. 2: *Budget Statements*.

## PREMIER; MINISTER FOR PUBLIC SECTOR MANAGEMENT; FEDERAL-STATE RELATIONS

Table 5

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>GOLD CORPORATION</b>					
– Asset Replacement	0.1	17.5	5.6	1.8	1.4
<b>GOVERNOR'S ESTABLISHMENT</b>					
– Roof Repair and Reinstatement within the Government Domain	-	0.9	1.4	-	-
– Air-conditioning Upgrade	-	0.5	1.0	1.0	1.0

### Gold Corporation

#### *Asset Replacement*

An additional \$26.3 million has been allocated over the period from 2016-17 to 2020-21 for the Corporation to:

- complete an upgrade to its software systems and assay lab by 2018-19 (\$16.1 million), which will allow it to operate at international standards and maintain accreditation with the London Bullion Market Association;
- undertake maintenance on its heritage listed building (\$3.5 million) to ensure its continued longevity and preserve its cultural and historic importance; and
- pursue ongoing asset replacement, press upgrades and shop refurbishment (\$6.7 million).

### Governor's Establishment

#### *Roof Repair and Reinstatement within the Government Domain*

An amount of \$2.3 million will be spent over 2017-18 to 2018-19 to repair the roof structure and reinstate Welsh slate tiles at Government House.

#### *Air-conditioning Upgrade*

An amount of \$500,000 in 2017-18 and \$1 million per annum for three years from 2018-19 will be spent to implement an efficient whole-of-building solution for air-conditioning within Government House.

## DEPUTY PREMIER; MINISTER FOR HEALTH; MENTAL HEALTH

Table 6

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>WA HEALTH</b>					
<b>Election Commitments</b>					
- Expand the Ear Bus Program	-	0.2	-	-	-
<b>Other Spending</b>					
- Perth Children's Hospital – Information and Communications Technology	-	6.3	-	-	-
- Fiona Stanley Hospital – da Vinci Surgical System	-	5.0	-	-	-
- Fiona Stanley Hospital – Information Communications Technology and Equipment Upgrades	-	13.6	-	-	-
- Continued Roll-out of the Patient Administration System	1.4	10.8	1.5	-	-
- Fire Safety at Royal Perth Hospital	-	0.3	4.0	4.2	1.5
- Fremantle General Dental Clinic	-	3.0	-	-	-
- Hospital Avenue Upgrade	-	1.9	-	-	-
- Sarich Neuroscience Research Institute	-	1.5	-	-	-
- Reallocation from Bentley Hospital Redevelopment Project	-0.5	-1.9	-4.8	-2.8	-
<b>MENTAL HEALTH COMMISSION</b>					
<b>Election Commitments</b>					
- Alcohol and Other Drugs Residential Rehabilitation and Treatment Services in the South West	-	-	5.3	10.8	-
- Step up/Step down Mental Health Facility in Kalgoorlie	-	-	1.0	4.4	0.3

## WA Health

### Election Commitments

#### *Expand the Ear Bus Program*

Funding of \$230,000 will be spent in 2017-18 to expand the Ear Bus Program to provide an ear screening service in the Kimberley.

### Other Spending

#### *Perth Children's Hospital – Information and Communications Technology*

Additional capital investment of \$6.3 million in 2017-18 has been allocated to support the deployment of information and communications technology systems at the Perth Children's Hospital.

#### *Fiona Stanley Hospital – da Vinci Surgical System*

The Government has approved additional capital investment of \$5 million in 2017-18 for WA Health to procure and implement the da Vinci Surgical System at Fiona Stanley Hospital (FSH) to improve clinical standards and operating efficiency.

### ***Fiona Stanley Hospital – Information Communications Technology and Equipment Upgrades***

An additional \$13.6 million will be spent in 2017-18 to replace and upgrade information and communications technology. This will support the efficient operation of FSH, including management of the Facilities Management Service Contract with Serco.

### ***Continued Roll-out of the Patient Administration System***

A total of \$13.7 million will be spent over the period from 2016-17 to 2018-19 on the continued roll-out of a new patient administration system (webPAS) to metropolitan hospitals, funded through a reprioritisation of recurrent expenditure. This will enable the implementation of a single, modern and flexible patient administration system across the Western Australian health system.

### ***Fire Safety at Royal Perth Hospital***

An amount of \$10 million will be spent over the period from 2017-18 to 2020-21 to improve and maintain priority fire safety and compliance requirements at Royal Perth Hospital.

### ***Fremantle General Dental Clinic***

To support the relocation of the Fremantle General Dental Clinic, \$3 million will be spent in 2017-18 to refurbish Fremantle Hospital.

### ***Hospital Avenue Upgrade***

An additional \$1.9 million will be spent in 2017-18 for the upgrade of Hospital Avenue to support traffic flow and improve road and pedestrian safety at the QEII Medical Centre site.

### ***Sarich Neuroscience Research Institute***

An additional \$1.5 million will be reprioritised from recurrent expenditure in 2017-18 to support the completion of the Institute. This facility opened in April 2017 and supports world-class neuroscience research in Western Australia.

### ***Bentley Hospital Redevelopment – Reallocation***

A total of \$10 million has been reallocated from the Bentley Hospital Redevelopment project to meet priority fire safety needs at Royal Perth Hospital.

The existing facilities at Bentley will remain fully functional and able to meet clinical service delivery requirements without compromising patient, staff or visitor safety.

## **Mental Health Commission**

### **Election Commitments**

#### ***Alcohol and Other Drugs Residential Rehabilitation and Treatment Services in the South West***

A total of \$16.1 million will be spent from 2018-19 to 2019-20 to establish an alcohol and other drugs residential rehabilitation and treatment service in the South West. An additional \$1.9 million in recurrent expenditure has been allocated for the operation of this service (see Chapter 5: *General Government Expenses*).

***Step up/Step down Mental Health Facility in Kalgoorlie***

An additional \$5.6 million will be invested from 2018-19 to 2020-21 to establish a Step up/Step down Mental Health Facility in Kalgoorlie. An accompanying \$1.7 million of recurrent expenditure will also be spent in 2020-21 to operate this service (see Chapter 5).

## MINISTER FOR EDUCATION AND TRAINING

Table 7

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>EDUCATION</b>					
<b>Election Commitments</b>					
– New Primary Schools <sup>(a)</sup>	-	14.0	40.2	51.8	40.8
– Investment in Secondary Schools					
• Balcatta Senior High School	-	3.0	20.0	20.0	7.0
• John Forrest Secondary College	-	-	-	1.5	20.0
• Darling Range Sports College	-	-	1.0	8.0	1.0
• Southern River College	-	0.5	5.0	2.9	-
• Wanneroo Senior High School	-	-	-	2.0	3.0
• Mount Lawley Senior High School	-	-	-	4.0	-
• Kinross College	-	-	-	2.5	-
• Canning Vale College	-	2.0	-	-	-
• Morley Senior High School	-	-	1.5	-	-
– Investment in Regional Schools					
• Broome Senior High School	-	-	10.0	5.0	5.0
• Collie Senior High School	-	2.5	5.0	-	-
• Bunbury Senior High School	-	5.0	-	-	-
• Eaton Community College	-	-	2.5	2.5	-
• Eaton Primary School	-	-	1.5	1.5	-
• Mount Lockyer Primary School	-	-	-	-	3.0
• Newton Moore Senior High School	-	-	1.5	1.5	-
• South Bunbury Primary School	-	-	1.0	2.0	-
• Lakelands Senior High School	-	2.5	-	-	-
• Flinders Park Primary School	-	-	-	2.0	-
• Glen Huon Primary School	-	1.5	-	-	-
– Inner City College	-	2.0	36.0	29.8	-
– City Beach College	-	-1.0	-5.0	-29.5	-17.5
– Secondary School Performing Arts Centres	-	2.0	6.5	10.0	6.0
– Science Programs in Primary Schools	-	3.0	3.0	3.0	3.0
– Willetton Senior High School – Stage 3	-	-	-6.8	-5.0	-
– Primary School Minor Upgrades Program <sup>(b)</sup>	-	7.6	4.7	1.4	1.6
<b>Other Spending</b>					
– Schools Small Asset Capitalisation	29.6	-	-	-	-
– Fire Restoration Works to Schools	6.6	-	-	-	-
– Students First Funding of Students with Disabilities – Reclassification of Funds	3.1	1.2	-	-	-
<b>TRAINING AND WORKFORCE DEVELOPMENT</b>					
<b>Election Commitments</b>					
– Plan for Collie-Preston: Collie TAFE Major Upgrade	-	0.2	-	-	-
<b>BUILDING AND CONSTRUCTION INDUSTRY TRAINING BOARD</b>					
– Career Information Centre	-	2.5	-	-	-

(a) This spending is reallocated from within the existing Asset Investment Program.

(b) This comprises \$13.1 million in reallocated funds from within the existing asset investment program, with additional funding of \$2.2 million.

## Education

### Election Commitments

#### *New Primary Schools*

The Government has reallocated \$146.8 million from 2017-18 to 2020-21, and a further \$8.6 million beyond 2020-21, from the annual primary school construction provision to deliver ten new primary schools in the following areas: Baldivis, Banksia Grove, Bletchley Park, Brabham, Burns Beach, Byford, Caversham South, Harrisdale/Piara Waters, Huntingdale and Yanchep.

#### *Investment in Secondary Schools*

An amount of \$104.9 million will be invested from 2017-18 to 2020-21 for the upgrade and expansion of secondary school facilities across the metropolitan area, comprising:

- \$50 million to increase the permanent student accommodation at Balcatta Senior High School and upgrade all specialist facilities and general classrooms;
- \$21.5 million in 2019-20 and 2020-21 (with a further \$28.5 million beyond 2020-21) to increase the permanent student capacity of John Forrest Secondary College, and for the construction of additional specialist facilities;
- \$10 million for the Darling Range Sports College to construct a new performing arts centre, as well as specialist facilities to support the delivery of education in areas of home economics, science and visual arts;
- \$8.4 million to build a new performing arts centre, as well as specialist facilities to support the delivery of education in areas of visual arts, science and music at Southern River College;
- \$5 million for Wanneroo Senior High School for the construction of a new cafeteria and refurbishment of support facilities;
- \$4 million to provide additional permanent student capacity at Mount Lawley Senior High School;
- \$2.5 million to construct additional general classrooms and student support facilities at Kinross College;
- \$2 million to erect additional sports and music specialist facilities, as well as upgrades to the student services facilities, at Canning Vale College; and
- \$1.5 million to upgrade general and specialist classroom facilities at Morley Senior High School.

#### *Investment in Regional Schools*

A total of \$55.5 million will be invested from 2017-18 to 2020-21 for the upgrade and expansion of regional primary and secondary school facilities, comprising:

- \$20 million for the refurbishment and upgrade of facilities and expansion of permanent student accommodation at Broome Senior High School;



- \$7.5 million for the construction of an additional classroom block to address permanent student accommodation pressure, and to provide specialist classroom facilities, at Collie Senior High School;
- \$5 million at Bunbury Senior High School for the replacement of the existing school canteen, and refurbishment of the home economics facility;
- \$5 million to deliver additional science laboratories at Eaton Community College;
- \$3 million for the construction of a classroom block of specialist facilities to support early childhood education at Eaton Primary School;
- \$3 million to refurbish and upgrade the support facilities and general classrooms at Mount Lockyer Primary School;
- \$3 million at Newton Moore Senior High School for the development of a stand-alone Science Technology Engineering and Mathematics centre;
- \$3 million at South Bunbury Primary School to refurbish general classrooms and replace the outdoor covered area structure;
- \$2.5 million to construct facilities on land adjacent to Lakelands Senior High School to be utilised by both the City of Mandurah and the school on a shared use arrangement;
- \$2 million, in addition to the \$0.5 million provisioned previously, to replace the transportable classrooms that are currently used for early childhood education at Flinders Park Primary School with permanent facilities; and
- \$1.5 million to erect a fit-for-purpose early learning centre at Glen Huon Primary School.

### ***Inner City College***

A total of \$67.8 million will be invested from 2017-18 to 2019-20 for the construction of the Inner City College to address student enrolment pressures in the inner city suburbs.

### ***City Beach College – Reallocation***

An amount of \$53 million, previously allocated for the construction of the planned City Beach College, has been reallocated to the delivery of the Inner City College.

### ***Secondary School Performing Arts Centres***

A total of \$24.5 million will be invested from 2017-18 to 2020-21 to build new performing arts centres at Belridge Senior High School, Ballajura Community College and Belmont City College, establish a replacement centre at Ocean Reef Senior High School, and upgrade the centre at Melville Senior High School.

### ***Science Programs in Primary Schools***

A total of \$12 million will be invested from 2017-18 to 2020-21 in approximately 200 primary schools to facilitate the upgrade or conversion of existing general classroom infrastructure into specialised science laboratories.

### ***Willetton Senior High School – Stage 3***

Asset investment totalling \$11.8 million over 2018-19 and 2019-20 for Stage 3 for the Willetton Senior High School expansion has been reallocated to support the delivery of the Government's school-related election commitments.

### ***Primary School Minor Upgrades Program***

A total of \$15.3 million (additional funding of \$2.2 million, along with the reallocation of \$13.1 million from within the existing asset investment program) will be directed towards minor capital works including upgrades to undercover areas, additional classrooms, library facilities, early learning centres, and perimeter fences. This program of works will be undertaken at the following primary schools: Ballajura, Beaumaris, Camboon, Caversham, Currambine, Ellenbrook, Kinross, Mount Hawthorn, North Morley, South Ballajura, Tapping, Weld Square and Yokine.

## **Other Spending**

### ***Schools Small Asset Capitalisation***

An additional \$29.6 million in 2016-17 was invested in small asset purchases and minor works undertaken by individual schools across the State.

### ***Fire Restoration Works to Schools***

Asset investment totalling \$6.6 million was made in 2016-17 for restoration works to both Condingup Primary School and Newman Senior High School, following extensive fire damage to classrooms and school administration facilities.

### ***Students First Funding of Students with Disabilities – Reclassification of Funds***

A total of \$4.3 million of Students First funding has been reclassified from recurrent expenditure to capital investment over 2016-17 and 2017-18 for the provision of facilities to support students with disabilities.

## **Training and Workforce Development**

### **Election Commitments**

#### ***Plan for Collie-Preston: Collie TAFE Major Upgrade***

An additional \$200,000 will be invested in 2017-18 for the planning and preparation of a business case to upgrade the South Regional TAFE's Collie campus to support mining industry skills training.

## **Building and Construction Industry Training Board**

### ***Career Information Centre***

An additional \$2.5 million will be invested in 2017-18 to complete the new Career Information Centre under construction in Belmont.

## MINISTER FOR ENVIRONMENT

Table 8

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>BIODIVERSITY, CONSERVATION AND ATTRACTIONS</b>					
<b>Election Commitments</b>					
– Lake Kewari	-	0.5	1.0	1.5	-
– Wellington Dam Walk Trails	-	0.2	-	-	-

### Biodiversity, Conservation and Attractions

#### Election Commitments

##### *Lake Kewari*

A total of \$3 million will be spent over 2017-18 to 2019-20 to develop Lake Kewari as a recreational tourist destination for water-based activities.

##### *Wellington Dam Walk Trails*

An amount of \$200,000 will be spent in 2017-18 to develop walking facilities around Wellington Dam to enhance the tourism appeal of the region.

## MINISTER FOR ENVIRONMENT; MINISTER FOR WATER

Table 9

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>WATER CORPORATION</b>					
<b>Election Commitments</b>					
– Roselea Estate Drainage Upgrades	-	-	0.5	0.5	0.5
<b>Other Spending</b>					
– Asset Investment Program Review	32.0	-15.1	-19.7	-21.7	-16.7
<b>BUNBURY WATER CORPORATION (AQWEST)</b>					
– Glen Iris Water Treatment Plant	-	7.5	7.5	-	-
– Revision to Asset Investment Program	-0.2	0.6	0.1	2.2	2.0
<b>BUSSELTON WATER CORPORATION</b>					
– Busselton-Margaret River Regional Airport Potable Water Upgrade	-	1.2	-	-	-

### Water Corporation

#### Election Commitments

##### *Roselea Estate Drainage Upgrades*

The Water Corporation will invest \$1.5 million from 2018-19 to 2020-21 to address drainage and land matters at the Roselea Estate in Stirling.

#### Other Spending

##### *Asset Investment Program Review*

The Corporation's spending on assets has been reduced by \$73.2 million over the period 2017-18 to 2020-21 to reflect a further expected easing in cost pressures. This is partially offset by increased expenditure in 2016-17 associated with the replacement of ageing water mains in the metropolitan and country regions that will ensure the continuation of reliable water services.

### Bunbury Water Corporation (Aqwest)

##### *Glen Iris Water Treatment Plant*

A total of \$15 million will be spent over 2017-18 and 2018-19 to construct the Glen Iris water treatment plant to ensure long-term security to Aqwest's potable water supply and replace the ageing water treatment facilities at its existing coastal sites.

##### *Revision to Asset Investment Program*

An additional \$4.8 million will be spent over 2017-18 to 2020-21 to maintain or improve asset conditions and ensure minimum service delivery standards are maintained.

## **Busselton Water Corporation**

### ***Busselton-Margaret River Regional Airport Potable Water Upgrade***

The Corporation will spend \$1.2 million in 2017-18 to undertake works to deliver potable water to the Busselton-Margaret River Regional Airport site. The airport currently has an independent water supply that will not be capable of meeting the new water demands.

**MINISTER FOR CHILD PROTECTION; WOMEN’S INTERESTS;  
PREVENTION OF FAMILY AND DOMESTIC VIOLENCE;  
COMMUNITY SERVICES; MINISTER FOR DISABILITY  
SERVICES; MINISTER FOR HOUSING; VETERANS ISSUES;  
YOUTH; MINISTER FOR SENIORS AND AGEING;  
VOLUNTEERING**

Table 10

**MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL  
PROJECTIONS STATEMENT**

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>COMMUNITIES</b>					
<b>Election Commitments</b>					
– Stopping Family and Domestic Violence – Two Additional Women’s Refuges	-	-	2.5	2.5	-
<b>Other Spending</b>					
– National Disability Insurance Scheme	-	27.3	5.7	4.7	-

## Communities

### Election Commitments

#### *Stopping Family and Domestic Violence – Two Additional Women’s Refuges*

An additional \$5 million will be invested from 2018-19 to 2019-20 to establish two new Women’s Refuges in the South West metropolitan corridor and the Peel region. This investment is complemented by additional recurrent expenditure to enable the operation of the services (see Chapter 5).

### Other Spending

#### *National Disability Insurance Scheme (NDIS)*

To facilitate the delivery of the NDIS in Western Australia, \$20 million (which was previously provisioned in the PFPS) has been approved for the development of an information technology system in 2017-18, and a further \$17.7 million has been approved for other set-up costs over 2017-18 to 2019-20, including office refurbishments to accommodate additional Local Coordination staff.

## MINISTER FOR POLICE; ROAD SAFETY

Table 11

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>WESTERN AUSTRALIA POLICE</b>					
<b>Election Commitments</b>					
– Capel Police Station	-	-	4.0	4.0	-
– Meth Border Force	-	5.0	0.9	0.5	-
– 24 Hour Police Stations	-	1.1	-	-	-
– Extra Opening Hours at Police Stations	-	0.3	-	-	-
<b>Other Spending</b>					
– Information and Communications Technology Optimisation Program	-	7.0	7.0	7.0	7.0
– Police Radio Network – Commonwealth Legislated Radio Frequency Change	-	2.7	4.8	2.4	-
– Road Trauma Trust Account – Speed Camera Replacement Program	-	4.4	4.6	-	-

### Western Australia Police

#### Election Commitments

##### *Capel Police Station*

A total of \$8 million will be invested from 2018-19 to 2019-20 to construct a new police station in Capel, with construction scheduled to be completed in 2020.

##### *Meth Border Force*

A total of \$6.4 million will be spent from 2017-18 to 2019-20 to accommodate and equip the additional police officers and specialist staff for the Government's election commitment to establish a Meth Border Force. An additional \$77.1 million in recurrent expenditure will also be spent over the forward estimates period on this initiative (see Chapter 5).

##### *24 Hour Police Stations*

A total of \$1.1 million will be spent in 2017-18 to undertake security upgrades (including lighting and closed-circuit television) at three police stations (Armadale, Ellenbrook and Cockburn), which are now open 24 hours a day, seven days a week. This is in addition to \$5.4 million in recurrent expenditure from 2018-19 to 2020-21 to support the additional operating hours of these stations (see Chapter 5).

##### *Extra Opening Hours at Police Stations*

A total of \$300,000 will be spent in 2017-18 to undertake security improvements to support extended opening hours (8.00am to 7.00pm on weekdays) at three police stations (Forrestfield, Belmont and Canning Vale).

## **Other Spending**

### ***Information and Communications Technology Optimisation Program***

As part of a \$40 million total commitment, \$28 million will be invested from 2017-18 to 2020-21 (along with a further \$12 million in recurrent expenditure – see Chapter 5) to undertake an ongoing program of information and communications technology works including the upgrade and replacement of ageing business systems.

### ***Police Radio Network – Commonwealth Legislated Radio Frequency Change***

A total of \$9.8 million will be invested from 2017-18 to 2019-20 to convert remaining analogue regional radio sites to comply with the Commonwealth's radio frequency requirements. An additional \$3.5 million in recurrent expenditure will also be spent over the four years from 2017-18 (see Chapter 5).

### ***Road Trauma Trust Account – Speed Camera Replacement Program***

An additional \$8.9 million will be spent over the period from 2017-18 to 2018-19 on the acquisition and installation of new speed cameras as part of the Speed Camera Replacement Program. An accompanying \$1.6 million in recurrent expenditure will also be spent over the same period on this project (see Chapter 5).



## MINISTER FOR REGIONAL DEVELOPMENT; AGRICULTURE AND FOOD; MINISTER FOR FISHERIES

Table 12

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>PRIMARY INDUSTRIES AND REGIONAL DEVELOPMENT</b>					
<b>Election Commitments</b>					
– Fish Health Laboratory	-	1.0	-	-	-

### Primary Industries and Regional Development

#### Election Commitments

##### *Fish Health Laboratory*

An amount of \$1 million will be spent in 2017-18 to develop a Fish Health Laboratory at the Indian Ocean Marine Research Centre at Watermans Bay to deliver research and investigative needs of the Western Australian aquaculture industry.

## MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES

Table 13

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>FIRE AND EMERGENCY SERVICES</b>					
– Cockburn Career Fire and Rescue Service (CFRS) Station	-	1.0	7.8	0.4	-
– CFRS Radio Equipment	-	2.5	-	-	-
– Fire Crew Protection	-	1.1	-	-	-
– CFRS Urban Pump Replacement Program	1.4	-	-	-	-
– CFRS Wangara Station Modifications	1.0	-	-	-	-

### Fire and Emergency Services

#### *Cockburn Career Fire and Rescue Service (CFRS) Station*

A total of \$9.1 million will be spent over three years from 2017-18 for the construction of a replacement CFRS station in Cockburn.

#### *CFRS Radio Equipment*

An amount of \$2.5 million will be spent in 2017-18 for a replacement hand held radio system for use in complex structural firefighting situations.

#### *Fire Crew Protection*

An additional \$1.1 million will be spent in 2017-18 to assist with the completion of the fire appliance crew protection program for high risk firefighting appliances.

#### *CFRS Urban Pump Replacement Program*

An additional \$1.4 million was spent on the medium pump replacement program in 2016-17 to clear a backlog of work from 2015-16.

#### *CFRS Wangara Station Modifications*

An additional \$1 million was spent in 2016-17 on modifications to the CFRS Wangara Station to extend the useful life of the building, which was commissioned in 1984.

## MINISTER FOR CORRECTIVE SERVICES

Table 14

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>JUSTICE</b>					
<b>Election Commitments</b>					
– Methamphetamine Action Plan – Alcohol and Other Drugs Rehabilitation Prison	-	9.6	-	-	-
– Methamphetamine Action Plan – Drug Testing	-	0.6	-	-	-

## Justice

### Election Commitments

#### *Methamphetamine Action Plan – Alcohol and Other Drugs Rehabilitation Prison*

The Government will invest \$9.6 million in 2017-18 to establish the State's alcohol and other drugs rehabilitation prison at the Wandoo facility, which will provide targeted drug and alcohol programs to help reduce reoffending.

#### *Methamphetamine Action Plan – Drug Testing*

An additional \$600,000 will be spent in 2017-18 on drug detection assets at the State's alcohol and other drugs rehabilitation prison at the Wandoo facility. Recurrent expenditure of \$1.3 million will also be spent over 2017-18 to 2020-21 to establish drug detection capabilities (see Chapter 5).

**MINISTER FOR LOCAL GOVERNMENT; CULTURE AND THE ARTS; MINISTER FOR SPORT AND RECREATION; MINISTER FOR RACING AND GAMING; CITIZENSHIP AND MULTICULTURAL INTERESTS**

Table 15

**MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT**

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES</b>					
<b>Election Commitments</b>					
– Art Gallery of Western Australia (AGWA) – Rooftop Activation	-	7.5	-	-	-
<b>Other Spending</b>					
– Perth Stadium	-	31.0	-	-	-
– Art Gallery of Western Australia – TomorrowFund	-	2.5	-	-	-

**Local Government, Sport and Cultural Industries**

**Election Commitments**

*Art Gallery of Western Australia (AGWA) – Rooftop Activation*

An amount of \$7.5 million has been allocated in 2017-18 towards the cost of the redevelopment of the AGWA’s rooftop as a cultural and commercial venue. The AGWA Foundation will secure sufficient private contributions to ensure completion of the project.

**Other Spending**

*Perth Stadium*

An amount of \$31 million will be appropriated to the Perth Stadium Account in 2017-18 to fund cost pressures under the Design, Build, Finance and Maintain contract for delivery of the Stadium and its surrounding sports precinct.

*Art Gallery of Western Australia – TomorrowFund*

A further \$2.5 million will be provided in 2017-18 to the TomorrowFund to support the ongoing acquisition of contemporary art for the State Art Collection.

## MINISTER FOR LOCAL GOVERNMENT; HERITAGE

Table 16

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>METROPOLITAN CEMETERIES BOARD</b>					
– Revision to Asset Investment Program	-	2.1	0.6	-0.4	1.7

### Metropolitan Cemeteries Board

#### *Revision to Asset Investment Program*

An additional \$4 million over 2017-18 to 2020-21 will be spent on upgrading and renovating the Metropolitan Cemeteries Board's infrastructure, including the mausoleums in Fremantle and Karrakatta.

## MINISTER FOR PLANNING; LANDS; MINISTER FOR HERITAGE; MINISTER FOR ABORIGINAL AFFAIRS

Table 17

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>PLANNING, LANDS AND HERITAGE</b>					
- Purchase of Land – Princess Margaret Hospital Lot 17	1.9	-	-	-	-

### Planning, Lands and Heritage

#### *Purchase of Land – Princess Margaret Hospital Lot 17*

The former Department of Lands spent \$1.9 million in 2016-17 to purchase a freehold lot situated within the Princess Margaret Hospital (PMH) site from the PMH Foundation. The purchase was made in order to amalgamate this lot with the Crown land on the PMH site and facilitate the broader redevelopment of the site.

## MINISTER FOR SPORT AND RECREATION

Table 18

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>WESTERN AUSTRALIAN SPORTS CENTRE TRUST</b>					
– Asset Investment Program	-2.0	-2.0	-1.0	-1.0	-
– HBF Arena Toilets and Storage Upgrades	-	0.7	-	-	-

#### Western Australian Sports Centre Trust

##### *Asset Investment Program*

The Trust's forecast revenues have been downgraded to reflect current and forecast market conditions, resulting in the Trust's Asset Investment Program being reduced by \$6 million over the four years to 2019-20.

##### *HBF Arena Toilets and Storage Upgrades*

An amount of \$746,000 will be spent on two additional change rooms at the Joondalup rugby club, a storage area for little athletics, and storage and new toilets at the Joondalup netball courts.

## TREASURER; MINISTER FOR FINANCE; ENERGY

Table 19

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>FINANCE</b>					
– Decentralisation of Office Accommodation to Joondalup – Fit-out	0.5	15.8	2.9	-	-
– Office of State Revenue – Revenue Collection Information System Upgrades	-	0.7	0.7	-	-
– Government Office Accommodation Reform Program					
• Asset Management System Upgrade	-	1.0	5.0	-	-
• Optima Centre Building – Fit-out Upgrade	-	2.0	1.0	-	-
<b>HORIZON POWER</b>					
– New Energy Supply Agreement	-	3.9	-	-	-
– Fitout of New Premises	-	3.0	0.9	-	-
<b>WESTERN POWER NETWORKS</b>					
– Estimated Outturn Update	-85.8	-	-	-	-

### Finance

#### *Decentralisation of Office Accommodation to Joondalup – Fit-out*

An additional \$19.2 million will be spent from 2016-17 to 2018-19 to meet the fit-out costs of new office accommodation in Joondalup, of which \$16.3 million is funded from the lease incentive.

#### *Office of State Revenue – Revenue Collection Information System Upgrades*

An additional \$1.4 million will be spent from 2017-18 to 2018-19 to upgrade the revenue collection information system to enable the efficient collection of revenue.

#### *Government Office Accommodation Reform Program – Asset Management System Upgrade*

An amount of \$6 million has been allocated for the procurement of an asset management system to facilitate the delivery of Government office accommodation savings totalling \$78 million over the four years from 2017-18.

#### *Government Office Accommodation Reform Program – Optima Centre Building – Fit-out Upgrade*

An amount of \$3 million will be spent from 2017-18 to 2018-19 for the reconfiguration of the Department's office accommodation in the Optima Centre Building, which will deliver ongoing savings of approximately \$2 million per annum.

### Horizon Power

#### *New Energy Supply Agreement*

Horizon Power has entered into a new energy supply agreement that will require the expansion of capacity at the new Onslow power station. The \$3.9 million expansion is being funded through a developer contribution.



***Fitout of New Premises***

Horizon Power has renegotiated expiring accommodation leases to deliver cheaper rent and to enable all staff to be housed in the one building. The newly acquired space needs to be fitted out, with the owner undertaking a base fit-out and Horizon Power undertaking the remaining fit-out in line with Government Office Accommodation guidelines, at a cost of \$3.9 million over 2017-18 to 2018-19.

**Western Power Networks**

***Estimated Outturn Update***

Western Power's 2016-17 AIP expenditure is \$85.8 million lower than previously estimated, reflecting the scaling back and/or deferment of a number of projects (primarily due to revisions to asset management strategies that involve better targeted investment and cost savings without compromising network safety).

## MINISTER FOR TRANSPORT; PLANNING; LANDS

Table 20

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>TRANSPORT</b>					
– On-demand Transport Business Information System Enhancements	-	3.4	1.7	2.0	-
– Two Rocks Marina	-	3.6	-	-	-
<b>COMMISSIONER OF MAIN ROADS</b>					
<b>Election Commitments</b>					
– Perth Freight Link Cancellation	8.7	-253.8	-523.9	-335.0	-556.9
– Armadale Road Bridge – North Lake Road Flyover at Kwinana Freeway	-	7.0	34.0	102.0	94.0
– Leach Highway – Carrington Street to Stirling Highway	-	1.0	7.0	55.0	55.0
– Roe Highway – Kalamunda Road Grade Separation	-	0.5	4.0	63.0	18.5
– Reid Highway – Altone Road to West Swan Road	-	0.5	1.2	41.5	26.8
– Karratha to Tom Price Road	-	1.0	6.0	30.0	13.0
– Wanneroo Road – Joondalup Drive Grade Separation	-	10.0	40.0	-	-
– Wanneroo Road – Ocean Reef Road Grade Separation	-	-	4.0	26.0	9.8
– Albany Ring Road	-	1.0	4.0	15.0	15.0
– Outback Way	-	-	23.0	10.0	-
– South Coast Highway – Albany to Jerramungup	-	1.0	5.0	24.0	-
– Wanneroo Road Duplication – Joondalup Drive to Flynn Drive	-	6.0	15.0	-	-
– Great Eastern Highway – Anzac Road to Gatacre Drive	-	2.0	12.0	-	-
– Bunbury Outer Ring Road – Planning for Stages 2 and 3	-	3.5	9.0	-	-
– Coolgardie-Esperance Highway	-	1.0	4.0	3.0	-
– Hepburn Avenue Noise Wall <sup>(a)</sup>	-	-	5.0	-	-
<b>Other Spending</b>					
– Reallocation from Existing Asset Investment Program <sup>(b)</sup>	-56.5	-85.1	-9.3	-	-41.5
– Murdoch Activity Centre Access Road	12.5	20.0	80.0	-	-
– Road Trauma Trust Account – Road Safety Initiatives	-	53.0	4.0	4.0	4.0
– Marble Bar Road – Coongan Gorge Realignment	-	18.2	20.0	16.3	-
– Kwinana Freeway – Russell Road to Roe Highway Northbound	-	3.0	46.0	-	-
– Kwinana Freeway – Roe Highway to Narrows Bridge Northbound	-	3.0	14.0	30.0	-
– Regional Road Safety Program	-	0.8	8.0	16.0	19.4
– Kwinana Freeway – Manning Road On-Ramp	-	3.0	18.0	14.0	-
– Karel Avenue – Bridge Widening at Roe Highway	-	4.0	11.0	-	-
– Great Eastern Highway – Bilgoman to Mundaring	0.6	10.0	-	-	-
– Roe Highway – Berkshire Road Interchange	6.0	-	-	-	-
<b>PUBLIC TRANSPORT AUTHORITY OF WESTERN AUSTRALIA</b>					
<b>Election Commitments – METRONET</b>					
– Yancheep Rail Extension	-	30.7	105.0	161.5	143.6
– Thornlie-Cockburn Link	-	8.0	110.0	155.0	150.0
– Railcar Acquisition	-	1.0	48.3	107.7	165.7
– Rail Line Planning	-	10.0	12.1	-	-
– Level Crossing Removal Program					
• Planning	-	1.0	-	-	-
• Denny Avenue	-	-	35.0	34.0	-

Table 20 (cont.)

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PRE-ELECTION FINANCIAL PROJECTIONS STATEMENT

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
– New Stations and Existing Station Upgrades					
• Planning	-	4.0	1.2	-	-
• Land Acquisition	-	-	25.0	-	-
• Upgrades	-	-	2.1	10.8	11.0
– Automatic Train Control Planning	-	4.2	3.2	-	-
<b>Other Election Commitments</b>					
– Australind Train Service – Rail Future Fund	-	0.6	4.0	15.4	12.0
– Mandurah Train Station Car Park	-	-	2.6	13.5	-
– Rail to Kemerton Industrial Park	-	-	-	5.0	5.0
– Forrestfield-Airport Link – Bayswater Train Station Upgrade <sup>(a)</sup>	-	3.6	21.0	30.2	31.5
<b>Other Spending</b>					
– SmartRider System Asset Replacement and Technology Update	-	6.9	22.5	4.4	-
– Perth Stadium Transport Project – Swan River Pedestrian Bridge	-	26.2	-	-	-
– Future Urban Railcar Procurement – Kenwick Depot Funding Shortfall	25.0	-	-	-	-
– Transperth Rail ‘At Grade’ Crossing Improvement Project	-	2.1	5.3	2.2	2.9
– Forrestfield-Airport Link – Claremont Turn-back <sup>(a)</sup>	-	2.6	26.2	16.2	2.8
– Mount Claremont Bus Depot Acquisition	-	3.6	4.2	-	-
– Transperth Ferry Acquisition	-	1.0	1.6	-	-
– Reallocation from Existing Asset Investment Program	-	-4.6	-5.8	-	-
<b>PILBARA PORTS AUTHORITY</b>					
– Berth 3 Deck Replacement at Port Hedland	-	16.9	16.9	-	-
– Port of Ashburton – Minor Works Revision	-	-	-1.0	-1.7	1.1
<b>METROPOLITAN REDEVELOPMENT AUTHORITY</b>					
– Armadale Redevelopment Works	-26.9	-15.9	-15.3	-7.9	-18.7
<b>WESTERN AUSTRALIAN PLANNING COMMISSION</b>					
– Metropolitan Land Acquisition	-	-	-	-42.8	-142.0
– Whiteman Employment Land	-2.8	-	-	-	-
<b>WESTERN AUSTRALIAN LAND AUTHORITY (LANDCORP)</b>					
<b>Election Commitments</b>					
– Transforming Bunbury’s Waterfront	-	1.8	2.5	-	-
– Ocean Reef Marina	-	0.2	0.2	6.8	27.5
<b>Other Spending</b>					
– Impact of Market Conditions on Asset Investment Program	-81.2	-59.6	-12.4	-11.7	-78.6
– Australian Marine Complex – Common User Facility – Floating Dock Ballast System Upgrade	-	8.3	-	-	-
– Albany Middleton Beach	-	1.7	1.9	-	-

(a) This spending is reallocated from within the existing Asset Investment Program.

(b) Not including savings from cancellation of the Perth Freight Link project.

## **Transport**

### ***On-demand Transport Business Information System Enhancements***

A total of \$7.1 million will be spent over three years from 2017-18 on the development and deployment of business information systems required by the Department to undertake its function as regulator of the on-demand transport (OdT) industry. As a result, OdT industry participants (drivers, vehicle owners and booking services) will benefit from streamlined interactions with the Department.

### ***Two Rocks Marina***

A total of \$3.6 million will be invested in the repair, refurbishment and replacement of maritime assets at the Two Rocks Marina facility in 2017-18. The Department resumed management of the facility in November 2014 at the conclusion of a 42-year lease agreement.

## **Commissioner of Main Roads**

### **Election Commitments**

#### ***Perth Freight Link Cancellation***

The State Government has cancelled the Roe 8, Roe 9 and Heavy Vehicle Charge sections of the Perth Freight Link (PFL) project.

A total of \$1.7 billion of funding for the cancelled PFL sections over 2017-18 to 2020-21 (and an additional \$86.5 million beyond 2020-21) has been reallocated to new road and rail projects as part of a joint Commonwealth and State-funded \$2.3 billion infrastructure package.

Section 3 of the PFL project (Roe Highway widening between Tonkin Highway and Orrong Road) was completed as a standalone project in 2016-17.

#### ***Armadale Road – North Lake Road Bridge at Kwinana Freeway***

A total of \$237 million will be invested over the four years from 2017-18 to construct a dual carriageway bridge over the Kwinana Freeway connecting Armadale Road and North Lake Road. The project includes grade-separated intersections at Tapper Road and Solomon Road on Armadale Road, and freeway on/off ramps. The works will reduce congestion around Cockburn Central Station and Cockburn Gateway shopping centre, improve freeway access and support increased residential and commercial development. The project will be funded jointly by the Commonwealth and the State on an 80:20 basis.

#### ***Leach Highway – Carrington Street to Stirling Highway***

Investment of \$118 million from 2017-18 to 2020-21 has been approved to extend Leach Highway between Carrington Street and Stirling Highway as a dual carriageway divided road. Works will address congestion issues from freight traffic accessing Fremantle Port and improve safety for all road users. The project will be funded jointly by the Commonwealth and the State on a 62:38 basis.

***Roe Highway – Kalamunda Road Grade Separation***

A total of \$86 million will be invested over the four years from 2017-18 to construct a grade-separated interchange at Roe Highway and Kalamunda Road to provide for unimpeded traffic flow on Roe Highway as a means of reducing congestion and improving safety. The project will be funded jointly by the Commonwealth and the State on an 80:20 basis.

***Reid Highway – Altone Road to West Swan Road***

Investment of \$70 million over 2017-18 to 2020-21 has been approved to construct a second carriageway on Reid Highway between Altone Road and West Swan Road, and upgrade associated pedestrian and cycling infrastructure. The works will complement upgrades to Reid Highway being completed as part of the NorthLink WA project, and reduce the traffic congestion resulting from this final remaining single-carriageway section on the Highway. The project will be funded jointly by the Commonwealth and the State on an 80:20 basis.

***Karratha to Tom Price Road***

A total of \$50 million will be invested from 2017-18 to 2020-21 to construct the next 50 kilometre stage of the new road between Karratha and Tom Price. Construction of the road will improve access for mining, tourism and agricultural traffic, and reduce the distance and time to travel between the towns.

***Wanneroo Road – Joondalup Drive Grade Separation***

A total of \$50 million will be invested across 2017-18 and 2018-19 to construct a grade-separated interchange at Wanneroo Road and Joondalup Drive, to reduce congestion and traffic crashes. The project will be funded jointly by the Commonwealth and the State on an 80:20 basis.

***Wanneroo Road – Ocean Reef Road Grade Separation***

An additional \$39.8 million will be invested from 2018-19 to 2020-21 to fully fund the construction of a grade-separated interchange at Wanneroo Road and Ocean Reef Road, with \$25 million provided previously for the project as part of the 2016-17 Mid-year Review. The project will be funded jointly by the Commonwealth and the State on an 80:20 basis.

***Albany Ring Road***

A total of \$35 million will be provided from 2017-18 to 2020-21 towards the construction of a heavy vehicle haulage route around the City of Albany. The works will reduce conflicts between heavy and light vehicles, reduce congestion and improve heavy vehicle access to the Albany Port. The allocation is subject to confirmation of Commonwealth funding to meet remaining costs for the project.

***Outback Way***

A total of \$33 million will be spent between 2018-19 and 2019-20 towards sealing priority sections of the Outback Way between Laverton and the Western Australia border. Works will be funded jointly by the Commonwealth (under its Northern Australia Roads Program) and the State (\$6.6 million).

***South Coast Highway – Albany to Jerramungup***

Investment of \$30 million from 2017-18 to 2019-20 has been approved to upgrade sections of South Coast Highway between Albany and Jerramungup. The works will improve safety for commuter, tourist and local traffic and support growth in heavy vehicle traffic on this major haulage route to the Port of Albany.

***Wanneroo Road Duplication – Joondalup Drive to Flynn Drive***

An additional \$21 million will be invested across 2017-18 and 2018-19 to fully fund the construction of a dual carriageway on Wanneroo Road between Joondalup Drive and Flynn Drive, with \$10 million provided previously for the project as part of the 2016-17 Mid-year Review. The project will be funded jointly by the Commonwealth and the State on an 80:20 basis.

***Great Eastern Highway – Anzac Road to Gatacre Drive***

A total of \$14 million will be invested across 2017-18 and 2018-19 to construct a two-kilometre section of dual carriageway on Great Eastern Highway in Kalgoorlie between Anzac Road and Gatacre Drive. The project will improve travel times for traffic accessing the city centre and improve safety for all road users.

***Bunbury Outer Ring Road – Planning for Stages 2 and 3***

Investment of \$12.5 million over 2017-18 and 2018-19 has been approved to complete project planning and preconstruction works for the final stages of the Bunbury Outer Ring Road project. Planning costs will be funded jointly by the Commonwealth and State on an 80:20 basis, including State funding of \$2.5 million.

***Coolgardie-Esperance Highway***

A total of \$8 million will be provided between 2017-18 and 2019-20 towards upgrades to a 22-kilometre section of the Coolgardie-Esperance Highway between Emu Rocks and Norseman. The allocation is subject to confirmation of Commonwealth funding to meet remaining costs for the project.

***Hepburn Avenue Noise Wall***

A total of \$5 million will be spent in 2018-19 to construct a 5-kilometre noise wall on Hepburn Avenue. The cost of this initiative will be met from within Main Roads' existing asset investment program.

**Other Spending**

***Reallocation from Existing Asset Investment Program***

As part of a Commonwealth and State-funded \$2.3 billion infrastructure package, a total of \$192.4 million of savings from jointly funded projects and interest earned on Commonwealth grant payments in advance has been allocated to new projects and existing projects with additional funding requirements.

Of this, \$74 million was previously allocated to the Mitchell Freeway – Hodges Drive to Hepburn Avenue and Reid Highway to Erindale Road Southbound Widening project as part of the PFPS. However, this project has been discontinued and funding has been transferred to new projects.

#### ***Murdoch Activity Centre Access Road***

An additional \$112.5 million will be spent over 2016-17 to 2018-19 to provide improved road access to the Murdoch Activity Centre, including St. John of God Hospital, Fiona Stanley Hospital and the Challenger Institute of Technology. The works will include the extension of Murdoch Drive south of Farrington Road to connect to the Kwinana Freeway and Roe Highway, bridge improvements over the freeway, and upgrades to support cycling and pedestrian travel. The project will be funded jointly by the Commonwealth and the State on an 80:20 basis.

#### ***Road Trauma Trust Account – Road Safety Initiatives***

A total of \$65 million will be spent over the four years from 2017-18 on a range of road safety infrastructure initiatives, including:

- \$18 million in 2017-18 to deliver safety treatments in regional areas on sections of State roads where there is a high risk of run-off road accidents. Regional road treatments include shoulder widening and sealing, audible edge lining and flexible roadside protection barriers;
- \$17.2 million in 2017-18 for improvements to two intersections on Toodyay Road (at Stoneville and Reen Roads, and O'Brien and Roland Roads) and other upgrades to the road identified as part of the Wheatbelt Safety Review;
- \$16 million from 2017-18 to 2020-21 to replace and maintain electronic school zone signs to ensure continued safety outcomes from flashing 40km/hour speed signs in school zones;
- \$10 million in 2017-18 to continue the annual program of safety treatments at high priority metropolitan intersections. Metropolitan intersection treatments include new roundabouts, full control right turn traffic signals and speed management measures;
- \$2.6 million in 2017-18 to complete upgrades on the Coalfields Highway; and
- \$1.3 million in 2017-18 to complete upgrades on Great Eastern Highway and Chidlow-York Road.

#### ***Marble Bar Road – Coongan Gorge Realignment***

A total of \$54.5 million will be spent between 2017-18 and 2019-20 to realign and reconstruct the Marble Bar Road at Coongan Gorge to improve accessibility for freight vehicles and safety for all road users. Works will be funded jointly by the Commonwealth and the State on an 80:20 basis under the Commonwealth's Northern Australia Roads Program.

#### ***Kwinana Freeway – Russell Road to Roe Highway Northbound***

An additional \$49 million will be spent across 2017-18 and 2018-19 to widen eight kilometres of the Kwinana Freeway northbound between Russell Road and Roe Highway, to reduce traffic congestion. Works will be funded jointly by the Commonwealth and the State on an 80:20 basis.

***Kwinana Freeway – Roe Highway to Narrows Bridge Northbound***

A total of \$47 million will be spent between 2017-18 and 2019-20 to deliver Perth's first Smart Freeways section on the Kwinana Freeway between Roe Highway and the Narrows Bridge Northbound. Works will include conversion of the emergency lane between Canning Highway and the Narrows Bridge into a traffic lane, installation of electronic lane-use management signs, and ramp signalling at five Freeway on-ramps between Farrington Road and Cranford Avenue. Works will be funded jointly by the Commonwealth and the State on an 80:20 basis.

***Regional Road Safety Program***

An additional \$44.2 million will be spent over 2017-18 to 2020-21 on priority road safety upgrades in the regions. The program will be funded by the Commonwealth Government.

***Kwinana Freeway – Manning Road On-Ramp***

Investment of \$35 million between 2017-18 and 2019-20 has been approved to construct a southbound on-ramp to the Kwinana Freeway at Manning Road, to improve road connectivity and reduce congestion at the Canning Bridge freeway interchange. Works will be funded jointly by the Commonwealth and the State on an 80:20 basis.

***Karel Avenue – Bridge Widening at Roe Highway***

A total of \$15 million will be spent across 2017-18 and 2018-19 to widen the Karel Avenue Bridge over the Roe Highway. Works will be funded jointly by the Commonwealth and the State on an 80:20 basis.

***Great Eastern Highway – Bilgoman Road to Mundaring***

An additional \$10.6 million will be spent across 2016-17 and 2017-18 on the Great Eastern Highway–Bilgoman Road to Mundaring project to complete the second stage of upgrade works. Additional funding will be provided by the Commonwealth and State.

***Roe Highway – Berkshire Road Grade Separation***

An additional \$6 million was spent in 2016-17 to finalise works associated with the Roe Highway – Berkshire Road Grade Separation project. Additional funding was provided by the Commonwealth and the State.

**Public Transport Authority of Western Australia**

**Election Commitments – METRONET**

Investment of \$1.3 billion over the period 2017-18 to 2020-21 has been approved for METRONET Stage 1 projects, with a further \$469.3 million beyond the forward estimates period.

***Yanchep Rail Extension***

The Authority will invest \$440.8 million over the period 2017-18 to 2020-21 (with a further \$79.4 million in 2021-22) to extend the northern suburbs rail line to Yanchep. The cost includes the construction of three new stations at Yanchep, Eglington and Alkimos, with bus interchanges and park and ride facilities.



### ***Thornlie-Cockburn Link***

An additional \$423 million will be spent between 2017-18 and 2020-21 (with a further \$112.8 million in 2021-22) to extend the Thornlie rail line to Cockburn. This includes the construction of two new stations at Nicholson Road and Ranford Road, with park and ride facilities and bus interchanges.

### ***Railcar Acquisition***

An additional \$322.7 million will be spent between 2017-18 and 2020-21 (with a further \$185.5 million beyond 2020-21) to procure new Transperth railcars. In total, 102 railcars will be procured to provide for METRONET Stage 1 projects plus spare capacity for when railcars are out of service due to maintenance. The new railcars will be six-car sets, which provide additional passenger capacity compared with the three-car sets currently in operation.

### ***Rail Line Planning***

The Authority will spend \$22.1 million across 2017-18 and 2018-19 to undertake planning for the Morley-Ellenbrook rail line and extension of the Armadale line to Byford.

### ***Level Crossing Removal Program***

The Authority will spend \$70 million over the period from 2017-18 to 2019-20 to remove the rail level crossing at Denny Avenue (Kelmescott), and to plan for the future removal of level crossings at Caledonian Avenue (Maylands), Oat Street (Carlisle) and Wharf Street (Queens Park).

### ***New Stations and Existing Station Upgrades***

An additional \$54.2 million will be spent over the four years from 2017-18 (with a further \$47.1 million beyond 2020-21) on new and existing train stations. Planning will be undertaken for a new station on the Mandurah line at Karnup and the relocation of the Midland station to the Midland town centre. The Authority will acquire land for the future extension of the Midland line to Bellevue and undertake planning for the Bellevue station. Existing stations will be upgraded to improve disability access, closed-circuit television, lighting, station access and pathways.

### ***Automatic Train Control Planning***

The Authority will spend \$7.4 million across 2017-18 and 2018-19 to undertake planning and project definition for a future investment in an Automatic Train Control (ATC) system. An ATC system would replace the existing rail network signalling system and allow increased service frequencies to meet future rail demand.

## **Other Election Commitments**

### ***Australind Train Service – Rail Future Fund***

An additional \$32 million will be spent over 2017-18 to 2020-21 to purchase a new Australind railcar and upgrade the Yarloop, Cookernup and North Dandelup train stations on the Bunbury rail line. The station upgrades include construction of high level platforms and improved disability access.

***Mandurah Train Station Car Park***

An amount of \$16.1 million will be spent across 2018-19 and 2019-20 to construct a multi-story car park at Mandurah train station, subject to confirmation of a matching funding contribution from the Commonwealth Government.

***Rail to Kemerton Industrial Park***

The Authority will spend \$10 million across 2019-20 and 2020-21 towards the construction of a rail link from the existing Bunbury freight line to Kemerton Industrial Park.

***Forrestfield-Airport Link – Bayswater Train Station Upgrade***

The Authority will spend \$86.2 million over the four years from 2017-18 to upgrade Bayswater train station and improve the surrounding road network. The cost will be met from within the current approved budget for the Forrestfield-Airport Link.

**Other Spending**

***SmartRider System Asset Replacement and Technology Update***

The Authority will spend \$33.8 million from 2017-18 to 2019-20 to replace SmartRider system assets and update the technology used by the system. The updated system will introduce the ability to pay with credit cards and smartphones when boarding.

***Perth Stadium Transport Project – Swan River Pedestrian Bridge***

An additional \$26.2 million will be spent in 2017-18 to meet increased costs for the Swan River Pedestrian Bridge, including those associated with steel fabrication for the bridge, the establishment of a construction lay down area and the Nelson Avenue special events bus stands. This brings the estimated total cost of the bridge to \$91.5 million.

***Future Urban Railcar Procurement – Kenwick Depot Funding Shortfall***

An additional \$25 million was spent in 2016-17 under the Future Urban Railcar Procurement project, reflecting increased land purchase costs associated with the Kenwick rail freight depot.

***Transperth Rail ‘At Grade’ Crossing Improvement Project***

An additional \$12.5 million will be invested over the period 2017-18 to 2020-21 (plus \$579,000 in 2021-22) to improve level crossings on the Fremantle, Midland and Armadale rail lines. In total, \$23.2 million will be spent over the period from 2016-17 to 2021-22, including an existing \$10.1 million provision for level crossing upgrades. The works will improve safety, reduce traffic delays and upgrade pedestrian crossings to comply with Commonwealth disability standards.

***Forrestfield-Airport Link – Claremont Turn-back***

The Authority will spend \$47.7 million over the four years from 2017-18 to construct a turn-back facility at Claremont train station. An additional turn-back is required to maintain reliable train operations once Forrestfield-Airport Link services commence. The cost will be met from within the current approved budget for the Forrestfield-Airport Link.

### ***Mount Claremont Bus Depot Acquisition***

An amount of \$7.8 million will be invested across 2017-18 and 2018-19 in a new bus depot in Mount Claremont. The new depot will be used for the Claremont Transperth bus contract area. The cost will be met from within the Authority's current approved asset investment program.

### ***Transperth Ferry Acquisition***

The Authority will spend \$2.6 million across 2017-18 and 2018-19 to acquire a new Transperth ferry. The new ferry will replace the older of the two existing ferries, which will provide spare capacity. The cost will be met from within the Authority's current approved asset investment program.

### ***Reallocation from Existing Asset Investment Program***

The Authority will reallocate existing asset investment expenditure of \$10.4 million across 2017-18 and 2018-19 to the Mount Claremont Bus Depot Acquisition and Transperth Ferry Acquisition.

## **Pilbara Ports Authority**

### ***Berth 3 Deck Replacement at Port Hedland***

The Authority will spend \$33.8 million over 2017-18 and 2018-19 to replace the Berth 3 deck at the Port of Port Hedland. The Berth 3 deck replacement will ensure that the Authority meets its obligations under the *Leslie Solar Salt Industry Agreement Act 1966* to provide Dampier Salt with ongoing access to a suitable berth, and to avoid disruption to fuel imports into the Pilbara region.

### ***Port of Ashburton – Minor Works Revision***

The Authority will spend \$1.6 million less over the three years from 2018-19 to 2020-21 on minor works at the Port of Ashburton due to the delay in the Port's transition to the Authority. The minor works allocation at the Port of Ashburton is intended to provide for the development of services and general minor works at the Port following its anticipated handover to the Authority in 2017-18.

## **Metropolitan Redevelopment Authority**

### ***Armadale Redevelopment Works***

The Authority's capital works in the Armadale Redevelopment Area will be reduced by \$84.6 million over the period from 2016-17 to 2020-21 to reflect a tighter scope of operations and revised project priorities in line with current and forecast market conditions.

## **Western Australian Planning Commission**

### ***Metropolitan Land Acquisition***

The Western Australian Planning Commission's land acquisition program in the metropolitan region will be reduced by \$184.8 million over 2019-20 and 2020-21 to better align with current acquisition trends. Over the four-year forward estimates period, the Commission's approved land acquisition program totals \$142.9 million.

### ***Whiteman Employment Land***

The Commission’s asset investment program, which previously included an allocation towards the servicing and rezoning of land adjacent to Whiteman Park aimed at facilitating industrial development, was reduced by \$2.8 million in 2016-17 to reflect revised land-use planning priorities.

## **Western Australian Land Authority (LandCorp)**

### **Election Commitments**

#### ***Transforming Bunbury’s Waterfront***

An amount of \$4.3 million will be spent over 2017-18 and 2018-19 on the preparation of a business case for the remaining stages of the Transforming Bunbury’s Waterfront project.

#### ***Ocean Reef Marina***

LandCorp will spend \$34.7 million over 2017-18 to 2020-21 on the development of works associated with the new Ocean Reef Marina.

### **Other Spending**

#### ***Impact of Market Conditions on Asset Investment Program***

LandCorp’s updated revenue and expenditure forecasts for 2017-18 to 2021-22 reflect its strategic direction in terms of land sales, acquisitions and development expenditure, underpinned by forecast market conditions. This has resulted in a reduction in asset investment totalling \$162.3 million over 2017-18 to 2020-21.

#### ***Australian Marine Complex – Common User Facility – Floating Dock Ballast System Upgrade***

An amount of \$8.3 million will be spent in 2017-18 to upgrade the floating dock ballast system at the Australian Marine Complex – Common User Facility. This facility supports projects in the sectors of oil and gas, resources, marine and defence. The floating dock is a key piece of infrastructure supporting the sustainment of the Royal Australian Navy’s Collins Class submarines and ANZAC frigates.

#### ***Albany Middleton Beach***

An amount of \$3.6 million will be spent over 2017-18 and 2018-19 for infrastructure including coastal protection works, town electricity network upgrades and associated reserve treatments for the Albany Middleton Beach Activity Centre Improvement Plan No. 40. This funding will be used to leverage the City of Albany’s Foreshore Landscape Management Plan and application to the Australian Government’s Building Better Regions Fund for foreshore enhancements and additional coastal protection infrastructure.

## PROVISIONS

Table 21

### MAJOR SPENDING CHANGES SINCE THE 2016-17 PFPS

	2016-17 \$m	2017-18 \$m	2018-19 \$m	2019-20 \$m	2020-21 \$m
<b>Provisions</b>					
– Removal of 2016-17 Underspending Provision	1,000.0	-	-	-	-
– 2017-18 Underspending Provision	-	-750.0	-	-	-
– Slippage Provision	-500.0	-200.0	-200.0	250.0	650.0
– Road Trauma Trust Account Spending – Revised Provision	-	15.5	51.9	54.0	53.5
Allocation of PFPS Provisions to Agencies					
– Perth Children’s Hospital Information and Communication Technology	-7.5	-	-	-	-
– Transition to NDIS	-	-20.0	-	-	-
– Road Trauma Trust Account Spending <sup>(a)</sup>	-7.1	-67.4	-69.8	-66.4	-

(a) Includes a provision for spending of additional red light and speed camera revenue (disclosed in the 2016-17 Mid-year Review).

## Provisions

### Removal of 2016-17 Underspending Provision

The PFPS included a \$1 billion Asset Investment Program underspending provision for anticipated shortfalls in agency infrastructure spending which typically emerge by 30 June. Lower outcomes have since been reflected in agency budgets, removing the need for the 2016-17 provision. Details of final outcomes for the 2016-17 Asset Investment Program will be detailed in the 2016-17 *Annual Report on State Finances* (ARSF) to be released by 28 September 2017.

### 2017-18 Underspending Provision

Consistent with Budgets in previous years, this Budget includes a provision for yet to be identified underspending in agency Asset Investment Programs that is expected to emerge during 2017-18.

### Slippage Provision

A provision has been included to allocate:

- \$500 million in further underspending expected to be disclosed in the ARSF, with this spending assumed to flow through scheduled works and be caught up in 2019-20 and 2020-21; and
- \$400 million of agency infrastructure spending from 2017-18 and 2018-19 into 2020-21 to reflect anticipated movement in the timing of the State’s Asset Investment Program over the forward estimates period.

### **Road Trauma Trust Account Spending – Revised Provision**

A \$249.8 million provision for anticipated spending from the Road Trauma Trust Account (RTTA) over 2017-18 to 2020-21 is reflected in this Budget. Of this, \$174.9 million is forecast to be capitalised and \$74.9 million is forecast to be expensed. This spending provision has been updated from the PFPS to reflect an expectation – consistent with current policy settings – that the revenue that is forecast to flow in to the RTTA will be fully spent each year. RTTA spending is allocated to agencies in the annual Budget process, and in 2017-18 is reflected in the budgets of Western Australia Police, the Departments of Transport and Education, WA Health, Mental Health Commission and Main Roads.

### **Allocation of PFPS Provisions to Agencies**

The PFPS included a number of provisions for expenditure deemed highly likely to materialise over the forward estimates period. With the exception of a residual provision for as yet unallocated RTTA spending (see above), these items have since been allocated to agency budgets.



# Royalties for Regions

## Overview

The Government has undertaken a comprehensive review of all Royalties for Regions (RfR) initiatives, prioritising delivery of job-generating regional election commitments and the delivery of community infrastructure and services throughout regional Western Australia.

More than \$1 billion will be invested in new projects in regional Western Australia with an emphasis on job creation, regional health, mental health, education, roads, tourism and economic development. This is balanced against the need to retain critical existing regional projects.

Investment in tourism, including destination marketing and events, will help to grow the number of people visiting regional Western Australia from interstate and overseas. New and upgraded roads will help drive the economy and make travelling on country roads safer.

Tackling important issues such as mental health and the methamphetamine crisis facing regional communities, this Budget delivers important new services to regional communities.

Extra support will be provided in classrooms across the State. Education Assistants and Aboriginal and Islander Education Officers will be employed throughout our regional schools. Additional dedicated teachers will be employed in regional schools to support more students to complete years 11 and 12 in major regional centres.

The Budget includes a major investment in important community infrastructure across regional Western Australia. Upgrades to swimming pools, town halls, sporting precincts, bowling clubs and other local facilities will improve amenity and help to build stronger communities.

Western Australia is home to pristine and unique natural environments. This Budget supports initiatives to work with the community to protect our environment with the introduction of an Aboriginal Ranger program and a significant increase in the Natural Resource Management Program.

A provision has also been provided for those election commitments that are subject to further planning. These projects will be detailed in subsequent Budgets.

A number of important regional programs will be funded from RfR, including the Patient Assisted Travel Scheme to support patients who need to travel for treatment, and funding to subsidise the higher costs of delivering water, drainage and sewerage services to people in regional Western Australia so they pay the same costs as those living in metropolitan areas.



RfR funding will also be provided to support essential services to remote communities, TAFE regional subsidies, and upgrades and expansions for a number of regional senior and primary schools. Previously funded by the Consolidated Account, this will improve net debt by \$861 million across the forward estimates period and will ensure these important regional services are delivered into the future.

The total investment of more than \$4 billion in this Budget is focused on ensuring RfR is spent responsibly to maximise the benefits for regional Western Australia and to drive economic growth across our State.

The 2017-18 Budget RfR program is detailed in the following table.

Table 1

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>INVESTING IN JOBS</b>							
Aboriginal Tourism Development Program	1.1	1.2	1.2	1.2	-	-	2.3
Agricultural Sciences Research and Development Fund	3.9	8.2	6.2	3.8	-	-	10.0
Agriculture – Development Funding	-	-	2.1	6.8	11.1	-	20.0
Albany Middleton Beach Stage 2	-	-	1.7	1.9	-	-	3.6
Albany Wave Energy Project	-	-	1.0	6.2	6.2	6.2	19.5
Asia Market Success	1.9	2.2	1.9	-	-	-	1.9
Boost Grains Research and Development Support	3.7	6.9	8.6	-	-	-	8.6
Boosting Biosecurity Defences	7.0	6.5	3.7	-	-	-	3.7
Brand WA	0.2	4.0	2.5	2.1	-	-	4.6
Brand WA – Destination Marketing	-	-	-	3.5	5.5	5.5	14.5
Brand WA – Event Tourism	-	-	-	0.8	6.3	6.3	13.4
Broome Road Industrial Area	8.6	-	-	-	-	-	-
Building Western Australia Grains Research and Development Capacity	-	-	-	10.0	10.0	-	20.0
Bunbury to Albany Gas Pipeline	-	3.0	-	-	-	-	-
Business Education and Training Series Framework Tiers 1-3	0.2	-	-	-	-	-	-
Caravan and Camping/Parks For People	11.9	12.3	2.3	-	-	-	2.3
Collie Futures Fund	-	-	1.0	4.0	5.0	5.0	15.0
Combined Pilbara Water Projects – West Canning Basin Sandfire	1.5	0.7	-	-	-	-	-
Denmark East Development Precinct	7.6	-	-	-	-	-	-
Develop Serviced Land at Shotts and Kemerton	-	-	-	5.3	5.2	-	10.5
Doppler Radar Project	-(a)	0.3	0.2	-	-	-	0.2
East Pilbara Innovations Centre	2.0	-	-	-	-	-	-
Element 6 – Indigenous Employment	-(a)	-	-	-	-	-	-
Exploration Incentive Scheme	-	-	10.0	10.0	-	-	20.0
Extension of Doppler Radar Coverage	-	0.1	4.6	0.4	-	-	5.0
Feasibility Study (Yara Pilbara and Sahara Forest)	-	0.1	-	-	-	-	-
Ferguson Valley Wellington Forest Marketing	-	-	0.3	-	-	-	0.3
Forest Product Development	-	0.3	0.3	-	-	-	0.3
Gascoyne Food Bowl	7.9	3.5	-	-	-	-	-
Goldfields Major Solar Feasibility	-	-	0.3	0.3	-	-	0.5
Halifax Business Park	-	-	-	1.5	1.5	-	3.0
Heavy Haulage Girls	0.2	0.1	-	-	-	-	-
Help Grain Growers to Better Manage Risk	1.4	3.2	4.9	-	-	-	4.9
Infrastructure Audit and Investment Fund – Administration	-	0.3	0.1	-	-	-	0.1
Jawun Indigenous Corporate Partnership Program	-	0.3	0.3	0.3	-	-	0.6
Kalbarri Skywalk and National Park Infrastructure	0.3	5.4	14.3	-	-	-	14.3
Kariyarra Indigenous Land Use Agreement	-	-	0.1	0.1	0.1	0.1	0.4
Karratha (City of the North) Project	30.4	2.9	-	-	-	-	-
Karratha Enterprise Hub/Business Centre	-	1.0	1.0	-	-	-	1.0
Lake Argyle Dam – Ord Phase 2 Expansion	0.2	-(a)	-	-	-	-	-
Lands Staff Support Project 2014-2017	0.4	0.6	-	-	-	-	-
Local Projects Local Jobs	-	8.6	1.4	-	-	-	1.4
Marketing of Events – Administration and Leveraging	-(a)	-	-	-	-	-	-

Table 1 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Mid West Coastal Nodes	0.8	0.3	-	-	-	-	-
Middleton Beach Hotel Site	-	1.5	-	-	-	-	-
Modernising the Framework for WA's Crown Land	0.7	0.8	0.6	-	-	-	0.6
Murujuga Cultural Interpretive Centre – Burrup Peninsula	-	-	8.0	-	-	-	8.0
Murujuga Tourism Project	-	0.2	-	-	-	-	-
Myalup-Wellington Water for Growth	-	-	-	-	10.0	10.0	20.0
Northern Beef Industry Strategy	4.1	4.0	2.8	2.4	-	-	5.2
Northern Planning Program Ord Final Agreement	4.2 - (a)	0.8 - (a)	-	-	-	-	-
Pilbara Hinterland Agriculture Development Initiative (PHADI) – Yandicoogina, Agricultural Pathways Project and Woodie Woodie Pilot Project	2.2	1.8	5.7	-	-	-	5.7
Pilbara Underground Power – Stage 2	23.8	24.4	10.0	2.8	-	-	12.8
Port Hedland Hospital Site Release for Development	0.1	2.1	-	-	-	-	-
Port Hedland Water Front Revitalisation – Spoilbank Marina	-	-	-	1.3	20.0	50.7	72.0
Potato Marketing Board – Structural Readjustment	-	14.0	-	-	-	-	-
Premium Food Centre Manjimup	0.1	1.0	1.0	0.9	-	-	1.9
Rangelands Reform Program	0.4	-	-	-	-	-	-
Rebuilding our Agriculture Capability	-	-	-	10.0	-	-	10.0
Regional Buy Local Initiatives Stage 2	0.2	- (a)	-	-	-	-	-
Regional Buy Local Initiatives Stage 3	-	0.3	-	-	-	-	-
Regional Natural Resource Management – State Barrier Fence	0.7	0.8	2.0	1.2	1.8	-	5.0
Regional Telecommunications Project	11.1	10.7	18.5	21.5	-	-	40.0
Regional Tourism Marketing Campaign	4.3	6.7	-	-	-	-	-
Regional Tourism Marketing Program	1.6	-	-	-	-	-	-
Regional Visitor Centres	1.2	1.3	1.4	-	-	-	1.4
Regional Events Program Larger Events	8.1	10.0	10.0	10.0	-	-	20.0
Science and Agribusiness Connect Program	0.1	0.9	0.9	0.9	0.7	-	2.5
Sheep Industry Business Innovation	2.6	3.5	2.8	-	-	-	2.8
South Coast Aquaculture Development Zone	-	1.2	0.1	0.1	-	-	0.2
Southern Forest Irrigation Scheme	-	-	-	3.5	7.0	8.5	19.0
Specialist Food Centre Albany	-	0.5	0.6	0.4	-	-	1.0
State Agricultural Telecommunication Infrastructure Improvement Fund	-	2.7	15.2	3.7	0.4	-	19.3
Sustainable Development of the Abrolhos Islands	-	-	-	-	5.0	5.0	10.0
Transform Peel – Phase 1	-	4.3	10.0	28.4	6.6	-	45.0
Transforming Bunbury Waterfront	12.6	2.9	9.4	25.0	-	-	34.4
Victoria Hotel Redevelopment	1.0	1.0	-	-	-	-	-
WA Open For Business	-	2.7	6.0	5.7	5.6	-	17.3
WA Regional Small Business Awards	0.2	0.2	0.2	-	-	-	0.2
Water For Food – Part II	7.1	7.7	6.4	1.8	-	-	8.2
Water For Food West Kimberley	5.3	3.3	2.8	-	-	-	2.8
Western Australian Regional Film Fund	-	6.0	4.0	3.0	3.0	-	10.0
Wild Dogs Action Plan	-	3.0	6.5	4.6	2.5	-	13.6
Wild Dogs Management Plan	0.8	0.8	-	-	-	-	-
Yellow Tail Kingfish Grow-Out Trial	0.9	0.3	-	-	-	-	-
<b>TOTAL – INVESTING IN JOBS</b>	<b>184.5</b>	<b>192.5</b>	<b>194.8</b>	<b>185.2</b>	<b>113.6</b>	<b>97.2</b>	<b>590.8</b>

Table 1 (cont.)

<b>ROYALTIES FOR REGIONS EXPENDITURE</b>							
INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>PUTTING PATIENTS FIRST</b>							
3 Tier Youth Mental Health Program – GP Down South	-	-	0.1	0.1	0.1	-	0.4
Better Health for Fitzroy Kids	0.1	0.1	-	-	-	-	-
Busselton Health Campus ICT	0.5	1.7	1.0	-	-	-	1.0
Carnavon Health Campus	7.9	-	-	-	-	-	-
Ear, Eye and Oral Health	1.1	1.5	2.0	-	-	-	2.0
Esperance Health Campus	8.8	-	-	-	-	-	-
Exmouth Health Clinic	0.8	-	-	-	-	-	-
Expand the Ear Bus Program	-	-	1.1	0.8	0.9	-	2.8
Find Cancer Early	-	-	0.4	0.4	0.4	0.4	1.6
Goldfields Emergency Telehealth (Phase 1)	0.8	1.9	2.7	1.8	-	-	4.5
Growing the Capacity of Drug and Alcohol Detoxification and Rehabilitation Program	1.0	1.7	-	-	-	-	-
Karratha Health Campus	11.6	43.8	104.7	38.8	1.3	-	144.7
Meekathara Health Campus	-	0.5	-	-	-	-	-
Meet and Greet Service	-	-	0.5	0.5	0.5	0.5	1.9
Mental Health Step-Up/Down Facilities – Kalgoorlie/Goldfields 10 Beds	-	-	-	1.0	4.4	1.9	7.3
Methamphetamine Action Plan – Southwest	-	-	-	5.3	10.8	1.9	18.0
Methamphetamine Action Plan – Kimberley	-	-	0.2	-	-	-	0.2
Mount Magnet Nursing Post	-	0.5	-	-	-	-	-
North West Health Initiative	-	5.2	27.9	32.3	-	5.0	65.2
Northwest Drug and Alcohol Support Program	5.5	5.6	6.1	6.3	6.5	-	18.9
Patient Assisted Travel Scheme	10.5	10.7	11.0	45.5	45.2	45.8	147.4
Pilbara Health Partnership	2.5	3.3	3.4	3.5	-	-	6.8
Regional Health Administrative Accommodation	- (a)	0.1	-	-	-	-	-
Regional Men's Health	1.0	0.8	0.8	0.8	0.8	-	2.4
Remote Indigenous Health Clinics	2.0	2.4	5.0	1.5	-	-	6.5
Renal Dialysis Service Expansion	0.4	1.0	1.9	2.4	0.9	-	5.1
Royal Flying Doctor Service 2015-18 Western Operations Expansion of Capacity	12.5	7.9	2.8	-	-	-	2.8
Rural Generalist (Practice) Pathways	- (a)	-	-	-	-	-	-
Rural Palliative Care Program	1.3	1.3	0.5	-	-	-	0.5
Southern Inland Health Initiative 1	71.4	113.5	97.8	126.0	10.2	-	234.0
Southern Inland Health Initiative 2	-	-	25.0	33.0	33.0	33.0	124.0
St John Ambulance Services in Country WA – 2015-16	8.0	-	-	-	-	-	-
Sub-Acute Mental Health Services in Bunbury	-	-	4.6	2.3	2.1	2.2	11.2
Sub-Acute Mental Health Services in Karratha	-	-	4.6	2.6	2.5	2.5	12.3
Turquoise Coast Health Initiative	-	-	1.0	-	-	-	1.0
Two Year Ice Breaker Program – Albany	-	-	0.2	0.2	-	-	0.4
Wheatbelt Renal Dialysis	-	0.1	1.3	1.4	0.7	-	3.4
<b>TOTAL – PUTTING PATIENTS FIRST</b>	<b>147.7</b>	<b>203.6</b>	<b>306.5</b>	<b>306.4</b>	<b>120.1</b>	<b>93.2</b>	<b>826.2</b>

Table 1 (cont.)

**ROYALTIES FOR REGIONS EXPENDITURE**

INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>INVESTING IN OUR CHILDREN'S EDUCATION</b>							
Aboriginal and Islander Education Officers	-	-	0.9	2.6	3.5	3.6	10.6
Allied Health Training Centre – Pilbara Institute	6.3	2.7	0.2	-	-	-	0.2
Attraction and Retention – Pilbara Education	1.5	1.1	-	-	-	-	-
Better Beginnings – Early Literacy	0.7	0.9	0.3	0.3	0.3	-	0.8
Boarding Away From Home	1.1	1.8	2.0	-	-	-	2.0
Bunbury Senior High School	-	-	5.0	-	-	-	5.0
Cape Naturaliste College	-	-	2.0	20.0	10.1	-	32.1
Carnarvon Community College	-	4.4	13.2	31.1	7.5	-	51.7
Challenger Institute of Technology – Peel Health and Community Training Centre	0.3	-	-	-	-	-	-
Collie Senior High School	-	-	2.5	5.0	-	-	7.5
Durack Institute of Technology – Centre for Health Industries	0.8	-	-	-	-	-	-
Durack Student Services Interactive Hub	0.2	1.8	-	-	-	-	-
Eaton Community College Expansion	-	-	-	2.5	2.5	-	5.0
Eaton Primary School Upgrades	-	-	-	1.5	1.5	-	3.0
E-Learning Pilbara	1.6	-	-	-	-	-	-
Future Development of Muresk	0.9	1.0	-	-	-	-	-
Geraldton Senior High School	-	-	4.0	-	-	-	4.0
Glen Huon Primary School	-	-	1.5	-	-	-	1.5
Great Southern Institute of Technology – Community Services and Health Science Block	0.3	-	-	-	-	-	-
Improving Teacher Quality	-	-	0.9	1.9	1.9	1.9	6.6
Independent Learning Co-ordinators	-	-	0.7	1.5	1.5	1.5	5.2
John Wilcock Community College	-	-	10.4	8.2	-	-	18.6
Joint Use Sporting Facility Lakelands Senior High School (Mandurah)	-	-	2.5	-	-	-	2.5
Kalgoorlie-Boulder Community High School – Redevelopment – Stage One	16.8	14.0	6.7	2.8	-	-	9.5
Kimberley School Project	-	3.5	5.7	9.0	4.3	-	19.0
Major Upgrade to Collie TAFE	-	-	0.2	-	-	-	0.2
Margaret River Senior High School	-	-	6.5	20.0	3.0	-	29.5
Mental Health Support	-	-	0.4	0.8	0.8	0.8	2.8
Muresk Institute Agricultural Degree Development Pathway	1.3	0.7	0.7	0.7	0.7	0.7	2.7
Muresk Institute Agricultural Skills Development Pathway	2.6	2.0	1.8	1.6	-	-	3.4
Newton Moore Senior High School – New STEM Centre	-	-	-	1.5	1.5	-	3.0
Peel Workforce Development Centre	0.1	0.1	0.1	0.1	-	-	0.3
Performing Arts Centre Upgrade – St Luke's College	2.3	-	-	-	-	-	-
Pilbara Education Partnership Programs	-	-	2.3	2.3	2.3	-	7.0
Pilbara Institute – Electrical Specialist Centre	3.1	4.4	0.2	-	-	-	0.2
Pilbara Institute – Upgrade and Expansion of South Hedland and Karratha Campus	5.1	1.1	-	-	-	-	-
Pre-primary Centre at Flinders Park Primary School	-	-	-	-	2.0	-	2.0
Put Education Assistants Back in the Classroom	-	-	1.9	5.3	7.8	9.1	24.1
RAWA Aboriginal Independent Community School – Engagement Program	0.2	-	0.1	-	-	-	0.1
Regional Clontarf	1.4	1.5	1.5	1.7	1.5	1.5	6.2

Table 1 (cont.)

<b>ROYALTIES FOR REGIONS EXPENDITURE</b>							
INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Regional Learning Specialists	-	-	0.6	1.3	1.3	1.3	4.6
Regional Residential College Upgrades	8.5	5.7	-	-	-	-	-
Regional School Breakfast and Nutritional Education Program	0.2	0.2	0.2	0.2	0.2	0.2	0.9
Regional School Plan	0.3	-	-	-	-	-	-
Relocation of Year 7 Students	0.2	-	-	-	-	-	-
Science in Primary Schools	-	-	0.3	0.3	0.3	0.3	1.3
South Regional TAFE Esperance New Replacement Campus	-	-	-	-	-	10.0	10.0
TAFE Regional Subsidies	-	-	-	-	43.6	44.2	87.8
The Strelly Community School – Engagement Program	0.2	-	0.1	-	-	-	0.1
Upgrade Mount Lockyer Primary School	-	-	-	-	-	3.0	3.0
Upgrade to South Bunbury Primary School	-	-	-	1.0	2.0	-	3.0
<b>TOTAL – INVESTING IN OUR CHILDREN'S EDUCATION</b>	<b>56.4</b>	<b>46.9</b>	<b>75.5</b>	<b>123.1</b>	<b>100.1</b>	<b>78.3</b>	<b>377.0</b>
<b>INVESTING IN OUR COMMUNITIES</b>							
4 Wheatbelt Districts Lakes Well Aged Housing Project	5.0	-	-	-	-	-	-
Aboriginal Community Critical Response Fund	0.2	1.7	-	-	-	-	-
Aboriginal Governance and Leadership Development Program	0.3	0.9	1.0	0.1	-	-	1.1
Aboriginal Youth Transitions	-	0.2	0.4	0.4	-	-	0.8
Additional Women's Refuge	-	-	-	2.5	1.1	1.1	4.7
Affordable Student Housing	8.8	2.2	-	-	-	-	-
Albany Artificial Surf Reef Business Case	-	-	-	0.3	-	-	0.3
Albany Entertainment Centre	0.5	0.7	0.5	0.5	-	-	0.9
Athlete Travel Subsidy Scheme	0.3	-	-	-	-	-	-
ATLAS Leisure Buddy and Service Expansion	0.3	-	-	-	-	-	-
Balingup Town Hall	-	-	0.2	-	-	-	0.2
Batavia Coast Marina 2	0.9	1.3	-	-	-	-	-
Black Diggers Perth International Arts Festival	- (a)	-	-	-	-	-	-
Boulder City Station Rail Development	0.4	0.2	-	-	-	-	-
Breath Film Production	1.5	-	-	-	-	-	-
Bremer Bay Town Centre and Trail Project	1.7	-	-	-	-	-	-
Broome Aboriginal Short Stay Accommodation	3.2	5.2	13.1	2.5	2.6	-	18.2
Building a State of Creativity in the Pilbara	0.5	0.5	-	-	-	-	-
Bunbury Bowling Club – Wheelchair Access	-	-	0.2	-	-	-	0.2
Busselton Foreshore Redevelopment (Tourism Accommodation Precinct)	4.5	-	-	-	-	-	-
Capacity Building – Regional Governance Services and Asset Management	1.6	4.4	3.1	-	-	-	3.1
Capel Police Station	-	-	-	4.0	4.0	-	8.0
Capel Town Centre Revitalisation	-	-	1.3	1.0	-	-	2.3
Carnavon Ageing in Place	0.2	-	-	-	-	-	-
Carnarvon Fascine Revitalisation – Completion – Independent Project Manager Advisor Services	-	- (a)	- (a)	- (a)	-	-	-
Carnarvon Independent Living Units	-	3.0	-	-	-	-	-

Table 1 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Carnarvon One Mile Jetty Interpretive Centre	-	0.3	-	-	-	-	-
Carnarvon Residential Aged Care Facility	-	1.0	-	8.0	2.6	-	10.6
Central East Aged Care Alliance Senior Housing Project	2.1	-	-	-	-	-	-
Centennial Park – Albany	-	5.8	-	-	-	-	-
Centennial Park – Complete the Eastern Precinct	-	-	3.0	3.9	-	-	6.9
China Town Redevelopment	10.0	-	-	-	-	-	-
Collet Barker Court	1.2	-	-	-	-	-	-
Collie Mineworkers Memorial Pool Enclosure	-	-	-	-	2.0	-	2.0
Collie Water Plan	-(a)	-	-	-	-	-	-
Community Chest Grants Scheme	1.2	4.0	5.0	0.1	-	-	5.1
Community Pool Revitalisation	3.3	3.3	0.5	-	-	-	0.5
Community Resource Centres	13.1	13.9	13.0	13.0	8.0	8.0	42.0
Community Safety Network	16.4	19.0	16.9	8.6	8.2	8.5	42.1
Community Sport Equipment Grants	0.3	0.2	-	-	-	-	-
Country Age Pension Fuel Card	28.7	34.0	34.1	34.1	34.1	34.1	136.4
Country Water, Sewerage and Drainage Operations	-	-	-	-	191.5	284.1	475.6
Creating Age-Friendly Communities in Small Towns	0.5	-	-	-	-	-	-
Creative Regions Program	4.8	7.3	5.0	4.4	-	-	9.4
Culturally Appropriate Services to Victims of Domestic Violence	-	-	0.1	0.1	0.1	0.1	0.4
Dalyellup Family Centre	-	-	-	-	1.5	-	1.5
Dampier Community Hub	3.5	-	-	-	-	-	-
Dementia Specific Residential Construction and Reception Upgrade	5.1	-	-	-	-	-	-
Denham Timber Jetty Replacement	1.6	-	-	-	-	-	-
Denmark Water Treatment	0.5	1.0	-	-	-	-	-
Development of Carnarvon Boating Marina	0.5	-	-	-	-	-	-
Dirk Hartog 400 <sup>th</sup> Anniversary Commemorations	0.6	0.2	-	-	-	-	-
Donnybrook Town Centre Revitalisation	-	-	-	0.2	1.8	-	2.0
Dwellingup Community Village	2.5	-	-	-	-	-	-
Eaton Bowling Club Upgrade	-	-	-	2.0	-	-	2.0
Eaton/Australind Waterfront Historic Walk Trail	-	-	0.5	-	-	-	0.5
Enhanced Driver Training and Education for Regional and Remote Communities	0.9	1.3	1.2	2.8	-	-	4.0
Enhanced Services for Victims of Crime within Regional and Remote Communities	0.7	1.1	1.1	1.1	-	-	2.1
Entry Statement and Signage for Bunbury	-	-	-	0.2	-	-	0.2
Edge of Nowhere Thriving Communities	0.3	-	-	-	-	-	-
Esperance Indoor Sports Stadium	-	-	3.1	1.0	-	-	4.1
Essential and Municipal Services Improvement in Remote Aboriginal Communities	-	-	2.0	25.0	25.0	-	52.0
Exmouth Service Worker Housing	7.5	1.0	-	-	-	-	-
Expansion of Aged Care for the Esperance Community	-	1.4	1.6	-	-	-	1.6
Fairbridge Farm Refurbishment (Evelyn Cottage)	0.1	-	-	-	-	-	-
Family and Domestic Violence Counselling Services – Peel	-	-	0.1	0.3	0.3	0.3	0.9
Fire Crew Protection	2.7	6.3	6.6	-	-	-	6.6

Table 1 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fitzroy Crossing Courthouse	2.1	0.2	-	-	-	-	-
Foodbank Geraldton	0.1	-	-	-	-	-	-
Forward to Fellowship	0.5	-	-	-	-	-	-
Geraldton Cemetery Board Capital Works	1.3	0.1	-	-	-	-	-
Goldfields Arts Centre	1.3	0.3	0.3	0.3	-	-	0.7
Goldfields Esperance Arts and Culture Trail	-	-	-	0.1	0.1	0.1	0.3
Government Regional Officer Housing Boost	5.2	-	-	-	-	-	-
Hay Park South Regional Multi Sports Pavilion Facility	1.4	-	-	-	-	-	-
Port Hedland 125 House Service Worker Intervention Package	2.9	-	-	-	-	-	-
Hocart Lodge Harvey	3.6	-	-	-	-	-	-
Hospital Site Remediation – Port Hedland	-	6.9	0.8	-	-	-	0.8
Housing For Workers – Avon Village Development	1.3	-	-	-	-	-	-
Improving Water Quality in Remote Aboriginal Communities	0.4	-	-	-	-	-	-
Indigenous Visitor Hostels	1.7	1.9	1.9	1.7	1.7	-	5.2
Jigalong Essential Services Pilot	2.9	-	-	-	-	-	-
Jurien Bay to Cervantes Cycle Path	-	0.6	-	-	-	-	-
Kimberley Aboriginal Law and Cultural Centre to Document and Teach Traditional Languages	-	-	-	0.1	0.1	0.1	0.4
Karratha Arts and Community Precinct	-	4.0	5.0	5.0	-	-	10.0
Karratha City Centre Infrastructure Works Project – Stage 2a	31.6	22.0	2.0	-	-	-	2.0
Karratha City Centre Infrastructure Works Project – Stage 1	2.8	-	-	-	-	-	-
Karratha Government Office Co-Location Project (The Quarter)	0.5	5.4	-	-	-	-	-
Karratha Water Recycling Scheme	6.8	0.2	-	-	-	-	-
Katanning SuperTown Heritage Centre Project	15.7	-	-	-	-	-	-
Killarney Retirement Living	-	9.4	0.4	-	-	-	0.4
Kojonup Independent Living Units	0.6	-	-	-	-	-	-
Koombana Park Facilities	0.5	4.7	6.7	-	-	-	6.7
Kununurra, Broome and Karratha Courthouse	1.0	6.1	2.2	-	-	-	2.2
Laverton Community Hub	5.4	-	2.6	-	-	-	2.6
Lot 601 Marine Terrace	5.6	-	-	-	-	-	-
Main Street Jetty Extension	3.4	-	-	-	-	-	-
Mandurah Eastern Foreshore Redevelopment	-	-	-	5.0	5.0	-	10.0
Margaret River Hub of Entertainment Arts Regional Tourism Project	-	-	-	3.1	-	-	3.1
Margaret River Main Street Redevelopment	5.5	-	-	-	-	-	-
Margaret River Region Lighthouse Precincts Redevelopment	1.3	0.2	-	-	-	-	-
Martumili Artists Infrastructure Project	0.6	-	-	-	-	-	-
Minninup Pool	-	-	0.2	0.3	-	-	0.5
Monsignor Hawes Heritage Centre	1.0	-	-	-	-	-	-
Motoring South West – Marketing Campaign	-	-	-	0.1	-	-	0.1
Motorplex Complex Albany	-	-	0.3	-	-	5.5	5.8
Multipurpose Outdoor Courts – Weatherproof Structure, Seating and Lighting	-	-	-	-	1.9	-	1.9



Table 1 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Murchison Radio-Astronomy Observatory							
Power Supply Project	6.6	1.6	-	-	-	-	-
Regional Museum Grants	-	-	-	0.3	0.3	0.3	0.8
Regional Aged Accommodation Program	-	-	-	0.5	3.0	19.2	22.7
Newman Housing	-(a)	-	-	-	-	-	-
Newman Town Centre							
Revitalisation – Stage 3	1.1	6.4	1.6	-	-	-	1.6
NGO Housing Strategic							
Intervention – Stage 2	2.1	14.5	0.6	-	-	-	0.6
Norseman Airfield Upgrade	1.5	-	-	-	-	-	-
Norseman: The Heart of the Great							
Western Woodlands	-	-	1.2	0.4	-	-	1.6
North West Aboriginal Housing Initiative	-	-	5.0	20.0	20.0	30.0	75.0
Paraburdoo Childcare Centre	-	0.5	-	-	-	-	-
Paraburdoo Community Hub	5.0	-	-	-	-	-	-
Performing Arts Regional Tours Boost	0.4	0.2	-	-	-	-	-
Pilbara Aboriginal Town Based Reserves	-	-	1.0	2.0	4.0	6.0	13.0
Pilbara Aboriginal Town Based Reserves (Stage 1)	-	0.7	-	-	-	-	-
Police Radio Network	-	-	3.7	5.9	3.6	0.2	13.3
Rapid Response Signs – Regional	-	-	0.2	0.2	0.2	0.2	0.8
Ray Finlayson Sporting Complex	6.0	-	-	-	-	-	-
Regional Athlete Support Program	-	0.7	1.0	1.0	1.0	-	3.0
Regional Centres Development Plan	2.6	5.3	4.0	-	-	-	4.0
Regional Community Childcare							
Development Fund	2.1	1.5	1.7	-	-	-	1.7
Regional Enforcement Unit	-	-	2.5	5.2	5.3	5.5	18.5
Regional Exhibition Touring Boost	-	-	0.5	0.5	1.8	1.8	4.5
Regional Grants Scheme	5.5	11.2	17.8	1.2	-	-	19.0
Regional Mobile Telecommunications Project	-(a)	-	-	-	-	-	-
Regional Police Incentives	2.0	2.8	2.5	2.5	2.5	2.5	10.0
Regional Talent Development Network	0.9	0.9	-	-	-	-	-
Regional Work Camp							
Enhancement – Roebourne	1.5	0.1	-	-	-	-	-
Regional Youth Justice Strategy							
Kimberley and Pilbara Expansion	11.5	7.4	5.5	-	-	-	5.5
Financial Counselling Services	-	-	0.3	0.7	0.7	0.7	2.5
Remote and Essential Services	-	-	-	-	56.0	56.0	112.0
Remote Rural and Regional Women's Network	-	0.3	0.5	0.3	-	-	0.8
Remote Swimming Pools	-	-	4.0	7.3	3.6	0.6	15.5
Respectful Relationship Programs in Schools	-	-	-	-	0.1	0.1	0.2
Responsible Parenting Support Services	9.2	6.0	4.4	-	-	-	4.4
Revitalisation of Kalgoorlie's Central Hannan Precinct	8.0	-	-	-	-	-	-
Revitalisation of Manjimup Town Centre	22.3	-	-	-	-	-	-
Collie Riverview Residence – Upgrade to Over 55's Estate	-	-	-	-	2.0	-	2.0
Royal Agricultural Society Show							
Concessions – Free Entry for Children	0.1	-(a)	-	-	-	-	-
Royal Flying Doctor Service 2015-16	4.0	-	-	-	-	-	-
Seniors Housing Wheatbelt	20.0	-	-	-	-	-	-
Social Housing Project	17.7	-	-	-	-	-	-
Social Service Worker Housing	-	67.6	-	-	-	-	-
South Hedland and CBD							
Revitalisation – Stage 2	1.8	1.4	0.4	0.3	0.3	0.3	1.2
South West Ageing in Place Pilot	2.0	-	-	-	-	-	-
South West Emergency Rescue Helicopter Service	8.9	12.0	9.0	-	-	-	9.0

Table 1 (cont.)

<b>ROYALTIES FOR REGIONS EXPENDITURE</b>							
INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Stockton Lake	-	-	0.3	-	-	-	0.3
Sun City Christian Centre Facilities	0.1	-	-	-	-	-	-
Upgrade Surf Life Saving Club – Dalyellup	-	-	-	0.3	-	-	0.3
Upgrades to Hay Park – Bunbury	-	-	-	4.0	-	-	4.0
Volunteer Fuel Card	0.3	3.2	1.0	1.0	1.0	1.0	4.0
Western Australia Location Information Strategy	0.6	-	-	-	-	-	-
Water Playground Kununurra	-	-	0.6	-	-	-	0.6
Wellington Dam Walk Trails	-	-	0.2	-	-	-	0.2
West Kimberley Transitional Housing Program	1.4	8.0	-	-	-	-	-
Yawuru Home Ownership Scheme	0.5	-	-	-	-	-	-
<b>TOTAL – INVESTING IN OUR COMMUNITIES</b>	<b>391.1</b>	<b>335.6</b>	<b>205.1</b>	<b>185.1</b>	<b>396.9</b>	<b>466.1</b>	<b>1,253.2</b>
<b>INVESTING IN OUR ROADS AND PORTS</b>							
AgLime Routes	-	-	-	10.0	-	-	10.0
Albany Ring Road – Design, Preconstruction and Construction Activities	-	-	-	5.0	15.0	15.0	35.0
Avonlink Enhancement Project	2.3	2.0	-	-	-	-	-
Ballinyoo Bridge	0.1	-	-	-	-	-	-
Bidyadanga Road (Kimberley) – Seal 13km	-	-	2.0	2.0	-	-	4.0
Boordarie Entrance Road	0.6	0.8	-	-	-	-	-
Broome Boating Facilities Upgrade	-	-	5.2	4.5	-	-	9.7
Broome Marina Planning	-	-	0.5	0.5	-	-	1.0
Broome-Cape Leveque Road	-	-	2.0	2.2	5.2	-	9.5
Bunbury Outer Ring Road Design and Technical Assessment	-	-	0.7	1.8	-	-	2.5
Bunbury Port Planning	-	-	0.5	-	-	-	0.5
Collie Preston Region – Upgrades Over Multiple Local Roads	-	-	-	15.0	-	-	15.0
Coolgardie-Esperance Highway (Goldfields) – Widen, Overlay and Reconstruction	-	-	-	5.0	3.0	-	8.0
Dongara Road Alignment	0.1	-	0.2	0.5	-	-	0.7
Exmouth Boat Harbour	4.0	13.3	-	-	-	-	-
Fortescue River Crossing Marble Bar Road Bridge	8.8	0.4	-	-	-	-	-
Gascoyne River Low Level Bridge	9.0	-	-	-	-	-	-
Geraldton Airport Runway Pavement Renewal	-	-	4.9	1.6	-	-	6.5
Great Eastern Highway – Dual Anzac Road to Gateachre, Kalgoorlie	-	-	2.0	12.0	-	-	14.0
Great Eastern Highway Passing Lanes	-	5.0	31.0	-	-	-	31.0
Great Northern Highway – Bow River Bridge	-	-	3.6	3.1	-	-	6.7
Great Northern Highway – Gibb River Road	-	-	7.8	8.0	-	-	15.9
Great Northern Highway – Maggie's Jump	-	-	3.6	0.6	-	-	4.2
Great Northern Highway – Muchea to Wubin	-	-	38.8	-	-	-	38.8
Great Northern Highway – Ord River North (Turkey Creek)	-	-	1.2	0.9	-	-	2.1
Great Northern Highway – Wyndham Spur Stage 2	-	-	6.0	-	-	-	6.0

Table 1 (cont.)

## ROYALTIES FOR REGIONS EXPENDITURE

INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Karratha-Tom Price Road – Sealing of 50km to Millstream	-	-	1.0	6.0	30.0	13.0	50.0
Landor Road – Upgrade and Seal of Meekatharra to Carnarvon Route	3.0	-	-	-	-	-	-
Local Government Commodity Freight Roads Fund	-	-	-	10.0	-	-	10.0
Mandurah Train Station – New Parking Bays	-	-	-	2.6	13.5	-	16.1
Marble Bar Road – Coongan Gorge	-	-	3.6	4.0	3.3	-	10.9
Margaret River Perimeter Road	5.9	7.1	15.0	12.0	8.0	-	35.0
Moonamang Road	-	5.5	5.4	5.4	-	-	10.8
Outback Way – Seal Priority Sections	-	-	-	4.6	2.0	-	6.6
Planning for the Upgrade of Bremer Bay Boat Harbour	-	-	-	0.3	-	-	0.3
Portlink Inland Freight Corridor Planning	0.4	-	-	-	-	-	-
Rail Future Fund	-	-	0.6	4.0	15.4	12.0	32.0
Rail to Kemerton Industrial Park	-	-	-	-	5.0	5.0	10.0
Recreational Boating Facilities Scheme	3.8	3.3	0.7	-	-	-	0.7
Regional Airports Development Scheme	1.8	2.1	-	-	-	-	-
Replacement of the Transwa Road Coach Fleet	9.1	6.0	-	-	-	-	-
South Coast Highway – Widening Pfeiffer Road Manypeaks to Jerramungup Road	-	-	1.0	5.0	24.0	-	30.0
Square Kilometre Array Roads	-	-	10.0	12.0	4.0	3.0	29.0
Trial of Subsidised Perth-Derby Regular Public Transport Air Services	-	-	-	1.0	-	-	1.0
Wubin – Mullewa Road	0.3	-	-	-	-	-	-
<b>TOTAL – INVESTING IN OUR ROADS AND PORT</b>	<b>49.3</b>	<b>45.5</b>	<b>147.3</b>	<b>139.7</b>	<b>128.4</b>	<b>48.0</b>	<b>463.3</b>
<b>INVESTING IN OUR ENVIRONMENT</b>							
Aboriginal Ranger Program	-	-	4.0	4.0	4.0	4.0	16.0
Avon Water Re-Use	0.2	-	-	-	-	-	-
Beresford Foreshore Coastal Protection and Enhancement Project	11.8	-	-	-	-	-	-
Bushfire Mitigation on Crown Land Regional Townsites	-	0.7	5.0	5.0	4.3	-	14.3
Carnarvon Flood Mitigation Works – Stage 2	-	-	0.1	1.9	-	1.1	3.1
Collie River Revitalisation	-	-	0.1	0.1	-	-	0.3
Conservation Parks Infrastructure and Roads	1.8	-	-	-	-	-	-
Enhanced Prescribed Burning Program	3.8	5.2	5.5	5.5	-	-	11.0
Great Kimberley Marine Park	1.9	6.7	5.8	-	-	-	5.8
Kimberley Science and Conservation Strategy	0.4	0.9	-	-	-	-	-
Lake Kewari	-	-	0.5	1.0	1.5	-	3.0
Living Lakes (Stages 1-3)	-(a)	0.4	2.0	1.4	-	-	3.4
Lucky Bay Campground Redevelopment Stage 2	-	-	0.9	-	-	-	0.9
Managing Western Australia's Natural Resources: Supporting Community Involvement	3.9	6.2	6.2	4.0	-	-	10.2
Marine Parks Management	1.2	2.0	1.8	2.0	0.6	-	4.3
Millstream Chichester National Park Eco Retreat	-(a)	0.1	-	-	-	-	-
Murujuga Joint Management	-	-	1.0	1.0	1.0	1.0	4.0
Natural Resource Management Program	-	-	-	2.2	6.2	6.2	14.6
New Kimberley National Park	0.8	3.3	-	-	-	-	-
Oyster Reef Habitat Restoration – Albany	-	-	0.3	0.3	0.3	0.3	1.0
Peel-Harvey Estuary	-	-	0.6	0.6	0.6	-	1.8

Table 1 (cont.)

ROYALTIES FOR REGIONS EXPENDITURE							
INITIATIVE	2015-16 Actual	2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Four Years
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Public Recreation and Joint Management Arrangements for the Ningaloo Coast	0.3	0.7	2.4	2.4	-	-	4.8
Regional Economic Development – Water Opportunities	2.0	0.1	-	-	-	-	-
Regional Estuaries Initiative	1.2	5.2	5.7	4.6	3.3	-	13.6
Regional Water Availability, Planning and Investigation	1.6	0.6	-	-	-	-	-
Revitalising Waterways of Geopraphe Bay	1.0	2.7	2.2	1.2	- <sup>(a)</sup>	-	3.5
Seabird Beach Erosion	2.0	-	-	-	-	-	-
Torndirrup National Park Visitor Infrastructure	1.2	-	-	-	-	-	-
Watering Western Australia	-	0.7	1.0	2.5	3.0	-	6.5
Yawuru Joint Management	-	-	0.7	1.1	1.1	1.1	4.0
<b>TOTAL – INVESTING IN OUR ENVIRONMENT</b>	<b>35.1</b>	<b>35.3</b>	<b>45.8</b>	<b>40.8</b>	<b>25.8</b>	<b>13.7</b>	<b>126.1</b>
<b>ADMINISTRATION AND ADMINISTERED ITEMS</b>							
Administration <sup>(b)</sup>	76.1	78.8	81.6	82.2	76.6	73.3	313.6
Administered Items <sup>(c)</sup>	0.7	-	3.0	53.9	65.9	128.0	250.9
<b>TOTAL – ADMINISTRATION AND ADMINISTERED ITEMS</b>	<b>76.8</b>	<b>78.8</b>	<b>84.6</b>	<b>136.1</b>	<b>142.6</b>	<b>201.3</b>	<b>564.5</b>
<b>Overprogramming Provision</b>	<b>-</b>	<b>-62.2</b>	<b>-117.0</b>	<b>-66.1</b>	<b>-</b>	<b>-</b>	<b>-183.1</b>
<b>TOTAL – ROYALTIES FOR REGIONS FUND</b>	<b>940.8</b>	<b>876.0</b>	<b>942.5</b>	<b>1,050.3</b>	<b>1,027.5</b>	<b>997.8</b>	<b>4,018.1</b>
<b>Future Fund Contribution<sup>(d)</sup></b>	<b>125.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Regional Reform Fund Special Purpose Account Transfer<sup>(e)</sup></b>	<b>50.0</b>	<b>-</b>	<b>50.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50.0</b>

(a) Amounts less than \$50,000.

(b) Funding for costs associated with the administration of the Royalties for Regions Fund.

(c) Funding mainly for election commitments where further planning is required to deliver the proposals.

(d) Total Royalties for Regions Future Fund contribution of \$932.7 million.

(e) Total Royalties for Regions contributions are forecast to be \$150 million.

Note: Columns/rows may not add due to rounding.



# Detailed Financial Projections

This appendix contains detailed financial projections for the various sectors of the total public sector defined by the Government Finance Statistics (GFS) framework. The tables in this section satisfy Uniform Presentation Framework (UPF) requirements applicable for all States, Territories and the Commonwealth, and are also consistent with Australian Accounting Standards, in particular, AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

The Australian Bureau of Statistics (ABS) released a revised GFS-based Government Finance Estimates publication in December 2015, which became effective from 1 July 2017<sup>1</sup>. The UPF<sup>2</sup> is currently under review following the release of the ABS' revised GFS format. The presentation requirements of the current UPF remain in place for the purposes of this Budget.

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<sup>1</sup> The publication of GFS data under the revised ABS GFS manual will begin from the September quarter 2017 and in the annual GFS publications from 2017-18.

<sup>2</sup> A revised UPF framework is being considered by jurisdictions. This review was prompted by the release of the revised Australian GFS Manual. Any changes to the UPF will have an impact on Western Australia's whole-of-government disclosures in the future. Whole-of-government disclosures for the 2017-18 reporting cycle will continue to include information presented in the format used in this Budget, consistent with the requirements of Western Australia's *Government Financial Responsibility Act 2000*.

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Table 1.1

**GENERAL GOVERNMENT**  
Operating Statement

	Note	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		9,069	8,568	8,577	8,899	9,286	9,751
Current grants and subsidies		7,407	8,012	8,255	9,293	10,651	12,611
Capital grants		895	506	968	535	367	783
Sales of goods and services		2,155	2,196	2,445	2,520	2,579	2,647
Interest income		192	196	189	192	199	208
Revenue from public corporations							
Dividends from other sector entities		1,415	837	1,649	1,303	1,351	1,430
Tax equivalent income		631	506	572	620	672	709
Royalty income		4,126	5,260	5,211	4,860	4,543	4,681
Other		594	591	590	520	455	452
<b>Total</b>	3	<b>26,485</b>	<b>26,672</b>	<b>28,457</b>	<b>28,743</b>	<b>30,103</b>	<b>33,272</b>
<b>EXPENSES</b>							
Salaries		11,383	11,659	12,431	11,987	12,190	12,457
Superannuation							
Concurrent costs		1,167	1,184	1,254	1,202	1,216	1,236
Superannuation interest cost		218	206	201	207	213	213
Other employee costs		370	355	373	372	378	374
Depreciation and amortisation		1,359	1,373	1,475	1,496	1,544	1,545
Services and contracts		2,195	2,308	2,389	2,357	2,406	2,396
Other gross operating expenses		5,518	5,938	6,039	6,152	6,511	6,770
Other interest		664	784	894	1,047	1,199	1,348
Current transfers	4	5,164	5,413	5,237	5,287	5,289	5,411
Capital transfers	4	469	491	505	300	272	263
<b>Total</b>	5	<b>28,506</b>	<b>29,710</b>	<b>30,797</b>	<b>30,408</b>	<b>31,218</b>	<b>32,012</b>
<b>NET OPERATING BALANCE</b>	6	<b>-2,021</b>	<b>-3,039</b>	<b>-2,340</b>	<b>-1,666</b>	<b>-1,114</b>	<b>1,260</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-148	-166	-8	-5	41	49
Net actuarial gains - superannuation		-589	605	-115	-142	-154	-208
Provision for doubtful debts		-54	-19	-13	-13	-13	-13
Changes in accounting policy/adjustment of prior periods		110	-	-	-	-	-
<b>Total other economic flows</b>		<b>-679</b>	<b>419</b>	<b>-136</b>	<b>-160</b>	<b>-127</b>	<b>-172</b>
<b>OPERATING RESULT</b>		<b>-2,700</b>	<b>-2,619</b>	<b>-2,477</b>	<b>-1,826</b>	<b>-1,241</b>	<b>1,087</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-2,549	-1,258	1,133	1,188	1,290	1,343
Gains recognised directly in equity		8	-	-	-	-	-
Change in net worth of the public corporations sectors		-1,192	-385	-397	269	665	739
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>-3,733</b>	<b>-1,643</b>	<b>735</b>	<b>1,456</b>	<b>1,955</b>	<b>2,082</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-6,433</b>	<b>-4,262</b>	<b>-1,741</b>	<b>-370</b>	<b>714</b>	<b>3,169</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-2,021</b>	<b>-3,039</b>	<b>-2,340</b>	<b>-1,666</b>	<b>-1,114</b>	<b>1,260</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets	5	2,475	2,404	2,865	2,394	1,657	1,312
Changes in inventories		15	-1	-1	-	-	-
Other movement in non-financial assets		15	243	469	79	86	15
<i>Less:</i>							
Sales of non-financial assets		102	173	177	149	160	197
Depreciation		1,359	1,373	1,475	1,496	1,544	1,545
<b>Total net acquisition of non-financial assets</b>		<b>1,043</b>	<b>1,100</b>	<b>1,681</b>	<b>829</b>	<b>38</b>	<b>-415</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-3,064</b>	<b>-4,139</b>	<b>-4,021</b>	<b>-2,495</b>	<b>-1,153</b>	<b>1,675</b>

Note: Columns may not add due to rounding.



Table 1.2

**GENERAL GOVERNMENT**  
**Balance Sheet at 30 June**

	Note	2016	2017	2018	2019	2020	2021
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		820	727	707	738	763	785
Advances paid		711	726	731	731	727	724
Investments, loans and placements		4,042	3,728	3,312	3,359	4,060	6,643
Receivables		2,921	2,995	2,946	2,891	2,810	2,822
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		47,654	47,270	46,872	47,141	47,807	48,546
Investments in other public sector entities - direct injections		8,180	8,799	9,319	10,130	10,926	11,646
Investments in other entities		48	52	47	52	67	82
Other financial assets		8	8	8	8	8	9
<b>Total financial assets</b>		<b>64,384</b>	<b>64,304</b>	<b>63,942</b>	<b>65,050</b>	<b>67,168</b>	<b>71,257</b>
<i>Non-financial assets</i>							
Land		38,551	37,288	37,558	37,965	38,731	39,639
Property, plant and equipment		43,256	44,611	47,481	49,093	49,720	49,879
Biological assets		4	2	2	2	2	2
<i>Inventories</i>							
Land inventories		113	112	120	120	119	118
Other inventories		84	83	82	82	82	82
Intangibles		650	642	643	618	552	491
Non-current assets held for sale		32	41	33	33	25	25
Investment property		8	8	8	8	8	8
Other		484	666	457	460	448	449
<b>Total non-financial assets</b>		<b>83,182</b>	<b>83,452</b>	<b>86,383</b>	<b>88,381</b>	<b>89,686</b>	<b>90,692</b>
<b>TOTAL ASSETS</b>		<b>147,566</b>	<b>147,756</b>	<b>150,325</b>	<b>153,430</b>	<b>156,854</b>	<b>161,949</b>
<b>LIABILITIES</b>							
Deposits held		518	590	428	292	357	401
Advances received		392	376	360	343	327	310
Borrowings		18,379	23,590	28,067	31,805	34,646	36,700
Unfunded superannuation		7,939	7,147	6,962	6,814	6,678	6,567
Other employee benefits		2,892	2,944	3,017	3,069	3,108	3,137
Payables		1,228	1,191	1,275	1,322	1,336	1,351
Other liabilities		1,352	1,314	1,354	1,293	1,196	1,108
<b>TOTAL LIABILITIES</b>		<b>32,700</b>	<b>37,152</b>	<b>41,463</b>	<b>44,938</b>	<b>47,647</b>	<b>49,574</b>
<b>NET ASSETS</b>		<b>114,866</b>	<b>110,604</b>	<b>108,863</b>	<b>108,493</b>	<b>109,206</b>	<b>112,375</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		8,460	9,083	6,608	4,780	3,534	4,616
Other reserves		106,406	101,521	102,254	103,712	105,673	107,759
<b>NET WORTH</b>	6	<b>114,866</b>	<b>110,604</b>	<b>108,863</b>	<b>108,493</b>	<b>109,206</b>	<b>112,375</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		31,684	27,152	22,479	20,112	19,521	21,683
<i>Net financial liabilities</i>		24,150	28,917	33,712	37,160	39,212	38,508
<i>Net debt</i>							
Gross debt liabilities		19,289	24,557	28,855	32,441	35,329	37,411
Less: liquid financial assets		5,572	5,180	4,750	4,827	5,550	8,152
Less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>13,717</b>	<b>19,377</b>	<b>24,105</b>	<b>27,613</b>	<b>29,779</b>	<b>29,259</b>

Note: Columns may not add due to rounding.

Table 1.3

**GENERAL GOVERNMENT**  
**Cash Flow Statement**

	Note	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		9,130	8,434	8,591	8,914	9,300	9,765
Grants and subsidies received		8,310	8,498	9,247	9,833	11,021	13,397
Receipts from sales of goods and services		2,294	2,235	2,498	2,547	2,622	2,712
Interest receipts		187	194	182	185	192	201
Dividends and tax equivalents		2,087	1,455	2,246	1,896	2,025	2,135
Other receipts		5,922	6,939	7,068	6,747	6,325	6,310
<i>Total cash received</i>		<i>27,929</i>	<i>27,754</i>	<i>29,831</i>	<i>30,121</i>	<i>31,486</i>	<i>34,522</i>
<i>Cash Paid</i>							
Wages, salaries and supplements, and superannuation		-13,374	-13,193	-14,163	-13,645	-13,877	-14,200
Payments for goods and services		-8,083	-8,662	-8,798	-8,937	-9,394	-9,640
Interest paid		-631	-762	-865	-1,014	-1,166	-1,321
Grants and subsidies paid		-5,485	-5,479	-5,411	-5,181	-5,133	-5,239
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-1,648	-1,635	-1,570	-1,640	-1,622	-1,627
<i>Total cash paid</i>		<i>-29,221</i>	<i>-29,732</i>	<i>-30,808</i>	<i>-30,418</i>	<i>-31,193</i>	<i>-32,027</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-1,291</b>	<b>-1,977</b>	<b>-977</b>	<b>-297</b>	<b>293</b>	<b>2,494</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,475	-2,404	-2,865	-2,394	-1,657	-1,312
Sales of non-financial assets		102	173	177	149	160	197
<i>Total cash flows from investments in non-financial assets</i>		<i>-2,373</i>	<i>-2,231</i>	<i>-2,688</i>	<i>-2,246</i>	<i>-1,497</i>	<i>-1,114</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		140	10	10	10	10	10
For liquidity purposes		101	58	65	17	44	12
<i>Cash paid</i>							
For policy purposes		-798	-829	-599	-847	-846	-1,013
For liquidity purposes		-136	-18	-14	-6	-18	-19
<i>Total cash flows from investments in financial assets</i>		<i>-694</i>	<i>-779</i>	<i>-538</i>	<i>-826</i>	<i>-809</i>	<i>-1,011</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-3,067</b>	<b>-3,009</b>	<b>-3,225</b>	<b>-3,072</b>	<b>-2,307</b>	<b>-2,125</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		16	16	16	17	17	17
Borrowings		5,194	5,178	4,392	3,870	2,941	2,211
Deposits received		-	-	-	-	-	-
Other financing receipts		41	45	132	88	98	307
<i>Total cash receipts from financing activities</i>		<i>5,250</i>	<i>5,239</i>	<i>4,540</i>	<i>3,975</i>	<i>3,056</i>	<i>2,534</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-17	-17	-17
Borrowings repaid		-97	-172	-311	-115	-114	-113
Deposits paid		-	-	-	-	-	-
Other financing payments		-447	-422	-289	-262	-263	-226
<i>Total payments for financing activities</i>		<i>-560</i>	<i>-610</i>	<i>-616</i>	<i>-393</i>	<i>-394</i>	<i>-356</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>4,691</b>	<b>4,629</b>	<b>3,924</b>	<b>3,582</b>	<b>2,663</b>	<b>2,178</b>
<b>Net increase in cash and cash equivalents</b>		<b>333</b>	<b>-358</b>	<b>-278</b>	<b>213</b>	<b>649</b>	<b>2,548</b>
Cash and cash equivalents at the beginning of the year		4,440	4,773	4,415	4,136	4,350	4,999
Cash and cash equivalents at the end of the year		4,773	4,415	4,136	4,350	4,999	7,547
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-1,291	-1,977	-977	-297	293	2,494
Net cash flows from investing in non-financial assets		-2,373	-2,231	-2,688	-2,246	-1,497	-1,114
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-3,664</b>	<b>-4,208</b>	<b>-3,665</b>	<b>-2,542</b>	<b>-1,204</b>	<b>1,380</b>

Note: Columns may not add due to rounding.

Table 1.4

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Operating Statement

	Note	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		2,212	2,106	1,986	1,889	1,907	1,944
Capital grants		200	113	290	18	4	1
Sales of goods and services		19,170	18,077	20,027	21,903	22,744	23,845
Interest income		159	129	136	156	180	227
Other		651	483	536	557	666	575
<i>Total</i>		<b>22,392</b>	<b>20,908</b>	<b>22,974</b>	<b>24,524</b>	<b>25,501</b>	<b>26,591</b>
<b>EXPENSES</b>							
Salaries		1,191	1,269	1,102	1,113	1,133	1,151
Superannuation							
Concurrent costs		123	129	111	112	113	114
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		51	41	32	33	33	34
Depreciation and amortisation		1,988	2,083	2,226	2,179	2,178	2,251
Services and contracts		981	789	824	673	648	643
Other gross operating expenses		14,689	13,757	15,622	17,029	17,682	18,617
Other interest		807	849	837	875	920	996
Tax equivalents		527	444	524	582	628	660
Current transfers		1,072	1,085	1,123	1,159	1,200	1,195
Capital transfers		70	67	-	7	13	-
<i>Total</i>		<b>21,500</b>	<b>20,512</b>	<b>22,401</b>	<b>23,761</b>	<b>24,547</b>	<b>25,661</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>892</b>	<b>396</b>	<b>573</b>	<b>762</b>	<b>954</b>	<b>930</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		21	96	162	169	217	218
Net actuarial gains - superannuation		-23	-	-	-	-	-
Provision for doubtful debts		-16	-21	-36	-36	-34	-31
Changes in accounting policy/adjustment of prior periods		-686	-	-	-	-	-
<i>Total other economic flows</i>		<b>-704</b>	<b>75</b>	<b>125</b>	<b>133</b>	<b>183</b>	<b>186</b>
<b>OPERATING RESULT</b>		<b>189</b>	<b>470</b>	<b>698</b>	<b>896</b>	<b>1,137</b>	<b>1,116</b>
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-1,520	-405	336	494	657	808
Gains recognised directly in equity		1,655	43	8	-4	6	5
All other		-	-	-	-	-	-
<i>Total other non-owner movements in equity</i>		<b>135</b>	<b>-362</b>	<b>345</b>	<b>490</b>	<b>663</b>	<b>813</b>
<i>Movements in owner equity</i>							
Dividends		-1,273	-713	-1,569	-1,216	-1,261	-1,344
Capital injections		712	649	519	812	796	720
<i>Total movements in owner equity</i>		<b>-561</b>	<b>-64</b>	<b>-1,050</b>	<b>-404</b>	<b>-465</b>	<b>-624</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-237</b>	<b>44</b>	<b>-7</b>	<b>981</b>	<b>1,335</b>	<b>1,305</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>892</b>	<b>396</b>	<b>573</b>	<b>762</b>	<b>954</b>	<b>930</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		2,877	2,797	3,129	3,547	3,682	3,701
Changes in inventories		1,009	-415	79	188	151	46
Other movement in non-financial assets		156	105	164	180	266	213
<i>Less:</i>							
Sales of non-financial assets		718	674	814	764	812	789
Depreciation		1,988	2,083	2,226	2,179	2,178	2,251
<i>Total net acquisition of non-financial assets</i>		<b>1,335</b>	<b>-269</b>	<b>332</b>	<b>972</b>	<b>1,110</b>	<b>919</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>-442</b>	<b>665</b>	<b>241</b>	<b>-210</b>	<b>-156</b>	<b>10</b>

Note: Columns may not add due to rounding.

Table 1.5

**PUBLIC NON-FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	Note	2016	2017	2018	2019	2020	2021
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	Estimate	Estimate	Estimate	Estimate
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,267	1,610	1,125	849	1,084	1,259
Advances paid		-	-	-	-	-	-
Investments, loans and placements		5,072	3,904	4,513	4,637	4,748	4,884
Receivables		1,137	1,392	1,467	1,683	1,716	1,718
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		24	-	-	-	-	-
Other financial assets		849	801	729	620	506	400
<b>Total financial assets</b>		<b>8,349</b>	<b>7,708</b>	<b>7,834</b>	<b>7,789</b>	<b>8,055</b>	<b>8,261</b>
<i>Non-financial assets</i>							
Land		14,682	13,595	13,595	13,731	14,006	14,426
Property, plant and equipment		54,064	54,726	55,270	56,410	57,945	59,440
Biological assets		330	328	325	323	323	319
Inventories							
Land inventories		2,059	2,025	2,134	2,229	2,331	2,443
Other inventories		4,417	4,002	4,081	4,268	4,420	4,466
Intangibles		439	434	421	404	397	373
Non-current assets held for sale		28	28	28	28	28	28
Investment property		65	65	115	115	115	115
Other		144	145	129	130	131	134
<b>Total non-financial assets</b>		<b>76,229</b>	<b>75,349</b>	<b>76,099</b>	<b>77,639</b>	<b>79,696</b>	<b>81,744</b>
<b>TOTAL ASSETS</b>		<b>84,579</b>	<b>83,057</b>	<b>83,933</b>	<b>85,428</b>	<b>87,750</b>	<b>90,005</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		392	376	360	343	327	310
Borrowings		22,716	21,614	22,549	22,779	23,641	24,667
Unfunded superannuation		120	82	38	-	-	-
Other employee benefits		442	425	385	389	392	383
Payables		5,197	4,779	4,737	5,029	5,214	5,185
Other liabilities		1,657	1,683	1,773	1,816	1,769	1,747
<b>TOTAL LIABILITIES</b>		<b>30,525</b>	<b>28,959</b>	<b>29,841</b>	<b>30,356</b>	<b>31,343</b>	<b>32,293</b>
<b>NET ASSETS</b>		<b>54,054</b>	<b>54,098</b>	<b>54,091</b>	<b>55,072</b>	<b>56,407</b>	<b>57,712</b>
<i>Of which:</i>							
Contributed equity		8,164	8,813	9,332	10,144	10,940	11,660
Accumulated surplus		19,344	19,958	19,095	18,771	18,653	18,430
Other reserves		26,546	25,327	25,664	26,158	26,815	27,622
<b>NET WORTH</b>	6	<b>54,054</b>	<b>54,098</b>	<b>54,091</b>	<b>55,072</b>	<b>56,407</b>	<b>57,712</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-76,229	-75,349	-76,099	-77,639	-79,696	-81,744
<i>Net debt</i>							
Gross debt liabilities		23,108	21,990	22,909	23,122	23,968	24,977
Less: liquid financial assets		6,339	5,515	5,638	5,486	5,832	6,142
Less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>16,769</b>	<b>16,475</b>	<b>17,271</b>	<b>17,636</b>	<b>18,135</b>	<b>18,835</b>

Note: Columns may not add due to rounding.

Table 1.6

**PUBLIC NON-FINANCIAL CORPORATIONS**  
**Cash Flow Statement**

	Note	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		2,498	2,184	2,279	1,911	1,916	1,950
Receipts from sales of goods and services		19,335	18,228	20,286	22,156	23,026	24,131
Interest receipts		148	142	141	157	181	227
Dividends and tax equivalents		69	87	65	69	59	66
Other receipts		1,416	828	956	983	1,029	998
<i>Total cash received</i>		<b>23,465</b>	<b>21,470</b>	<b>23,727</b>	<b>25,277</b>	<b>26,210</b>	<b>27,373</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-1,402	-1,472	-1,273	-1,277	-1,304	-1,329
Payments for goods and services		-14,316	-13,096	-15,000	-16,145	-16,734	-17,724
Interest paid		-836	-812	-788	-824	-890	-976
Grants and subsidies paid		-761	-668	-687	-706	-734	-741
Tax equivalents		-609	-510	-532	-544	-634	-660
Other payments		-2,991	-2,644	-2,969	-3,063	-3,199	-3,260
<i>Total cash paid</i>		<b>-20,915</b>	<b>-19,201</b>	<b>-21,250</b>	<b>-22,559</b>	<b>-23,494</b>	<b>-24,690</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,550</b>	<b>2,269</b>	<b>2,477</b>	<b>2,717</b>	<b>2,716</b>	<b>2,682</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-2,877	-2,797	-3,129	-3,547	-3,682	-3,701
Sales of non-financial assets		718	674	814	764	812	789
<i>Total cash flows from investments in non-financial assets</i>		<b>-2,159</b>	<b>-2,124</b>	<b>-2,315</b>	<b>-2,783</b>	<b>-2,870</b>	<b>-2,912</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		332	44	37	22	45	4
<i>Cash paid</i>							
For policy purposes		-3	-3	-32	-13	-20	-224
For liquidity purposes		-359	-38	-45	-39	-17	-19
<i>Total cash flows from investments in financial assets</i>		<b>-31</b>	<b>3</b>	<b>-39</b>	<b>-29</b>	<b>7</b>	<b>-239</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-2,190</b>	<b>-2,121</b>	<b>-2,355</b>	<b>-2,812</b>	<b>-2,863</b>	<b>-3,151</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		12,583	17,599	20,299	20,355	20,845	20,858
Deposits received		-	-	-	-	-	-
Other financing receipts		894	874	661	946	950	1,109
<i>Total cash received</i>		<b>13,477</b>	<b>18,473</b>	<b>20,960</b>	<b>21,301</b>	<b>21,794</b>	<b>21,967</b>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-17	-17	-17
Borrowings repaid		-12,283	-17,738	-20,003	-20,217	-20,087	-19,920
Deposits paid		-	-	-	-	-	-
Other financing payments		-45	-33	-34	-34	-36	-37
Dividends paid		-1,273	-713	-1,569	-1,216	-1,261	-1,344
<i>Total cash paid</i>		<b>-13,617</b>	<b>-18,500</b>	<b>-21,622</b>	<b>-21,484</b>	<b>-21,400</b>	<b>-21,318</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-140</b>	<b>-27</b>	<b>-662</b>	<b>-184</b>	<b>394</b>	<b>649</b>
<b>Net increase in cash and cash equivalents</b>		<b>221</b>	<b>121</b>	<b>-540</b>	<b>-279</b>	<b>247</b>	<b>180</b>
Cash and cash equivalents at the beginning of the year		1,560	1,781	1,902	1,361	1,083	1,330
Cash and cash equivalents at the end of the year		1,781	1,902	1,361	1,083	1,330	1,511
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		2,550	2,269	2,477	2,717	2,716	2,682
Net cash flows from investing in non-financial assets		-2,159	-2,124	-2,315	-2,783	-2,870	-2,912
Dividends paid		-1,273	-713	-1,569	-1,216	-1,261	-1,344
<b>Cash surplus/-deficit</b>	6	<b>-882</b>	<b>-568</b>	<b>-1,408</b>	<b>-1,282</b>	<b>-1,415</b>	<b>-1,574</b>

Note: Columns may not add due to rounding.

Table 1.7

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
**Operating Statement**

	Note	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		8,564	8,089	8,075	8,357	8,708	9,163
Current grants and subsidies		7,407	8,012	8,255	9,293	10,651	12,611
Capital grants		895	506	968	535	367	783
Sales of goods and services		20,900	19,831	21,880	23,827	24,729	25,902
Interest income		325	292	292	314	344	399
Royalty income		4,126	5,260	5,211	4,860	4,543	4,681
Dividend and tax equivalents		334	264	203	194	205	194
Other		1,111	966	1,029	987	1,029	946
<b>Total</b>		<b>43,662</b>	<b>43,219</b>	<b>45,912</b>	<b>48,367</b>	<b>50,576</b>	<b>54,679</b>
<b>EXPENSES</b>							
Salaries		12,574	12,928	13,533	13,101	13,323	13,608
Superannuation							
Concurrent costs		1,291	1,313	1,365	1,313	1,329	1,350
Superannuation interest cost		218	206	201	207	213	213
Other employee costs		255	238	249	247	252	247
Depreciation and amortisation		3,348	3,455	3,701	3,675	3,722	3,796
Services and contracts		3,169	3,101	3,216	3,033	3,057	3,043
Other gross operating expenses		19,744	19,212	21,006	22,497	23,486	24,680
Other interest		1,446	1,600	1,697	1,888	2,085	2,308
Current transfers		3,683	4,075	4,066	4,235	4,250	4,325
Capital transfers		338	446	215	289	281	263
<b>Total</b>		<b>46,064</b>	<b>46,575</b>	<b>49,249</b>	<b>50,486</b>	<b>51,997</b>	<b>53,833</b>
<b>NET OPERATING BALANCE</b>	6	<b>-2,401</b>	<b>-3,356</b>	<b>-3,336</b>	<b>-2,120</b>	<b>-1,422</b>	<b>845</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-127	-70	154	164	258	267
Net actuarial gains - superannuation		-612	605	-115	-142	-154	-208
Provision for doubtful debts		-69	-40	-49	-49	-47	-45
Changes in accounting policy/adjustment of prior periods		-602	-	-	-	-	-
<b>Total other economic flows</b>		<b>-1,410</b>	<b>494</b>	<b>-11</b>	<b>-27</b>	<b>56</b>	<b>14</b>
<b>OPERATING RESULT</b>		<b>-3,811</b>	<b>-2,861</b>	<b>-3,347</b>	<b>-2,147</b>	<b>-1,365</b>	<b>859</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-4,069	-1,604	1,469	1,682	1,947	2,151
Gains recognised directly in equity		1,663	42	8	-5	5	5
Change in net worth of the PFC sector		-216	161	129	100	126	154
All other		-	-	-	-	-	-
<b>Total all other movements in equity</b>		<b>-2,622</b>	<b>-1,401</b>	<b>1,606</b>	<b>1,777</b>	<b>2,079</b>	<b>2,310</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-6,433</b>	<b>-4,262</b>	<b>-1,741</b>	<b>-370</b>	<b>714</b>	<b>3,169</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-2,401</b>	<b>-3,356</b>	<b>-3,336</b>	<b>-2,120</b>	<b>-1,422</b>	<b>845</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,232	5,173	5,994	5,942	5,339	5,013
Changes in inventories		1,024	-416	78	188	151	46
Other movement in non-financial assets		171	348	633	259	352	228
<i>Less:</i>							
Sales of non-financial assets		701	819	990	913	972	987
Depreciation		3,348	3,455	3,701	3,675	3,722	3,796
<b>Total net acquisition of non-financial assets</b>		<b>2,378</b>	<b>831</b>	<b>2,013</b>	<b>1,801</b>	<b>1,148</b>	<b>504</b>
<b>NET LENDING/-BORROWING</b>	6	<b>-4,779</b>	<b>-4,187</b>	<b>-5,350</b>	<b>-3,921</b>	<b>-2,570</b>	<b>341</b>

Note: Columns may not add due to rounding.

Table 1.8

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
Balance Sheet at 30 June

	Note	2016	2017	2018	2019	2020	2021
		Actual	Estimated Actual	Budget Estimate	Forw ard Estimate	Forw ard Estimate	Forw ard Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,599	1,783	1,439	1,330	1,526	1,678
Advances paid		319	349	371	387	401	414
Investments, loans and placements		9,111	7,629	7,823	7,993	8,805	11,523
Receivables		3,934	4,465	4,493	4,607	4,567	4,587
<i>Shares and other equity</i>							
Investments in other public sector entities - equity method		1,780	1,971	2,100	2,199	2,326	2,480
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		73	52	47	52	67	82
Other financial assets		8	8	8	8	8	9
<b>Total financial assets</b>		<b>16,823</b>	<b>16,256</b>	<b>16,280</b>	<b>16,576</b>	<b>17,700</b>	<b>20,773</b>
<i>Non-financial assets</i>							
Land		53,233	50,883	51,153	51,696	52,737	54,065
Property, plant and equipment		97,320	99,337	102,751	105,503	107,665	109,319
Biological assets		334	329	327	324	324	320
<i>Inventories</i>							
Land inventories		2,172	2,137	2,254	2,349	2,450	2,561
Other inventories		4,501	4,085	4,162	4,350	4,502	4,548
Intangibles		1,090	1,076	1,064	1,022	948	864
Non-current assets held for sale		60	69	61	61	54	54
Investment property		73	73	123	123	123	123
Other		629	805	580	585	573	577
<b>Total non-financial assets</b>		<b>159,412</b>	<b>158,795</b>	<b>162,476</b>	<b>166,014</b>	<b>169,375</b>	<b>172,430</b>
<b>TOTAL ASSETS</b>		<b>176,235</b>	<b>175,051</b>	<b>178,757</b>	<b>182,590</b>	<b>187,075</b>	<b>193,203</b>
<b>LIABILITIES</b>							
Deposits held		28	32	32	32	32	32
Advances received		392	376	360	343	327	310
Borrowings		41,095	45,204	50,616	54,584	58,287	61,368
Unfunded superannuation		8,059	7,229	7,001	6,814	6,678	6,567
Other employee benefits		3,335	3,368	3,402	3,457	3,500	3,519
Payables		6,303	6,050	6,094	6,386	6,594	6,585
Other liabilities		2,157	2,187	2,389	2,481	2,451	2,447
<b>TOTAL LIABILITIES</b>		<b>61,369</b>	<b>64,447</b>	<b>69,894</b>	<b>74,097</b>	<b>77,869</b>	<b>80,828</b>
<b>NET ASSETS</b>		<b>114,866</b>	<b>110,604</b>	<b>108,863</b>	<b>108,493</b>	<b>109,206</b>	<b>112,375</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		27,811	29,048	25,711	23,558	22,194	23,053
Other reserves		87,055	81,556	83,152	84,934	87,013	89,322
<b>NET WORTH</b>	6	<b>114,866</b>	<b>110,604</b>	<b>108,863</b>	<b>108,493</b>	<b>109,206</b>	<b>112,375</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		<i>-44,546</i>	<i>-48,191</i>	<i>-53,614</i>	<i>-57,521</i>	<i>-60,169</i>	<i>-60,054</i>
<i>Net financial liabilities</i>		<i>46,399</i>	<i>50,214</i>	<i>55,760</i>	<i>59,772</i>	<i>62,562</i>	<i>62,616</i>
<i>Net debt</i>							
Gross debt liabilities		41,515	45,613	51,009	54,960	58,646	61,710
Less: liquid financial assets		11,029	9,761	9,633	9,710	10,732	13,616
Less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>30,486</b>	<b>35,852</b>	<b>41,376</b>	<b>45,249</b>	<b>47,914</b>	<b>48,094</b>

Note: Columns may not add due to rounding.

Table 1.9

**TOTAL NON-FINANCIAL PUBLIC SECTOR**  
**Cash Flow Statement**

	Note	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		8,621	7,954	8,079	8,361	8,712	9,169
Grants and subsidies received		8,310	8,498	9,247	9,833	11,021	13,397
Receipts from sales of goods and services		21,204	20,017	22,192	24,107	25,053	26,252
Interest receipts		309	303	289	308	338	392
Dividends and tax equivalents		274	320	210	205	189	197
Other receipts		7,015	7,439	7,671	7,362	7,013	6,977
<i>Total cash received</i>		<i>45,733</i>	<i>44,531</i>	<i>47,688</i>	<i>50,176</i>	<i>52,327</i>	<i>56,386</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-14,776	-14,665	-15,436	-14,922	-15,181	-15,528
Payments for goods and services		-21,693	-21,012	-22,872	-24,136	-25,209	-26,459
Interest paid		-1,440	-1,541	-1,621	-1,805	-2,022	-2,262
Grants and subsidies paid		-3,711	-3,938	-3,803	-3,961	-3,934	-4,014
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,127	-3,796	-4,026	-4,149	-4,232	-4,290
<i>Total cash paid</i>		<i>-45,747</i>	<i>-44,953</i>	<i>-47,758</i>	<i>-48,972</i>	<i>-50,578</i>	<i>-52,553</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-14</b>	<b>-422</b>	<b>-70</b>	<b>1,205</b>	<b>1,748</b>	<b>3,832</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,232	-5,173	-5,994	-5,942	-5,339	-5,013
Sales of non-financial assets		701	819	990	913	972	987
<i>Total cash flows from investments in non-financial assets</i>		<i>-4,532</i>	<i>-4,354</i>	<i>-5,003</i>	<i>-5,029</i>	<i>-4,367</i>	<i>-4,026</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		140	10	10	10	10	10
For liquidity purposes		433	102	103	39	89	15
<i>Cash paid</i>							
For policy purposes		-16	-10	-10	-10	-10	-10
For liquidity purposes		-496	-55	-59	-45	-35	-38
<i>Total cash flows from investments in financial assets</i>		<i>61</i>	<i>46</i>	<i>43</i>	<i>-5</i>	<i>54</i>	<i>-23</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-4,471</b>	<b>-4,308</b>	<b>-4,960</b>	<b>-5,035</b>	<b>-4,314</b>	<b>-4,049</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		17,777	22,777	24,691	24,225	23,786	23,069
Deposits received		-	-	-	-	-	-
Other financing receipts		49	42	98	76	78	83
<i>Total cash received</i>		<i>17,825</i>	<i>22,819</i>	<i>24,789</i>	<i>24,300</i>	<i>23,865</i>	<i>23,152</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-17	-17	-17
Borrowings repaid		-12,380	-17,910	-20,313	-20,332	-20,201	-20,033
Deposits paid		-	-	-	-	-	-
Other financing payments		-391	-401	-249	-187	-185	-157
<i>Total cash paid</i>		<i>-12,787</i>	<i>-18,327</i>	<i>-20,578</i>	<i>-20,535</i>	<i>-20,403</i>	<i>-20,208</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>5,038</b>	<b>4,493</b>	<b>4,211</b>	<b>3,765</b>	<b>3,462</b>	<b>2,944</b>
<b>Net increase in cash and cash equivalents</b>		<b>553</b>	<b>-237</b>	<b>-819</b>	<b>-65</b>	<b>897</b>	<b>2,728</b>
Cash and cash equivalents at the beginning of the year		5,999	6,552	6,316	5,497	5,432	6,329
Cash and cash equivalents at the end of the year		6,552	6,316	5,497	5,432	6,329	9,057
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-14	-422	-70	1,205	1,748	3,832
Net cash flows from investing in non-financial assets		-4,532	-4,354	-5,003	-5,029	-4,367	-4,026
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-4,546</b>	<b>-4,776</b>	<b>-5,073</b>	<b>-3,825</b>	<b>-2,619</b>	<b>-194</b>

Note: Columns may not add due to rounding.



Table 1.10

**PUBLIC FINANCIAL CORPORATIONS**  
Operating Statement

	Note	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Current grants and subsidies		-	-	-	-	-	-
Capital grants		-	-	-	-	-	-
Sales of goods and services		982	1,347	1,396	1,471	1,559	1,654
Interest income		1,776	1,878	2,000	2,216	2,458	2,734
Other		-	1	2	-	-	-
<b>Total</b>		<b>2,758</b>	<b>3,226</b>	<b>3,398</b>	<b>3,686</b>	<b>4,017</b>	<b>4,388</b>
<b>EXPENSES</b>							
Salaries		53	57	59	60	62	63
Superannuation							
Concurrent costs		5	6	6	6	6	6
Superannuation interest cost		-	-	-	-	-	-
Other employee costs		2	3	3	3	3	3
Depreciation and amortisation		6	5	5	6	6	7
Services and contracts		11	12	10	10	10	11
Other gross operating expenses		835	968	1,126	1,258	1,318	1,385
Other interest		1,663	1,681	1,785	2,001	2,233	2,515
Tax equivalents		104	62	47	39	44	49
Current transfers		5	5	5	5	5	5
Capital transfers		2	5	6	6	6	5
<b>Total</b>		<b>2,686</b>	<b>2,804</b>	<b>3,053</b>	<b>3,394</b>	<b>3,694</b>	<b>4,050</b>
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>72</b>	<b>422</b>	<b>345</b>	<b>293</b>	<b>323</b>	<b>338</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-4	-	-	-	-	-
Net actuarial gains - superannuation		1	-	-	-	-	-
Provision for doubtful debts		2	-	-	-	-	-
Changes in accounting policy/adjustment of prior periods		-168	-	-	-	-	-
<b>Total other economic flows</b>		<b>-169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING RESULT</b>		<b>-97</b>	<b>422</b>	<b>345</b>	<b>293</b>	<b>323</b>	<b>338</b>
<i>Other non-owner movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-107	-	-61	-37	-37	-39
Gains recognised directly in equity		191	-	-	-	-	-
All other		-	-	-	-	-	-
<b>Total other non-owner movements in equity</b>		<b>84</b>	<b>-</b>	<b>-61</b>	<b>-37</b>	<b>-37</b>	<b>-39</b>
<i>Movements in owner equity</i>							
Dividends		-230	-201	-155	-156	-160	-145
Capital injections		13	-30	-	-	-	-
<b>Total movements in owner equity</b>		<b>-216</b>	<b>-231</b>	<b>-155</b>	<b>-156</b>	<b>-160</b>	<b>-145</b>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-229</b>	<b>190</b>	<b>129</b>	<b>100</b>	<b>126</b>	<b>154</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	<b>6</b>	<b>72</b>	<b>422</b>	<b>345</b>	<b>293</b>	<b>323</b>	<b>338</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5	7	7	7	9	8
Changes in inventories		-	-	-	-	-	-
Other movement in non-financial assets		-	-	-	-	-	-
<i>Less:</i>							
Sales of non-financial assets		-	-	-	-	-	-
Depreciation		6	5	5	6	6	7
<b>Total net acquisition of non-financial assets</b>		<b>-2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>
<b>NET LENDING/-BORROWING</b>	<b>6</b>	<b>74</b>	<b>420</b>	<b>344</b>	<b>291</b>	<b>322</b>	<b>337</b>

Note: Columns may not add due to rounding.

Table 1.11

**PUBLIC FINANCIAL CORPORATIONS**  
Balance Sheet at 30 June

	Note	2016	2017	2018	2019	2020	2021
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		275	185	194	203	212	220
Advances paid		4,413	3,340	4,005	4,120	4,224	4,345
Investments, loans and placements		52,977	56,820	62,065	66,348	70,342	73,506
Receivables		873	865	891	916	944	973
Shares and other equity							
Investments in other public sector entities - equity method		-	-	-	-	-	-
Investments in other public sector entities - direct injections		-	-	-	-	-	-
Investments in other entities		1,471	1,666	1,835	2,020	2,226	2,450
Other financial assets		11	11	11	11	11	11
<b>Total financial assets</b>		<b>60,020</b>	<b>62,886</b>	<b>69,001</b>	<b>73,619</b>	<b>77,959</b>	<b>81,505</b>
<i>Non-financial assets</i>							
Land		-	-	-	-	-	-
Property, plant and equipment		4	5	4	4	5	5
Biological assets		-	-	-	-	-	-
Inventories							
Land inventories		-	-	-	-	-	-
Other inventories		-	-	-	-	-	-
Intangibles		8	9	10	11	12	13
Non-current assets held for sale		87	-	-	-	-	-
Investment property		224	236	248	261	275	291
Other		5	2	2	2	2	2
<b>Total non-financial assets</b>		<b>328</b>	<b>252</b>	<b>264</b>	<b>278</b>	<b>294</b>	<b>311</b>
<b>TOTAL ASSETS</b>		<b>60,347</b>	<b>63,138</b>	<b>69,265</b>	<b>73,897</b>	<b>78,253</b>	<b>81,816</b>
<b>LIABILITIES</b>							
Deposits held		-	-	-	-	-	-
Advances received		3	3	3	3	3	3
Borrowings		54,523	56,990	62,695	66,844	70,644	73,612
Unfunded superannuation		8	10	11	12	13	15
Other employee benefits		10	10	10	10	10	10
Payables		284	251	234	224	228	233
Other liabilities		3,739	3,904	4,212	4,604	5,028	5,463
<b>TOTAL LIABILITIES</b>		<b>58,567</b>	<b>61,167</b>	<b>67,165</b>	<b>71,697</b>	<b>75,927</b>	<b>79,336</b>
<b>NET ASSETS</b>		<b>1,780</b>	<b>1,971</b>	<b>2,100</b>	<b>2,199</b>	<b>2,326</b>	<b>2,480</b>
<i>Of which:</i>							
Contributed equity		16	-14	-14	-14	-14	-14
Accumulated surplus		1,743	1,964	2,154	2,291	2,454	2,647
Other reserves		21	20	-41	-78	-114	-154
<b>NET WORTH</b>	6	<b>1,780</b>	<b>1,971</b>	<b>2,100</b>	<b>2,199</b>	<b>2,326</b>	<b>2,480</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-328	-252	-264	-278	-294	-311
<i>Net debt</i>							
Gross debt liabilities		54,526	56,993	62,698	66,847	70,647	73,615
Less: liquid financial assets		57,665	60,344	66,264	70,671	74,778	78,071
Less: convergence differences impacting net debt		-	-	-	-	-	-
<b>Net debt</b>		<b>-3,139</b>	<b>-3,352</b>	<b>-3,566</b>	<b>-3,824</b>	<b>-4,131</b>	<b>-4,456</b>

Note: Columns may not add due to rounding.

Table 1.12

**PUBLIC FINANCIAL CORPORATIONS**  
**Cash Flow Statement**

	Note	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Grants and subsidies received		-	-	5	5	5	5
Receipts from sales of goods and services		1,114	1,433	1,328	1,396	1,470	1,547
Interest receipts		1,724	1,878	2,000	2,216	2,458	2,734
Dividends and tax equivalents		-	-	-	-	-	-
Other receipts		145	156	213	196	203	212
<b>Total cash received</b>		<b>2,982</b>	<b>3,467</b>	<b>3,546</b>	<b>3,812</b>	<b>4,135</b>	<b>4,499</b>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-58	-61	-64	-65	-67	-69
Payments for goods and services		-757	-864	-844	-889	-928	-967
Interest paid		-1,866	-1,693	-1,788	-2,001	-2,233	-2,515
Grants and subsidies paid		-	-1	-	-	-	-
Tax equivalents		-63	-108	-65	-48	-40	-45
Other payments		-207	-237	-243	-254	-266	-278
<b>Total cash paid</b>		<b>-2,952</b>	<b>-2,963</b>	<b>-3,003</b>	<b>-3,258</b>	<b>-3,535</b>	<b>-3,874</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>31</b>	<b>504</b>	<b>543</b>	<b>554</b>	<b>601</b>	<b>625</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5	-7	-7	-7	-9	-8
Sales of non-financial assets		-	-	-	-	-	-
<b>Total cash flows from investments in non-financial assets</b>		<b>-4</b>	<b>-7</b>	<b>-7</b>	<b>-7</b>	<b>-8</b>	<b>-8</b>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		-	-	-	-	-	-
For liquidity purposes		4,417	6,606	6,385	6,429	6,472	6,511
<i>Cash paid</i>							
For policy purposes		-	-	-61	-37	-37	-39
For liquidity purposes		-3,962	-6,965	-7,308	-6,796	-6,848	-6,919
<b>Total cash flows from investments in financial assets</b>		<b>455</b>	<b>-359</b>	<b>-984</b>	<b>-404</b>	<b>-413</b>	<b>-448</b>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>451</b>	<b>-366</b>	<b>-991</b>	<b>-411</b>	<b>-421</b>	<b>-455</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		30,883	34,392	47,654	48,211	46,979	47,301
Deposits received		-	-	-	-	-	-
Other financing receipts		-	-	-	-	-	-
<b>Total cash received</b>		<b>30,883</b>	<b>34,392</b>	<b>47,654</b>	<b>48,211</b>	<b>46,979</b>	<b>47,301</b>
<i>Cash paid</i>							
Advances paid		-	-	-	-	-	-
Borrowings repaid		-29,000	-35,387	-46,997	-48,095	-46,885	-47,171
Deposits paid		-	-	-	-	-	-
Other financing payments		-	-	-	-	-	-
Dividends paid		-211	-212	-145	-156	-149	-152
<b>Total cash paid</b>		<b>-29,211</b>	<b>-35,598</b>	<b>-47,142</b>	<b>-48,252</b>	<b>-47,034</b>	<b>-47,324</b>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,671</b>	<b>-1,206</b>	<b>512</b>	<b>-40</b>	<b>-56</b>	<b>-23</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,153</b>	<b>-1,068</b>	<b>64</b>	<b>103</b>	<b>124</b>	<b>146</b>
Cash and cash equivalents at the beginning of the year		3,242	5,395	4,326	4,390	4,493	4,617
Cash and cash equivalents at the end of the year		5,395	4,326	4,390	4,493	4,617	4,763
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		31	504	543	554	601	625
Net cash flows from investing in non-financial assets		-4	-7	-7	-7	-8	-8
Dividends paid		-211	-212	-145	-156	-149	-152
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-185</b>	<b>285</b>	<b>391</b>	<b>391</b>	<b>443</b>	<b>464</b>

Note: Columns may not add due to rounding.

Table 1.13

**TOTAL PUBLIC SECTOR**  
**Operating Statement**

	Note	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<i>Results from Transactions</i>							
<b>REVENUE</b>							
Taxation		8,560	8,085	8,071	8,352	8,704	9,159
Current grants and subsidies		7,407	8,012	8,255	9,293	10,651	12,611
Capital grants		895	506	968	535	367	783
Sales of goods and services		21,583	20,852	22,926	24,936	25,914	27,169
Interest income		635	568	565	590	632	695
Royalty income		4,126	5,260	5,211	4,860	4,543	4,681
Other		1,110	965	1,028	986	1,029	945
<i>Total</i>		<i>44,316</i>	<i>44,249</i>	<i>47,025</i>	<i>49,553</i>	<i>51,840</i>	<i>56,043</i>
<b>EXPENSES</b>							
Salaries		12,627	12,984	13,592	13,161	13,385	13,672
Superannuation							
Concurrent costs		1,296	1,318	1,371	1,319	1,335	1,357
Superannuation interest cost		218	206	201	207	213	213
Other employee costs		257	241	252	250	255	250
Depreciation and amortisation		3,354	3,461	3,706	3,681	3,729	3,803
Services and contracts		3,179	3,101	3,216	3,033	3,057	3,043
Other gross operating expenses		20,279	19,865	21,790	23,403	24,439	25,689
Other interest		1,643	1,679	1,756	1,950	2,148	2,385
Current transfers		3,683	4,076	4,066	4,235	4,251	4,325
Capital transfers		340	452	221	295	286	268
<i>Total</i>		<i>46,875</i>	<i>47,384</i>	<i>50,171</i>	<i>51,536</i>	<i>53,098</i>	<i>55,004</i>
<b>NET OPERATING BALANCE</b>	6	<b>-2,559</b>	<b>-3,135</b>	<b>-3,146</b>	<b>-1,983</b>	<b>-1,258</b>	<b>1,039</b>
<i>Other economic flows - included in the operating result</i>							
Net gains on assets/liabilities		-131	-70	154	164	258	267
Net actuarial gains - superannuation		-610	605	-115	-142	-154	-208
Provision for doubtful debts		-68	-40	-49	-49	-47	-45
Changes in accounting policy/adjustment of prior periods		-743	-	-	-	-	-
<i>Total other economic flows</i>		<i>-1,552</i>	<i>494</i>	<i>-11</i>	<i>-27</i>	<i>56</i>	<i>14</i>
<b>OPERATING RESULT</b>		<b>-4,111</b>	<b>-2,641</b>	<b>-3,157</b>	<b>-2,010</b>	<b>-1,202</b>	<b>1,052</b>
<i>All other movements in equity</i>							
<i>Items that will not be reclassified to operating result</i>							
Revaluations		-4,176	-1,664	1,408	1,645	1,910	2,112
Gains recognised directly in equity		1,854	42	8	-5	5	5
All other		-	-	-	-	-	-
<i>Total all other movements in equity</i>		<i>-2,322</i>	<i>-1,622</i>	<i>1,416</i>	<i>1,640</i>	<i>1,916</i>	<i>2,116</i>
<b>TOTAL CHANGE IN NET WORTH</b>		<b>-6,433</b>	<b>-4,262</b>	<b>-1,741</b>	<b>-370</b>	<b>714</b>	<b>3,169</b>
<b>KEY FISCAL AGGREGATES</b>							
<b>NET OPERATING BALANCE</b>	6	<b>-2,559</b>	<b>-3,135</b>	<b>-3,146</b>	<b>-1,983</b>	<b>-1,258</b>	<b>1,039</b>
<i>Less Net acquisition of non-financial assets</i>							
Purchase of non-financial assets		5,237	5,181	6,001	5,949	5,348	5,021
Changes in inventories		1,024	-416	78	188	151	46
Other movement in non-financial assets		171	348	633	259	352	228
<i>Less:</i>							
Sales of non-financial assets		701	819	991	913	972	987
Depreciation		3,354	3,461	3,706	3,681	3,729	3,803
<i>Total net acquisition of non-financial assets</i>		<i>2,376</i>	<i>833</i>	<i>2,015</i>	<i>1,802</i>	<i>1,150</i>	<i>505</i>
<b>NET LENDING/-BORROWING</b>	6	<b>-4,935</b>	<b>-3,968</b>	<b>-5,162</b>	<b>-3,785</b>	<b>-2,408</b>	<b>534</b>

Note: Columns may not add due to rounding.

Table 1.14

**TOTAL PUBLIC SECTOR**  
**Balance Sheet at 30 June**

	Note	2016	2017	2018	2019	2020	2021
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	Actual	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m	\$m
<b>ASSETS</b>							
<i>Financial assets</i>							
Cash and deposits		1,873	1,967	1,632	1,532	1,737	1,897
Advances paid		4,729	3,686	4,373	4,505	4,622	4,756
Investments, loans and placements		18,322	17,772	17,501	17,816	18,800	21,386
Receivables		4,140	4,714	4,753	4,884	4,852	4,884
Equity - Investments in other entities		1,544	1,718	1,882	2,072	2,293	2,532
Other financial assets		18	18	19	19	19	19
<i>Total financial assets</i>		<b>30,626</b>	<b>29,875</b>	<b>30,160</b>	<b>30,826</b>	<b>32,322</b>	<b>35,475</b>
<i>Non-financial assets</i>							
Land		53,233	50,883	51,153	51,696	52,737	54,065
Property, plant and equipment		97,324	99,342	102,755	105,507	107,669	109,324
Biological assets		334	329	327	324	324	320
Inventories							
Land inventories		2,172	2,137	2,254	2,349	2,450	2,561
Other inventories		4,501	4,085	4,162	4,350	4,502	4,548
Intangibles		1,097	1,085	1,073	1,033	960	877
Non-current assets held for sale		147	69	61	61	54	54
Investment property		297	310	371	384	399	415
Other		634	807	582	587	575	579
<i>Total non-financial assets</i>		<b>159,740</b>	<b>159,047</b>	<b>162,740</b>	<b>166,292</b>	<b>169,670</b>	<b>172,741</b>
<b>TOTAL ASSETS</b>		<b>190,366</b>	<b>188,922</b>	<b>192,900</b>	<b>197,119</b>	<b>201,992</b>	<b>208,216</b>
<b>LIABILITIES</b>							
Deposits held		27	31	31	31	31	31
Advances received		392	376	360	343	327	310
Borrowings		51,852	55,517	60,925	64,903	68,584	71,337
Unfunded superannuation		8,068	7,238	7,012	6,826	6,692	6,582
Other employee benefits		3,345	3,379	3,412	3,467	3,510	3,529
Payables		6,370	6,130	6,174	6,467	6,675	6,667
Other liabilities		5,446	5,647	6,124	6,588	6,967	7,384
<b>TOTAL LIABILITIES</b>		<b>75,499</b>	<b>78,318</b>	<b>84,038</b>	<b>88,626</b>	<b>92,786</b>	<b>95,841</b>
<b>NET ASSETS</b>		<b>114,866</b>	<b>110,604</b>	<b>108,863</b>	<b>108,493</b>	<b>109,206</b>	<b>112,375</b>
<i>Of which:</i>							
Contributed equity		-	-	-	-	-	-
Accumulated surplus		29,555	31,012	27,865	25,849	24,647	25,700
Other reserves		85,312	79,592	80,998	82,644	84,559	86,675
<b>NET WORTH</b>	6	<b>114,866</b>	<b>110,604</b>	<b>108,863</b>	<b>108,493</b>	<b>109,206</b>	<b>112,375</b>
<b>MEMORANDUM ITEMS</b>							
<i>Net financial worth</i>		-44,873	-48,443	-53,878	-57,800	-60,463	-60,366
<i>Net financial liabilities</i>		46,417	50,161	55,760	59,872	62,757	62,897
<i>Net debt</i>							
Gross debt liabilities		52,271	55,925	61,316	65,277	68,942	71,678
Less: liquid financial assets		24,924	23,425	23,506	23,852	25,158	28,040
Less: convergence differences impacting net debt		-	-	-	-	-	-
<i>Net debt</i>		<b>27,347</b>	<b>32,500</b>	<b>37,810</b>	<b>41,425</b>	<b>43,784</b>	<b>43,638</b>

Note: Columns may not add due to rounding.

Table 1.15

**TOTAL PUBLIC SECTOR**  
**Cash Flow Statement**

	Note	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
		Actual	Estimated	Budget	Forward	Forward	Forward
		\$m	\$m	\$m	\$m	\$m	\$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
<i>Cash received</i>							
Taxes received		8,556	7,866	7,984	8,261	8,608	9,060
Grants and subsidies received		8,310	8,498	9,247	9,833	11,021	13,397
Receipts from sales of goods and services		21,979	21,119	23,185	25,156	26,164	27,429
Interest receipts		667	605	619	650	673	721
Dividends and tax equivalents		-	-	-	-	-	-
Other		7,156	7,589	7,880	7,553	7,210	7,184
<i>Total cash received</i>		<i>46,668</i>	<i>45,677</i>	<i>48,915</i>	<i>51,454</i>	<i>53,677</i>	<i>57,792</i>
<i>Cash paid</i>							
Wages, salaries and supplements, and superannuation		-14,834	-14,726	-15,499	-14,987	-15,248	-15,597
Payments for goods and services		-22,112	-21,544	-23,382	-24,678	-25,779	-27,056
Interest paid		-1,940	-1,658	-1,738	-1,931	-2,132	-2,371
Grants and subsidies paid		-3,711	-3,939	-3,798	-3,956	-3,929	-4,009
Dividends and tax equivalents		-	-	-	-	-	-
Other payments		-4,266	-3,940	-4,169	-4,299	-4,389	-4,454
<i>Total cash paid</i>		<i>-46,863</i>	<i>-45,807</i>	<i>-48,586</i>	<i>-49,851</i>	<i>-51,478</i>	<i>-53,487</i>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>-195</b>	<b>-129</b>	<b>328</b>	<b>1,603</b>	<b>2,199</b>	<b>4,305</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<i>Cash flows from investments in non-financial assets</i>							
Purchase of non-financial assets		-5,237	-5,181	-6,001	-5,949	-5,348	-5,021
Sales of non-financial assets		701	819	991	913	972	987
<i>Total cash flows from investments in non-financial assets</i>		<i>-4,536</i>	<i>-4,361</i>	<i>-5,010</i>	<i>-5,036</i>	<i>-4,375</i>	<i>-4,034</i>
<i>Cash flows from investments in financial assets</i>							
<i>Cash received</i>							
For policy purposes		140	10	10	10	10	10
For liquidity purposes		4,850	6,708	6,487	6,469	6,561	6,526
<i>Cash paid</i>							
For policy purposes		-16	-10	-10	-10	-10	-10
For liquidity purposes		-4,457	-7,020	-7,367	-6,841	-6,883	-6,957
<i>Total cash flows from investments in financial assets</i>		<i>516</i>	<i>-312</i>	<i>-880</i>	<i>-372</i>	<i>-322</i>	<i>-431</i>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-4,020</b>	<b>-4,674</b>	<b>-5,890</b>	<b>-5,409</b>	<b>-4,698</b>	<b>-4,465</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<i>Cash received</i>							
Advances received		-	-	-	-	-	-
Borrowings		18,612	16,489	27,344	27,881	26,779	27,269
Deposits received		-	-	-	-	-	-
Other financing receipts		49	42	37	39	42	44
<i>Total cash received</i>		<i>18,660</i>	<i>16,530</i>	<i>27,381</i>	<i>27,920</i>	<i>26,821</i>	<i>27,313</i>
<i>Cash paid</i>							
Advances paid		-16	-16	-16	-17	-17	-17
Borrowings repaid		-11,333	-12,616	-22,309	-23,873	-23,100	-24,104
Deposits paid		-	-	-	-	-	-
Other financing payments		-391	-401	-249	-187	-185	-157
<i>Total cash paid</i>		<i>-11,740</i>	<i>-13,033</i>	<i>-22,574</i>	<i>-24,076</i>	<i>-23,302</i>	<i>-24,279</i>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>6,921</b>	<b>3,498</b>	<b>4,807</b>	<b>3,844</b>	<b>3,519</b>	<b>3,034</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,706</b>	<b>-1,305</b>	<b>-755</b>	<b>38</b>	<b>1,021</b>	<b>2,874</b>
Cash and cash equivalents at the beginning of the year		9,239	11,946	10,640	9,886	9,923	10,944
Cash and cash equivalents at the end of the year		11,946	10,640	9,886	9,923	10,944	13,819
<b>KEY FISCAL AGGREGATES</b>							
Net cash flows from operating activities		-195	-129	328	1,603	2,199	4,305
Net cash flows from investing in non-financial assets		-4,536	-4,361	-5,010	-5,036	-4,375	-4,034
<b>Cash surplus/-deficit</b>	<b>6</b>	<b>-4,731</b>	<b>-4,491</b>	<b>-4,682</b>	<b>-3,434</b>	<b>-2,176</b>	<b>271</b>

Note: Columns may not add due to rounding.

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## NOTE 1: STATEMENT OF COMPLIANCE

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The projected public sector financial statements presented in this appendix have been prepared in accordance with Australian Accounting Standards and the Australian Bureau of Statistics' *Government Finance Statistics Concepts, Sources and Methods 2005*.

The presentation in this appendix is consistent with AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

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## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The financial statements constitute general purpose financial reports for the total public sector (also known as the whole of government), general government sector, and each of the subsidiary public corporations sectors. The financial projections of the consolidated general government (centrally funded agencies such as the Department of Education and WA Health) and the public non-financial corporations (such as water and electricity utilities, and the ports) are also presented as the total non-financial public sector.

The financial projections are a requirement of the *Government Financial Responsibility Act 2000*.

*(a) The reporting entity*

The reporting entity is the Government of Western Australia (the public sector) and includes entities under its control.

The following table provides detail of current and capital transfer expenses of the general government sector, in line with UPF disclosure requirements.

*(b) Basis of preparation*

These financial projections do not include all the notes of the type normally included in an annual financial report. The accounting policies adopted in this publication are consistent with those outlined in the 2015-16 *Annual Report on State Finances* (ARSF), which are described in detail in Note 3: *Summary of Significant Accounting Policies* in Appendix 1 of the 2015-16 ARSF.

The projections are presented in Australian dollars and all amounts are rounded to the nearest million dollars (\$m).

*(c) Unaudited data*

These financial projections are not audited.

*(d) Comparative figures*

Comparative information has been restated where necessary to match changes in classification advised by the Australian Bureau of Statistics and/or any changes to applicable Australian Accounting Standards.

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### NOTE 3: GENERAL GOVERNMENT OPERATING REVENUE

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A detailed dissection of general government revenue (which includes the UPF taxation disclosure) is included at Appendix 2: *General Government Operating Revenue*.

A comparison of estimated outturn to previous projected operating revenue for 2016-17 is shown at Appendix 3: *2016-17 General Government Operating Revenue*.

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### NOTE 4: GENERAL GOVERNMENT TRANSFER EXPENSES

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Transfer expenses are defined as the provision of something of value for no specific return or consideration and include grants, subsidies, donations, transfers of assets free of charge, etc.

The following table provides detail of current and capital transfer expenses of the general government sector, in line with UPF disclosure requirements.

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#### TRANSFER EXPENSES <sup>(a)</sup> General Government

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
<i>CURRENT TRANSFERS</i>						
Local government	413	300	310	267	242	242
Local government on-passing	85	262	90	187	197	199
Private and not-for-profit sector	1,319	1,544	1,603	1,630	1,556	1,562
Private and not-for-profit sector on-passing	1,110	1,172	1,233	1,299	1,373	1,450
Other sectors of government	2,237	2,136	2,000	1,904	1,921	1,959
<i>Total Current Transfers</i>	<i>5,164</i>	<i>5,413</i>	<i>5,237</i>	<i>5,287</i>	<i>5,289</i>	<i>5,411</i>
<i>CAPITAL TRANSFERS</i>						
Local government	88	110	49	49	33	31
Local government on-passing	54	163	56	115	121	122
Private and not-for-profit sector	111	90	93	99	94	89
Private and not-for-profit sector on-passing	15	16	18	18	19	21
Other sectors of government	200	113	290	18	4	1
<i>Total Capital Transfers</i>	<i>469</i>	<i>491</i>	<i>505</i>	<i>300</i>	<i>272</i>	<i>263</i>

(a) Includes grants, subsidies and other transfer expenses.

Note: Columns may not add due to rounding.

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## NOTE 5: GENERAL GOVERNMENT EXPENSES AND SPENDING ON THE PURCHASE OF NON-FINANCIAL ASSETS BY GOVERNMENT PURPOSE CLASSIFICATION (a)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<i>Expenses</i>						
General public services	206	447	388	412	399	401
Public order and safety	3,372	3,475	3,455	3,441	3,470	3,472
Education	7,017	7,097	7,309	7,445	7,596	7,816
Health	8,306	8,686	8,863	9,016	9,220	9,448
Social security and welfare	2,114	2,215	2,634	2,659	3,024	3,278
Housing and community amenities	2,043	1,581	1,839	1,636	1,598	1,577
Recreation and culture	789	821	812	812	822	840
Fuel and energy	464	464	326	174	174	172
Agriculture, forestry, fishing and hunting	386	385	403	368	335	298
Mining and mineral resources other than fuels; manufacturing; and construction	216	239	276	223	192	189
Transport and communications	2,003	2,361	2,398	2,463	2,572	2,634
Other economic affairs	620	686	745	666	625	614
Other purposes	968	1,252	1,196	1,441	1,609	1,760
Other <sup>(b)</sup>	-	-1	154	-348	-419	-489
<b>Total General Government Expenses</b>	<b>28,506</b>	<b>29,710</b>	<b>30,797</b>	<b>30,408</b>	<b>31,218</b>	<b>32,012</b>
<i>Purchases of new non-financial assets</i>						
General public services	191	153	169	114	128	94
Public order and safety	167	177	204	95	75	83
Education	326	354	461	444	309	198
Health	385	346	565	291	43	54
Social security and welfare	32	19	57	11	10	3
Housing and community amenities	151	86	72	117	135	182
Recreation and culture	110	138	237	196	92	44
Fuel and energy	1	2	2	1	1	1
Agriculture, forestry, fishing and hunting	27	27	28	32	27	10
Mining and mineral resources other than fuels; manufacturing; and construction	8	14	7	2	2	-
Transport and communications	1,032	1,015	1,520	1,067	812	614
Other economic affairs	46	72	41	24	22	28
Other purposes <sup>(c)</sup>	-	-	-500	-	-	-
<b>Total Purchases of Non-financial Assets</b>	<b>2,475</b>	<b>2,404</b>	<b>2,865</b>	<b>2,394</b>	<b>1,657</b>	<b>1,312</b>

(a) Data in this table are for consolidated general government aggregates and exclude internal transactions within the sector. In relation to purchases of non-financial assets, the information in this table represents spending by function on fixed assets by general government agencies, which may be different to agency totals in the Asset Investment Program.

(b) Includes provisions not allocated by GPC.

(c) Includes an underspending provision for unforeseen slippages in the Asset Investment Program that typically emerges during the year.

Note: Columns may not add due to rounding.

## NOTE 6: CONVERGENCE DIFFERENCES

Where possible, AASB 1049 harmonises GFS and accounting concepts into a single presentation. Where harmonisation cannot be achieved (e.g. the recognition of a doubtful debts provision is excluded from GFS net worth), a convergence difference arises.

The following tables detail all convergence differences in the forward estimates.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Operating Balance

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB 1049 net operating balance	-2,021	-3,039	-2,340	-1,666	-1,114	1,260
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Total GFS Expense adjustments	88	-	-	-	-	-
Total GFS adjustments to AASB 1049 net operating balance	-88	-	-	-	-	-
<b>GFS net operating balance</b>	<b>-2,109</b>	<b>-3,039</b>	<b>-2,340</b>	<b>-1,666</b>	<b>-1,114</b>	<b>1,260</b>
<u>Public non-financial corporations</u>						
AASB 1049 net operating balance	892	396	573	762	954	930
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	31	15	19	18	14	19
Dividends	1,273	713	1,569	1,216	1,261	1,344
Total GFS expense adjustments	1,304	727	1,588	1,234	1,275	1,363
Total GFS adjustments to AASB 1049 net operating balance	-1,304	-727	-1,588	-1,234	-1,275	-1,363
<b>GFS net operating balance</b>	<b>-411</b>	<b>-332</b>	<b>-1,015</b>	<b>-472</b>	<b>-321</b>	<b>-433</b>
<u>Total non-financial public sector</u>						
AASB 1049 net operating balance	-2,401	-3,356	-3,336	-2,120	-1,422	845
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	31	15	19	18	14	19
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Total GFS expense adjustments	119	15	19	18	14	19
Total GFS adjustments to AASB 1049 net operating balance	-119	-15	-19	-18	-14	-19
<b>GFS net operating balance</b>	<b>-2,520</b>	<b>-3,370</b>	<b>-3,355</b>	<b>-2,138</b>	<b>-1,436</b>	<b>827</b>
<u>Public financial corporations</u>						
AASB 1049 net operating balance	72	422	345	293	323	338
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Dividends	230	201	155	156	160	145
Total GFS expense adjustments	230	201	155	156	160	145
Total GFS adjustments to AASB 1049 net operating balance	-230	-201	-155	-156	-160	-145
<b>GFS net operating balance</b>	<b>-158</b>	<b>221</b>	<b>190</b>	<b>137</b>	<b>163</b>	<b>193</b>
<u>Total public sector</u>						
AASB 1049 net operating balance	-2,559	-3,135	-3,146	-1,983	-1,258	1,039
Plus GFS revenue adjustments	-	-	-	-	-	-
Less GFS expense adjustments						
Capitalised interest	31	15	19	18	14	19
Dampier to Bunbury Natural Gas Pipeline loan asset	88	-	-	-	-	-
Total GFS expense adjustments	119	15	19	18	14	19
Total GFS adjustments to AASB 1049 net operating balance	-119	-15	-19	-18	-14	-19
<b>GFS net operating balance</b>	<b>-2,678</b>	<b>-3,150</b>	<b>-3,165</b>	<b>-2,001</b>	<b>-1,273</b>	<b>1,020</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Lending

	2015-16 Actual \$m	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<u>General government</u>						
AASB 1049 net lending/-borrowing	-3,064	-4,139	-4,021	-2,495	-1,153	1,675
Plus Net operating balance convergence difference (noted above)	-88	-	-	-	-	-
<b>GFS net lending/-borrowing</b>	<b>-3,152</b>	<b>-4,139</b>	<b>-4,021</b>	<b>-2,495</b>	<b>-1,153</b>	<b>1,675</b>
<u>Public non-financial corporations</u>						
AASB 1049 net lending/-borrowing	-442	665	241	-210	-156	10
Plus Net operating balance convergence difference (noted above)	-1,304	-727	-1,588	-1,234	-1,275	-1,363
<b>GFS net lending/-borrowing</b>	<b>-1,746</b>	<b>-63</b>	<b>-1,347</b>	<b>-1,444</b>	<b>-1,431</b>	<b>-1,352</b>
<u>Total non-financial public sector</u>						
AASB 1049 net lending/-borrowing	-4,779	-4,187	-5,350	-3,921	-2,570	341
Plus Net operating balance convergence difference (noted above)	-119	-15	-19	-18	-14	-19
<b>GFS net lending/-borrowing</b>	<b>-4,898</b>	<b>-4,201</b>	<b>-5,368</b>	<b>-3,939</b>	<b>-2,584</b>	<b>323</b>
<u>Public financial corporations</u>						
AASB 1049 net lending/-borrowing	74	420	344	291	322	337
Plus Net operating balance convergence difference (noted above)	-230	-201	-155	-156	-160	-145
<b>GFS net lending/-borrowing</b>	<b>-156</b>	<b>219</b>	<b>188</b>	<b>135</b>	<b>161</b>	<b>192</b>
<u>Total public sector</u>						
AASB 1049 net lending/-borrowing	-4,935	-3,968	-5,162	-3,785	-2,408	534
Plus Net operating balance convergence difference (noted above)	-119	-15	-19	-18	-14	-19
<b>GFS net lending/-borrowing</b>	<b>-5,054</b>	<b>-3,982</b>	<b>-5,180</b>	<b>-3,803</b>	<b>-2,423</b>	<b>515</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Net Worth at 30 June

	2016	2017	2018	2019	2020	2021
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
<u>General government</u>						
AASB1049 net worth	114,866	110,604	108,863	108,493	109,206	112,375
<i>Plus</i>						
Provision for doubtful debts						
General government sector	263	260	257	257	257	257
Impact on public corporations net worth	31	21	29	37	45	54
Total GFS net worth adjustments	293	281	286	294	302	310
<b>GFS net worth</b>	<b>115,160</b>	<b>110,885</b>	<b>109,149</b>	<b>108,787</b>	<b>109,508</b>	<b>112,686</b>
<u>Public non-financial corporations</u>						
AASB1049 net worth	54,054	54,098	54,091	55,072	56,407	57,712
<i>Plus</i>						
Impact of general government equity injections	-7,674	-8,489	-8,995	-9,820	-10,636	-11,415
Provision for doubtful debts	31	21	29	37	45	53
Total GFS net worth adjustments	-7,643	-8,468	-8,967	-9,783	-10,590	-11,362
<b>GFS net worth</b>	<b>46,411</b>	<b>45,630</b>	<b>45,125</b>	<b>45,289</b>	<b>45,817</b>	<b>46,350</b>
<u>Total non-financial public sector</u>						
AASB1049 net worth	114,866	110,604	108,863	108,493	109,206	112,375
<i>Plus</i>						
Provision for doubtful debts						
Total non-financial public sector	293	281	286	294	302	310
Impact on public corporations net worth	-	-	-	-	-	-
Total GFS net worth adjustments	293	281	286	294	302	310
<b>GFS net worth</b>	<b>115,160</b>	<b>110,885</b>	<b>109,149</b>	<b>108,787</b>	<b>109,508</b>	<b>112,686</b>
<u>Public financial corporations</u>						
AASB1049 net worth	1,780	1,971	2,100	2,199	2,326	2,480
<i>Plus</i>						
Provision for doubtful debts	-	-	-	-	-	-
Total GFS net worth adjustments	-	-	-	-	-	-
<b>GFS net worth</b>	<b>1,780</b>	<b>1,971</b>	<b>2,100</b>	<b>2,199</b>	<b>2,326</b>	<b>2,480</b>
<u>Total public sector</u>						
AASB1049 net worth	114,866	110,604	108,863	108,493	109,206	112,375
<i>Plus</i>						
Provision for doubtful debts	293	281	286	294	302	310
Total GFS net worth adjustments	293	281	286	294	302	310
<b>GFS net worth</b>	<b>115,160</b>	<b>110,885</b>	<b>109,149</b>	<b>108,787</b>	<b>109,508</b>	<b>112,686</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Change in Net Worth

	2016	2017	2018	2019	2020	2021
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<u>General government</u>						
AASB1049 change in net worth	-6,433	-4,262	-1,741	-370	714	3,169
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-	-	-	-	-
Provision for doubtful debts						
General government sector	27	-3	-3	-	-	-
Impact on public corporations net worth	6	-10	8	8	8	8
Total GFS change in net worth adjustments	-55	-12	5	8	8	8
<b>GFS change in net worth</b>	<b>-6,488</b>	<b>-4,274</b>	<b>-1,737</b>	<b>-362</b>	<b>722</b>	<b>3,177</b>
<u>Public non-financial corporations</u>						
AASB1049 change in net worth	-237	44	-7	981	1,335	1,305
Plus change in:						
Impact of general government equity injections	-782	-815	-506	-824	-816	-780
Provision for doubtful debts	6	-10	8	8	8	8
Total GFS change in net worth adjustments	-776	-825	-499	-816	-808	-771
<b>GFS change in net worth</b>	<b>-1,014</b>	<b>-781</b>	<b>-505</b>	<b>165</b>	<b>527</b>	<b>534</b>
<u>Total non-financial public sector</u>						
AASB1049 change in net worth	-6,433	-4,262	-1,741	-370	714	3,169
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-	-	-	-	-
Provision for doubtful debts						
Total non-financial public sector	33	-12	5	8	8	8
Total GFS change in net worth adjustments	-55	-12	5	8	8	8
<b>GFS change in net worth</b>	<b>-6,488</b>	<b>-4,274</b>	<b>-1,737</b>	<b>-362</b>	<b>722</b>	<b>3,177</b>
<u>Public financial corporations</u>						
AASB1049 change in net worth	-229	190	129	100	126	154
Total GFS change in net worth adjustments	-	-	-	-	-	-
<b>GFS change in net worth</b>	<b>-229</b>	<b>190</b>	<b>129</b>	<b>100</b>	<b>126</b>	<b>154</b>
<u>Total public sector</u>						
AASB1049 change in net worth	-6,433	-4,262	-1,741	-370	714	3,169
Plus change in:						
Dampier to Bunbury Natural Gas Pipeline loan asset	-88	-	-	-	-	-
Provision for doubtful debts	33	-12	5	8	8	8
Total GFS change in net worth adjustments	-55	-12	5	8	8	8
<b>GFS change in net worth</b>	<b>-6,488</b>	<b>-4,274</b>	<b>-1,737</b>	<b>-362</b>	<b>722</b>	<b>3,177</b>

Note: Columns may not add due to rounding.

## AASB 1049 TO GFS CONVERGENCE DIFFERENCES

### Cash Surplus/-Deficit

	2015-16 Actual \$m	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forw ard Estimate \$m	2019-20 Forw ard Estimate \$m	2020-21 Forw ard Estimate \$m
<u>General government</u>						
AASB 1049 cash surplus/-deficit	-3,664	-4,208	-3,665	-2,542	-1,204	1,380
Less Acquisitions under finance leases and similar arrangements	-	288	469	61	86	15
<b>GFS cash surplus/-deficit</b>	<b>-3,664</b>	<b>-4,496</b>	<b>-4,135</b>	<b>-2,604</b>	<b>-1,289</b>	<b>1,365</b>
<u>Public non-financial corporations</u>						
AASB 1049 cash surplus/-deficit	-882	-568	-1,408	-1,282	-1,415	-1,574
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>-882</b>	<b>-568</b>	<b>-1,408</b>	<b>-1,282</b>	<b>-1,415</b>	<b>-1,574</b>
<u>Total non-financial public sector</u>						
AASB 1049 cash surplus/-deficit	-4,546	-4,776	-5,073	-3,825	-2,619	-194
Less Acquisitions under finance leases and similar arrangements	-	288	469	61	86	15
<b>GFS cash surplus/-deficit</b>	<b>-4,546</b>	<b>-5,064</b>	<b>-5,542</b>	<b>-3,886</b>	<b>-2,705</b>	<b>-209</b>
<u>Public financial corporations</u>						
AASB 1049 cash surplus/-deficit	-185	285	391	391	443	464
Less Acquisitions under finance leases and similar arrangements	-	-	-	-	-	-
<b>GFS cash surplus/-deficit</b>	<b>-185</b>	<b>285</b>	<b>391</b>	<b>391</b>	<b>443</b>	<b>464</b>
<u>Total public sector</u>						
AASB 1049 cash surplus/-deficit	-4,731	-4,491	-4,682	-3,434	-2,176	271
Less Acquisitions under finance leases and similar arrangements	-	288	469	61	86	15
<b>GFS cash surplus/-deficit</b>	<b>-4,731</b>	<b>-4,779</b>	<b>-5,151</b>	<b>-3,495</b>	<b>-2,262</b>	<b>255</b>

Note: Columns may not add due to rounding.

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## NOTE 7: LOAN COUNCIL ALLOCATIONS

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The Australian Loan Council oversees State, Territory and Commonwealth governments' public sector borrowings using a system of Loan Council Allocations (LCAs). LCAs are based on net borrowings as indicated by a government's deficit position<sup>3</sup>.

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### LOAN COUNCIL ALLOCATIONS Western Australia

	2016-17 Estimated Actual \$m	2017-18 Nomination <sup>(a)</sup> \$m	2017-18 Budget Estimate \$m
General government cash surplus/deficit	4,208	2,964	3,665
Public non-financial corporations sector cash surplus/deficit	568	960	1,408
<i>Total non-financial public sector cash surplus/deficit</i>	<i>4,776</i>	<i>3,924</i>	<i>5,073</i>
Acquisitions under finance leases and similar arrangements	288	469	469
<i>GFS cash surplus/deficit</i>	<i>5,064</i>	<i>4,393</i>	<i>5,542</i>
<i>Less: Non-financial public sector net cash flows from investments in financial assets for policy purposes</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Plus: Memorandum items <sup>(b)</sup></i>	<i>-1,636</i>	<i>-347</i>	<i>49</i>
<b>Loan Council Allocation</b>	<b>3,428</b>	<b>4,046</b>	<b>5,592</b>
<i>Tolerance Limit <sup>(c)</sup></i>		<i>937</i>	

(a) Disclosed in the 2016-17 Mid-year Review, released on 22 December 2016.

(b) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions (e.g. operating leases) that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. Where appropriate, they are also used to deduct from the deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs (e.g. the funding of more than emerging costs under public sector superannuation schemes).

(c) The tolerance limit is defined as 2% total non-financial public sector receipts and reflects a band of variability above and below the original LCA nomination.

Note: Columns may not add due to rounding.

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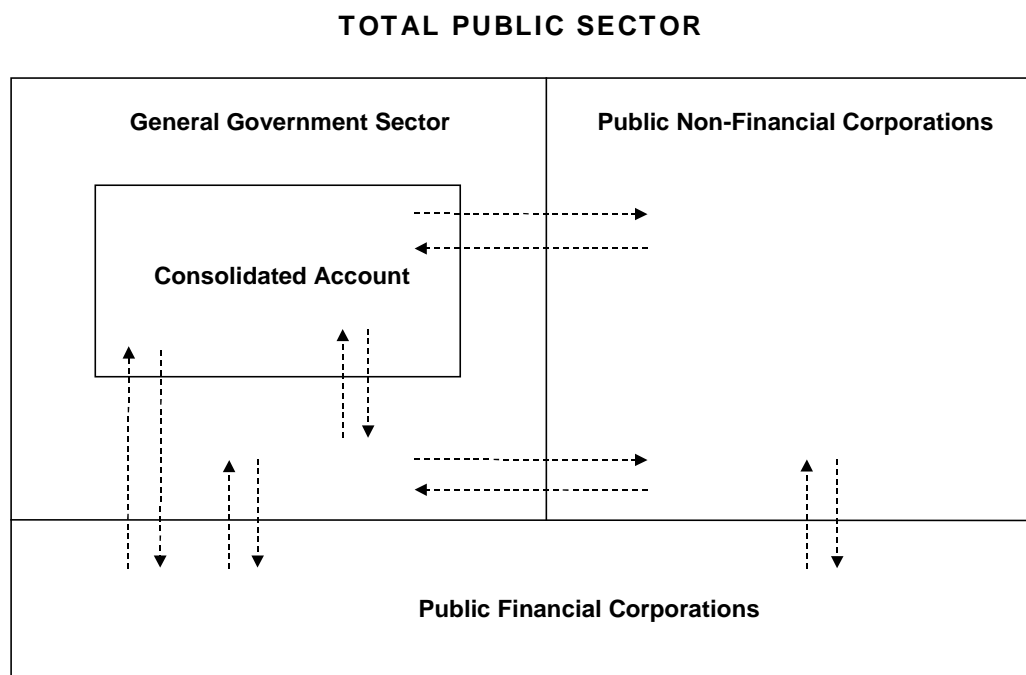
<sup>3</sup> For the purposes of LCAs, deficits are positive and surpluses are negative.

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## NOTE 8: COMPOSITION OF SECTORS

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The following diagram shows the sectors within which public sector agencies are classified by the Government Finance Statistics framework, and which are all included in the consolidated whole-of-government.



All public sector controlled agencies, regardless of funding source or sector classification, have been included in these financial projections.

The agencies included within each sector are listed below.

This list differs from the portfolio list that appears in Budget Paper No. 2: *Budget Statements* which includes only those agencies that receive appropriations and/or have an Asset Investment Program.



## General Government

Agricultural Produce Commission	North Regional TAFE
Botanic Gardens and Parks Authority <sup>(b)</sup>	Office of Emergency Management
Building and Construction Industry Training Board	Office of the Auditor General
Central Regional TAFE	Office of the Director of Public Prosecutions
Chemistry Centre (WA)	Office of the Government Chief Information Officer
Combat Sports Commission	Office of the Information Commissioner
Commissioner for Children and Young People	Office of the Inspector of Custodial Services
Commissioner for Equal Opportunity	Office of the Parliamentary Inspector of the Corruption and Crime Commission
Commissioner of Main Roads	Parliamentary Commissioner for Administrative Investigations
Corruption and Crime Commission	Parliamentary Services Department
Department of Biodiversity, Conservation and Attractions <sup>(a)</sup>	Peel Development Commission <sup>(b)</sup>
Department of Communities <sup>(a)</sup>	Perth Theatre Trust
Department of Education <sup>(a)</sup>	Pilbara Development Commission <sup>(b)</sup>
Department of Finance	Professional Standards Council
Department of Fire and Emergency Services	Public Sector Commission
Department of Health	Racing and Wagering Commission of Western Australia
Department of Jobs, Tourism, Science and Innovation <sup>(a)</sup>	Racing Penalties Appeal Tribunal of Western Australia
Department of Justice <sup>(a)</sup>	Rural Business Development Corporation
Department of Local Government, Sport and Cultural Industries <sup>(a)</sup>	Salaries and Allowances Tribunal
Department of Mines, Industry Regulation and Safety <sup>(a)</sup>	School Curriculum and Standards Authority <sup>(b)</sup>
Department of Planning, Lands and Heritage <sup>(a)</sup>	Small Business Development Corporation
Department of Primary Industries and Regional Development <sup>(a)</sup>	South Metropolitan TAFE
Department of Training and Workforce Development	South Regional TAFE
Department of Transport	South West Development Commission <sup>(b)</sup>
Department of Treasury	The Aboriginal Affairs Planning Authority
Department of the Legislative Assembly	The ANZAC Day Trust
Department of the Legislative Council	The Board of the Art Gallery of Western Australia
Department of the Premier and Cabinet	The Burswood Park Board
Department of the Registrar, Western Australian Industrial Relations Commission	The Coal Miners' Welfare Board of Western Australia
Department of Water and Environmental Regulation <sup>(a)</sup>	The Library Board of Western Australia
Disability Services Commission <sup>(b)</sup>	The National Trust of Australia (W.A.)
Economic Regulation Authority	The Queen Elizabeth II Medical Centre Trust
Gascoyne Development Commission <sup>(b)</sup>	The Western Australia Museum
Goldfields Esperance Development Commission <sup>(b)</sup>	Trustees of the Public Education Endowment
Governor's Establishment	Western Australia Police <sup>(a)</sup>
Great Southern Development Commission	Western Australian Alcohol and Drug Authority <sup>(b)</sup>
Health and Disability Services Complaints Office	Western Australian Building Management Authority
Heritage Council of Western Australia <sup>(b)</sup>	Western Australian Electoral Commission
Independent Market Operator	Western Australian Energy Disputes Arbitrator
Keep Australia Beautiful Council (W.A.)	Western Australian Greyhound Racing Association
Kimberley Development Commission <sup>(b)</sup>	Western Australian Health Promotion Foundation
Law Reform Commission of Western Australia	Western Australian Institute of Sport
Legal Aid Commission of Western Australia	Western Australian Land Information Authority
Legal Costs Committee	Western Australian Meat Industry Authority
Local Health Authorities Analytical Committee	Western Australian Planning Commission
Mental Health Commission	Western Australian Sports Centre Trust
Mid West Development Commission <sup>(b)</sup>	Western Australian Tourism Commission <sup>(b)</sup>
Minerals Research Institute of Western Australia	Wheatbelt Development Commission <sup>(b)</sup>
North Metropolitan TAFE	WorkCover Western Australia Authority
	Zoological Parks Authority <sup>(b)</sup>

(a) Agency which has been either created, amalgamated or renamed since the 12 May 2016 presentation of the 2016-17 Budget.

(b) Statutory authority that is still a legal entity but has now become part of a department as part of the Machinery of Government changes announced by the Government 28 April 2017.

## Public Non-Financial Corporations

Animal Resources Authority	Metropolitan Redevelopment Authority
Bunbury Water Corporation	Mid West Port Authority
Busselton Water Corporation	Pilbara Ports Authority
Electricity Networks Corporation (Western Power)	Potato Marketing Corporation of Western Australia <sup>(a)</sup>
Electricity Generation and Retail Corporation (Synergy)	Public Transport Authority of Western Australia
Forest Products Commission	Racing and Wagering Western Australia
Fremantle Port Authority	Regional Power Corporation (Horizon Power)
Gold Corporation and its subsidiaries	Rottnest Island Authority <sup>(b)</sup>
Housing Authority <sup>(b)</sup>	Southern Ports Authority
Kimberley Port Authority	Water Corporation
Lotteries Commission	Western Australian Coastal Shipping Commission
Metropolitan Cemeteries Board	Western Australian Land Authority

(a) Agency which has been either created, amalgamated, abolished or renamed since the 12 May 2016 presentation of the 2016-17 Budget.

(b) Statutory authority that is still a legal entity but has now become part of a department as part of the Machinery of Government changes announced by the Government 28 April 2017.

## Public Financial Corporations

Country Housing Authority	Keystart Support (Subsidiary) Pty Ltd
Insurance Commission of Western Australia	Keystart Housing Scheme Trust
Keystart Housing Scheme, comprising	Keystart Support Trust
Keystart Bonds Ltd	RiskCover
Keystart Loans Ltd	Western Australian Treasury Corporation
Keystart Support Pty Ltd	

## Agencies Outside the State's Public Sector

Some State agencies are not covered in the whole-of-government reporting framework as defined under Australian Accounting Standards and/or the GFS framework. The entities listed below, which administer superannuation and like funds and/or hold private funds in trust or fidelity type funds, are examples of such agencies not included in the definition of the public sector used in the budget. This is because the assets are not available for the benefit of, and/or are not controlled by, the State.

Construction Industry Long Service Leave Payments Board  
 Curtin University and its subsidiaries  
 Edith Cowan University  
 Fire and Emergency Services Superannuation Board  
 Government Employees Superannuation Board



## APPENDIX 2

# General Government Operating Revenue

This appendix contains general government revenue estimates prepared on an accrual basis consistent with Australian Accounting Standards and Government Finance Statistics frameworks.

Table 2.1

**OPERATING REVENUE**  
General Government

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	\$m	Estimate	Estimate	Estimate
<b>TAXATION</b>						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	3,502	3,267	3,224	3,439	3,602	3,832
Property taxes						
<i>Land tax</i>	948	876	846	846	865	887
Transfer duty	1,338	1,357	1,297	1,369	1,451	1,558
Landholder duty	419	151	201	101	100	100
<i>Total duty on transfers</i>	1,756	1,508	1,498	1,470	1,551	1,658
Metropolitan Region Improvement Tax	98	96	95	100	102	105
Perth Parking Levy	57	58	58	60	60	60
Emergency Services Levy	307	325	337	346	349	352
Loan guarantee fees	134	140	146	158	165	170
<i>Total other property taxes</i>	596	619	635	663	676	686
Taxes on provision of goods and services						
Lotteries Commission	163	150	166	172	176	180
Video lottery terminals	-	1	1	1	1	1
Casino tax	65	55	62	71	71	71
Betting tax	42	40	46	67	88	89
<i>Total taxes on gambling</i>	270	246	275	310	336	340
Insurance duty	592	641	645	674	713	756
Other	24	20	20	21	21	21
<i>Total taxes on insurance</i>	615	661	665	694	734	777
Taxes on use of goods and performance of activities						
Vehicle licence duty	346	344	348	352	357	363
Permits - oversize vehicles and loads	7	6	8	8	8	9
Motor vehicle recording fee	60	56	59	60	60	60
Motor vehicle registrations	874	888	916	954	994	1,035
<i>Total motor vehicle taxes</i>	1,286	1,294	1,331	1,373	1,419	1,467
<i>Mining Rehabilitation Levy</i>	28	28	27	27	27	27
<i>Landfill Levy</i>	69	70	76	76	76	76
<b>Total Taxation</b>	<b>9,069</b>	<b>8,568</b>	<b>8,577</b>	<b>8,899</b>	<b>9,286</b>	<b>9,751</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

**OPERATING REVENUE**  
General Government

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<b>CURRENT GRANTS AND SUBSIDIES</b>						
General Purpose Grants						
GST grants	1,881	1,944	2,229	3,030	3,967	4,652
North West Shelf grants	616	627	538	512	493	477
Commonwealth compensation for changed crude oil excise arrangements	29	34	30	28	27	26
Grants Through the State						
Schools assistance – non-government schools	1,110	1,172	1,233	1,299	1,373	1,450
Local government financial assistance grants	85	262	90	187	197	199
Local government roads	54	163	56	115	121	122
National Specific Purpose Payment Agreement Grants						
National Agreement for Skills and Workforce						
Development	157	160	162	164	166	169
National Disability Services	147	161	167	173	180	-
National Affordable Housing	143	145	147	150	152	154
Students First	558	599	649	711	780	855
National Health Reform	1,844	2,042	2,120	2,253	2,394	2,494
Other Grants/National Partnerships						
Health	422	350	356	125	97	97
Housing	16	19	24	5	-	-
Transport	69	68	77	63	63	63
Disability Services	19	42	238	342	557	1,765
Other	256	223	140	136	84	90
<b>Total Current Grants and Subsidies</b>	<b>7,407</b>	<b>8,012</b>	<b>8,255</b>	<b>9,293</b>	<b>10,651</b>	<b>12,611</b>
<b>CAPITAL GRANTS</b>						
Grants Through the State						
Schools assistance – non-government schools	15	16	18	18	19	21
Other Grants/National Partnerships						
Housing	163	51	179	-	-	-
Transport	698	425	750	506	347	762
Other	18	14	22	10	-	-
<b>Total Capital Grants</b>	<b>895</b>	<b>506</b>	<b>968</b>	<b>535</b>	<b>367</b>	<b>783</b>

Note: Columns may not add due to rounding.

Table 2.1 (cont.)

**OPERATING REVENUE**  
General Government

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Actual	Estimated	Budget	Forw ard	Forw ard	Forw ard
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<b>SALES OF GOODS AND SERVICES</b>						
WA Health	632	699	713	736	762	785
Department of Transport	171	171	162	162	168	171
Department of Education	177	181	184	186	190	194
State Training Providers/TAFE Colleges	130	135	128	123	123	123
Department of Training and Workforce Development	54	47	50	53	53	53
Western Australian Land Information Authority	123	119	123	132	143	142
Department of Biodiversity, Conservation and Attractions	94	96	101	101	102	102
Department of Justice	132	128	133	129	131	132
Department of Mines, Industry Regulation and Safety	149	143	157	157	142	137
All Other	492	476	696	740	764	809
<b>Total Sale of Goods and Services</b>	<b>2,155</b>	<b>2,196</b>	<b>2,445</b>	<b>2,520</b>	<b>2,579</b>	<b>2,647</b>
<b>INTEREST INCOME</b>	<b>192</b>	<b>196</b>	<b>189</b>	<b>192</b>	<b>199</b>	<b>208</b>
<b>REVENUE FROM PUBLIC CORPORATIONS</b>						
Dividends	1,415	837	1,649	1,303	1,351	1,430
Tax Equivalent Regime	631	506	572	620	672	709
<b>Total Revenue from Public Corporations</b>	<b>2,047</b>	<b>1,343</b>	<b>2,221</b>	<b>1,923</b>	<b>2,024</b>	<b>2,140</b>
<b>ROYALTY INCOME</b>	<b>4,126</b>	<b>5,260</b>	<b>5,211</b>	<b>4,860</b>	<b>4,543</b>	<b>4,681</b>
<b>OTHER</b>						
Lease rentals	92	97	98	96	94	94
Fines	206	196	207	199	194	193
Revenue not elsew here counted	297	297	285	225	167	164
<b>Total Other</b>	<b>594</b>	<b>591</b>	<b>590</b>	<b>520</b>	<b>455</b>	<b>452</b>
<b>TOTAL REVENUE</b>	<b>26,485</b>	<b>26,672</b>	<b>28,457</b>	<b>28,743</b>	<b>30,103</b>	<b>33,272</b>

Note: Columns may not add due to rounding.

# 2016-17 General Government Operating Revenue

This appendix contains general government revenue estimates for the 2016-17 financial year, comparing the original 2016-17 Budget estimates, 2016-17 Mid-year Review, 2016-17 *Pre-election Financial Projections Statement* (PFPS), and the estimated outturn contained in this Budget.

For general government revenue in 2016-17, the difference between the estimated outturn included in this Budget (\$26,672 million) and the original 2016-17 Budget (\$25,681 million) is \$991 million (a 3.9% increase). Changes to revenue are discussed in Chapter 3: *Fiscal Outlook and Strategy*, in the 2016-17 Mid-year Review, and 2016-17 PFPS.



Table 3.1

**2016-17 OPERATING REVENUE**  
General Government

	2016-17 Budget Estimate \$m	2016-17 Mid-year Revision \$m	2016-17 PFPS Revision \$m	2016-17 Estimated Actual \$m
<b>TAXATION</b>				
Taxes on employers' payroll and labour force				
<i>Payroll tax</i>	3,536	3,310	3,267	3,267
Property taxes				
<i>Land tax</i>	896	893	893	876
Transfer duty	1,387	1,253	1,253	1,357
Landholder duty	101	101	101	151
<i>Total duty on transfers</i>	1,489	1,354	1,354	1,508
Metropolitan Region Improvement Tax	98	99	99	96
Perth Parking Levy	58	58	58	58
Emergency Services Levy	323	323	323	325
Loan guarantee fees	150	142	142	140
<i>Total other property taxes</i>	629	621	621	619
Taxes on provision of goods and services				
Lotteries Commission	170	164	164	150
Video lottery terminals	1	1	1	1
Casino tax	68	68	68	55
Betting tax	45	45	45	40
<i>Total taxes on gambling</i>	283	277	277	246
Insurance duty	656	647	647	641
Other	20	20	20	20
<i>Total taxes on insurance</i>	676	667	667	661
Taxes on use of goods and performance of activities				
Vehicle licence duty	350	346	346	344
Permits - oversize vehicles and loads	8	8	8	6
Motor vehicle recording fee	56	56	56	56
Motor vehicle registrations	907	907	907	888
<i>Total motor vehicle taxes</i>	1,321	1,317	1,317	1,294
<i>Mining Rehabilitation Levy</i>	27	27	27	28
<i>Landfill Levy</i>	70	70	70	70
<b>Total Taxation</b>	<b>8,927</b>	<b>8,536</b>	<b>8,494</b>	<b>8,568</b>

Note: Columns may not add due to rounding.

**2016-17 OPERATING REVENUE**  
General Government

Table 3.1 (cont.)

	2016-17 Budget Estimate \$m	2016-17 Mid-year Revision \$m	2016-17 PFPS Revision \$m	2016-17 Estimated Actual \$m
<b>CURRENT GRANTS AND SUBSIDIES</b>				
<i>General Purpose Grants</i>				
GST grants	2,035	2,011	1,970	1,944
North West Shelf grants	457	520	552	627
Commonwealth compensation for changed crude oil excise arrangements	25	29	30	34
<i>Grants Through the State</i>				
Schools assistance – non-government schools	1,191	1,167	1,176	1,172
Local government financial assistance grants	177	173	172	262
Local government roads	108	108	108	163
<i>National Specific Purpose Payment Agreement Grants</i>				
National Agreement for Skills and Workforce Development	163	161	160	160
National Disability Services	165	163	161	161
National Affordable Housing	148	147	146	145
<i>Students First</i>	604	598	600	599
<i>National Health Reform</i>	1,956	2,045	2,011	2,042
<i>Other Grants/National Partnerships</i>				
Health	308	306	314	350
Housing	15	19	19	19
Transport	77	93	93	68
Disability Services	68	83	84	42
Other	190	221	225	223
<b>Total Current Grants and Subsidies</b>	<b>7,687</b>	<b>7,844</b>	<b>7,820</b>	<b>8,012</b>
<b>CAPITAL GRANTS</b>				
<i>Grants Through the State</i>				
Schools assistance – non-government schools	17	17	17	16
<i>Other Grants/National Partnerships</i>				
Housing	131	145	145	51
Transport	596	224	224	425
Other	36	27	14	14
<b>Total Capital Grants</b>	<b>779</b>	<b>413</b>	<b>399</b>	<b>506</b>

Note: Columns may not add due to rounding.

Table 3.1 (cont.)

**2016-17 OPERATING REVENUE**  
General Government

	2016-17 Budget Estimate \$m	2016-17 Mid-year Revision \$m	2016-17 PFPS Revision \$m	2016-17 Estimated Actual \$m
<b>SALES OF GOODS AND SERVICES</b>				
WA Health	598	766	766	699
Department of Transport	174	165	165	171
Department of Education	184	188	188	181
State Training Providers/TAFE Colleges	155	131	131	135
Department of Training and Workforce Development	55	51	51	47
Western Australian Land Information Authority	133	123	123	119
Department of Biodiversity, Conservation and Attractions	97	97	97	96
Department of Justice	137	137	137	128
Department of Mines, Industry Regulation and Safety	162	155	155	143
All Other	531	416	412	476
<b>Total Sale of Goods and Services</b>	<b>2,227</b>	<b>2,229</b>	<b>2,225</b>	<b>2,196</b>
<b>INTEREST INCOME</b>	<b>167</b>	<b>182</b>	<b>182</b>	<b>196</b>
<b>REVENUE FROM PUBLIC CORPORATIONS</b>				
Dividends	984	1,034	1,129	837
Tax Equivalent Regime	499	490	521	506
<b>Total Revenue from Public Corporations</b>	<b>1,483</b>	<b>1,524</b>	<b>1,651</b>	<b>1,343</b>
<b>ROYALTY INCOME</b>	<b>3,842</b>	<b>5,181</b>	<b>5,558</b>	<b>5,260</b>
<b>OTHER</b>				
Lease rentals	93	95	95	97
Fines	199	206	206	196
Revenue not elsew here counted	276	303	311	297
<b>Total Other</b>	<b>568</b>	<b>604</b>	<b>612</b>	<b>591</b>
<b>TOTAL REVENUE</b>	<b>25,681</b>	<b>26,513</b>	<b>26,941</b>	<b>26,672</b>

Note: Columns may not add due to rounding.

## The Treasurer's Advance

The Treasurer's Advance is a requirement of the *Financial Management Act 2006* (FMA) and provides the Treasurer with authorisation to make short-term recoverable advances to agencies for the temporary financing of works and services (referred to as 'net unrecouped balances'). In addition, new or supplementary funding can be provided during the year for extraordinary or unforeseen matters (known as 'excesses and new items'), up to an approved limit. The total amount drawn against recoverable advances, excesses and new items for 2016-17 was \$427.4 million, which is within the \$632.4 million limit authorised by the FMA.

Table 4.1 shows the position of the Treasurer's Advance at 30 June 2017.

<b>TREASURER'S ADVANCE AS AT 30 JUNE</b>		Table 4.1
	2015-16 Actual	2016-17 Actual <sup>(a)</sup>
<b>AUTHORISED LIMIT</b>	<b>645.2</b>	<b>632.4</b>
<i>Total Drawn Against Treasurer's Advance Account</i>	511.8	427.4
Comprising:		
Net recoverable advances at 30 June	10.2	9.3
Overdrawn Special Purpose Accounts <sup>(a)</sup>	10.4	13.6
Excesses and New Items		
- recurrent	261.5	297.0
- capital	229.7	107.5

(a) Detailed disclosure of the final audited outcome for 2016-17 will be available in the 2016-17 *Annual Report on State Finances*, due to be released by 28 September 2017.

Note: Columns may not add due to rounding.

### Transfers, Excesses and New Items

Table 4.2 details excesses and/or new items during 2016-17 and the impact of these on the Treasurer's Advance under the authority of section 27 of the FMA.

Section 25 of the FMA allows appropriations originally allocated in the 2016-17 Budget to be transferred to other agencies for the provision of an appropriation-funded service that is now to be delivered by the other agency. These transfers have no impact on the Treasurer's Advance.

Appropriation transfers approved since the presentation of the 2016-17 Budget include:

- \$5 million of recurrent appropriation from the Department of the Premier and Cabinet to the Office of the Government Chief Information Officer for the Innovation Package;
- \$4 million of recurrent appropriation from the Department of Finance to a number of agencies in response to changes to the procurement service delivery model across government;
- \$0.8 million from the Department of Commerce to the Office of the Government Chief Information Officer following the transfer of responsibility and funding for the Innovation Package;
- \$0.5 million from the Department of Treasury to the Department of Local Government and Communities for the Chinese New Year 2017 Activation Project;
- \$0.5 million from the Department of Agriculture and Food to the Department of State Development for the transfer of the Agribusiness Expansion Unit. The transfer included trade and investment functions, along with three full-time staff;
- \$0.4 million of recurrent appropriation from the Department of the Premier and Cabinet to the Office of Emergency Management for the transfer of five full-time staff and associated funding to coordinate the Western Australia Natural Disaster Relief and Recovery Arrangements;
- \$0.3 million from the Department of Treasury to the Department of the Premier and Cabinet to perform the administrative and secretariat roles of the Anzac Day Trust; and
- \$0.2 million from the Mental Health Commission to the Department of the Premier and Cabinet to develop a communications plan for the Western Australian Meth Strategy.

## 2016-17 TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2

	Treasurer's Advance					Drawn against Treasurer's Advance by 30 June \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
<b>Recurrent Appropriations</b>						
<i>Premier and Cabinet</i>						
Item 5: Delivery of Services	169.6	-5.2	-	41.3	205.7	36.3
Item 6: Administered Grants, Subsidies and Other Transfer Payments	15.8	0.3	-	-	16.1	-
<i>Western Australian Tourism Commission</i>						
Item 10: Delivery of Services	65.1	0.1	-	2.1	67.3	2.1
<i>Chemistry Centre (WA)</i>						
Item 11: Delivery of Services	6.5	-	-	0.7	7.1	0.7
<i>Western Australia Police</i>						
Item 12: Delivery of Services	1,293.6	0.4	-	9.7	1,303.7	9.7
<i>Training and Workforce Development</i>						
Item 14: Delivery of Services	350.5	0.1	-	-	350.6	-
<i>Lands</i>						
Item 25: Delivery of Services	48.1	-	-	1.9	50.0	1.9
Item 26: Administered Grants, Subsidies and Other Transfer Payments	2.0	-	-	1.5	3.5	-
<i>Education</i>						
Item 28: Delivery of Services	3,969.6	0.4	-	-	3,970.0	-
<i>WA Health</i>						
Item 35: Delivery of Services	4,919.6	0.5	-	156.5	5,076.6	98.4
<i>Culture and the Arts</i>						
Item 36: Delivery of Services	36.0	0.1	-	1.3	37.5	1.3
Item 38: Library Board of Western Australia	29.2	-	-	0.5	29.7	0.5
Item 39: Perth Theatre Trust	9.0	-	-	0.1	9.1	0.1
<i>Treasury</i>						
Item 42: Bunbury Water Corporation	0.7	-	-	- <sup>(b)</sup>	0.7	- <sup>(b)</sup>
Item 43: Busselton Water Corporation	0.6	-	-	- <sup>(b)</sup>	0.6	-
Item 48: Regional Power Corporation (Horizon Power)	44.1	-	-	4.8	48.9	4.8
Item 51: Western Australian Land Authority	36.3	-	-	3.0	39.3	3.0
Item 53: Department of Attorney General	4.8	-	-	1.2	6.0	0.4
Item 56: Metropolitan Redevelopment Authority	26.1	-0.5	-	-	25.6	-

Note: Columns/rows may not add due to rounding.

Table 4.2 (cont.)

**2016-17 TRANSFERS, EXCESSES AND NEW ITEMS**

	Treasurer's Advance					Draw n against Treasurer's Advance by 30 June \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
<b>Recurrent Appropriations</b>						
Item 58: Provision for Unfunded Liabilities in the Government Insurance Fund	2.9	-	-	0.4	3.3	0.3
Item 64: All Other Grants, Subsidies and Transfer Payments	6.3	-0.3	-	0.3	6.3	-
New Item: Bell Group Administration Wind Up and Associated Costs	-	-	8.1	-	8.1	6.8
<i>State Development</i>						
Item 67: Delivery of Services	37.0	0.5	-	-	37.5	-
<i>Finance</i>						
Item 69: Delivery of Services	176.2	-4.0	-	-	172.1	-
Item 70: Administered Grants, Subsidies and Other Transfer Payments	204.2	-	-	7.8	212.0	-
<i>Office of the Government Chief Information Officer</i>						
Item 71: Delivery of Services	3.4	5.8	-	-	9.2	-
<i>Attorney General</i>						
Item 73: Delivery of Services	248.8	0.2	-	6.9	256.0	6.9
<i>Commissioner for Equal Opportunity</i>						
Item 75: Delivery of Services	3.5	-	-	0.3	3.8	0.3
<i>Commerce</i>						
Item 80: Delivery of Services	56.9	-0.6	-	1.5	57.7	0.6
Item 81: Administered Grants, Subsidies and Other Transfer Payments	7.6	-	-	2.0	9.6	-
<i>Parks and Wildlife</i>						
Item 83: Delivery of Services	206.9	0.1	-	-	207.0	-
<i>Zoological Parks Authority</i>						
Item 87: Delivery of Services	11.2	-	-	0.1	11.3	0.1
<i>Fire and Emergency Services</i>						
Item 91: Delivery of Services	17.7	0.1	-	7.7	25.5	0.8
<i>State Emergency Management Committee Secretariat</i>						
Item 92: Delivery of Services	5.0	0.4	-	-	5.4	-
<i>Fisheries</i>						
Item 93: Delivery of Services	49.6	0.1	-	-	49.7	-
<i>Corrective Services</i>						
Item 94: Delivery of Services	877.0	0.1	-	39.5	916.6	39.5
<i>Water</i>						
Item 96: Delivery of Services	69.3	0.1	-	1.8	71.2	1.8
<i>Sport and Recreation</i>						
Item 97: Delivery of Services	42.8	-	-	9.3	52.0	9.3
<i>Western Australian Sports Centre Trust</i>						
Item 100: Delivery of Services	51.0	-	-	1.5	52.4	1.5

Note: Columns/rows may not add due to rounding.

## 2016-17 TRANSFERS, EXCESSES AND NEW ITEMS

Table 4.2 (cont.)

	Treasurer's Advance					Draw n against Treasurer's Advance by 30 June \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
<b>Recurrent Appropriations</b>						
<i>Agriculture and Food</i>						
Item 101: Delivery of Services	114.7	-0.3	-	-	114.4	-
<i>Transport</i>						
Item 104: Delivery of Services	59.9	0.3	-	-	60.2	-
<i>Commissioner of Main Roads</i>						
Item 106: Delivery of Services	318.2	-	-	3.0	321.2	3.0
<i>Local Government and Communities</i>						
Item 107: Delivery of Services	99.8	0.5	-	5.5	105.8	5.5
<i>Racing, Gaming and Liquor</i>						
Item 109: Delivery of Services	5.2	-	-	0.8	6.0	0.8
<i>Planning</i>						
Item 111: Delivery of Services	47.5	0.1	-	-	47.6	-
<i>Disability Services Commission</i>						
Item 114: Delivery of Services	711.9	0.2	-	-	712.1	-
<i>Mental Health Commission</i>						
Item 115: Delivery of Services	668.7	-0.2	-	17.5	686.0	15.4
<i>Child Protection and Family Support</i>						
Item 119: Delivery of Services	582.5	0.1	-	-	582.6	-
<i>Mines and Petroleum</i>						
Item 120: Delivery of Services	83.1	0.2	-	-	83.4	-
<i>Office of State Emergency Management</i>						
New Item: Western Australia Natural Disaster Relief and Recovery Arrangements	-	-	45.3	-	45.3	45.3
<b>Total Recurrent</b>		-	<b>53.4</b>	<b>330.5</b>		<b>297.0</b>

Note: Columns/rows may not add due to rounding.



Table 4.2 (cont.)

**2016-17 TRANSFERS, EXCESSES AND NEW ITEMS**

	Treasurer's Advance					Draw n against Treasurer's Advance by 30 June \$m
	Budget \$m	Transfers <sup>(a)</sup> \$m	New Items \$m	Approved Excesses \$m	Revised Appropriation \$m	
<b>Capital Appropriations</b>						
<i>Chemistry Centre (WA)</i>						
Item 125: Capital Appropriation	1.5	-	-	0.3	1.8	0.3
<i>Western Australia Police</i>						
Item 126: Capital Appropriation	44.0	-	-	9.5	53.5	9.5
<i>Treasury</i>						
Item 136: Animal Resources Authority	0.5	-	-	0.3	0.8	0.3
Item 139: Electricity Networks Corporation (Western Power)	96.4	-	-	18.0	114.4	-
Item 142: Regional Power Corporation (Horizon Power)	1.1	-	-	0.8	1.9	0.5
<i>Registrar Western Australian Industrial Relations Commission</i>						
Item 151: Capital Appropriation	1.3	-	-	0.8	2.1	0.8
<i>Fisheries</i>						
Item 157: Capital Appropriation	1.0	-	-	1.3	2.3	1.3
<i>Corrective Services</i>						
Item 158: Capital Appropriation	14.2	-	-	23.0	37.2	23.0
<i>Water</i>						
Item 159: Capital Appropriation	10.1	-	-	1.3	11.4	1.3
<i>Western Australian Sports Centre Trust</i>						
Item 160: Capital Appropriation	3.4	-	-	0.7	4.2	0.7
<i>Child Protection and Family Support</i>						
Item 168: Capital Appropriation	0.7	-	-	1.6	2.3	1.6
<i>Mines and Petroleum</i>						
Item 169: Capital Appropriation	2.3	-	-	5.0	7.3	5.0
<i>Forest Products Commission</i>						
New Item: Capital Appropriation	-	-	2.1	-	2.1	2.1
<i>Commissioner of Main Roads</i>						
New Item: Capital Appropriation	-	-	61.0	-	61.0	61.0
<b>Total Capital</b>		-	<b>63.1</b>	<b>62.7</b>		<b>107.5</b>
<b>TOTAL</b>						<b>404.5</b>

(a) Authorised under section 25 of the FMA.

(b) Amount less than \$50,000.

Note: Columns/rows may not add due to rounding.

# Special Purpose Accounts

Special Purpose Accounts (SPAs) are established under various sections of the *Financial Management Act 2006* (FMA) or by specific legislation (e.g. Royalties for Regions Fund). Accounts established by legislation are governed by the relevant provisions of the statute, while accounts that are established administratively are governed by a special purpose statement (operating accounts) or a trust statement (trust accounts) that outlines the purpose of the account.

This appendix contains information on key SPAs. It is not an exhaustive list of all SPAs, but covers the major/material SPAs in existence at the 7 August 2017 cut-off date for this Budget. The forecast SPA balances (and transactions in and out of these accounts) form part of the overall consolidated projections for 2017-18 outlined elsewhere in this Budget.

## Debt Repayment Account

In line with the Government's election commitments, a Debt Repayment Account has been established to apply windfall funds to the repayment of Consolidated Account borrowings.

The initial funds to flow through the account will come from a large, one-off duty assessment for a high value commercial property which was issued by the Commissioner of State Revenue in May 2017 (\$169.4 million) and surplus funds from RiskCover totalling \$168.6 million that are to be paid into the Consolidated Account over the forward estimates period (including \$60.3 million in 2017-18). Through the Debt Repayment Account, an estimated \$229.7 million in borrowings will be repaid during 2017-18.

### DEBT REPAYMENT ACCOUNT

Table 5.1

	2016-17 \$m	2017-18 \$m
<i>Balance at 1 July</i>	-	-
Receipts	-	230
Payments	-	230
<b>Closing Balance</b>	-	-

Note: Columns may not add due to rounding.

## Fiona Stanley Hospital Construction Account

This SPA was established in October 2007 to set aside funds to be used for the construction of the Fiona Stanley Hospital.

Funds from the account have almost been fully drawn down to pay for construction work, with the hospital achieving practical completion in December 2013 and commencing phased operation in October 2014. Final invoicing and completion of project close-out activities are expected during 2017-18.

<b>FIONA STANLEY HOSPITAL CONSTRUCTION ACCOUNT</b>			Table 5.2
	2016-17 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	20	20	
Receipts	-	-	
Payments	-	2	
Return of residual funds to Consolidated Account	-	19	
<b>Closing Balance</b>	<b>20</b>	<b>-</b>	

Note: Columns may not add due to rounding.

## Forrestfield-Airport Link Account

This SPA was established in May 2016 to support the construction of the Forrestfield-Airport Link. Forecast receipts for 2017-18 reflect projected interest revenue of \$2 million on the account balance through the year. A funding contribution was received from the Commonwealth in June 2016, and appropriated to the Public Transport Authority (PTA) to be held in the account from July 2016. Funds are to be drawn down by the Authority for project payments as works progress.

<b>FORRESTFIELD-AIRPORT LINK ACCOUNT</b>			Table 5.3
	2016-17 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	-	219	
Receipts	498	2	
Payments	279	221	
<b>Closing Balance</b>	<b>219</b>	<b>-</b>	

Note: Columns may not add due to rounding.

## METRONET Account

This SPA has been established to support the construction of METRONET projects. Forecast receipts for 2017-18 reflect State funding (\$49.9 million) and Commonwealth funding (\$9 million) reallocated from the cancellation of the Perth Freight Link. Funding is to be appropriated to the PTA and drawn down by the Authority for project payments as works progress.

In future years receipts from additional funding sources, such as land sales, value capture and developer contributions, will be appropriated to the Authority and flow through this SPA.

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**METRONET ACCOUNT**

Table 5.4

	2016-17 \$m	2017-18 \$m
<i>Balance at 1 July</i>	-	-
Receipts	-	59
Payments	-	59
<b>Closing Balance</b>	-	-

Note: Columns may not add due to rounding.

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## Metropolitan Region Improvement Fund

This account was established in December 1959 under the *Metropolitan Region Improvement Tax Act 1959* to provide funds for the management of the Metropolitan Region Scheme. Receipts are sourced from Metropolitan Region Improvement Tax (MRIT) collections. Funds from the account are used on parks and recreation areas, the purchase of land for future roads, railways and other public purpose reservations, and to compensate owners for compulsory land acquisitions.

Receipts in 2017-18 mainly reflect MRIT collections (\$95 million), proceeds from the sale of land and buildings (\$15 million), and rental and interest revenue (\$13 million). Forecast payments in 2017-18 are for the acquisition of land and buildings (\$34 million), service delivery costs (\$28 million), and works in progress on a range of smaller infrastructure projects (\$2 million).

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**METROPOLITAN REGION IMPROVEMENT FUND**

Table 5.5

	2016-17 \$m	2017-18 \$m
<i>Balance at 1 July</i>	293	348
Receipts	123	125
Payments	68	64
<b>Closing Balance</b>	<b>348</b>	<b>409</b>

Note: Columns may not add due to rounding.

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## Mining Rehabilitation Fund

The Mining Rehabilitation Fund was established in July 2013 to hold levy collections under the *Mining Rehabilitation Fund Act 2012*.

Receipts reflect forecast levy contributions from mining operators. Funds can be used to undertake rehabilitation activities where a tenement operator fails to meet rehabilitation obligations, and all other options available to recover funds from the operator have been exhausted. Interest earnings are used to support administration of the Fund and for rehabilitation works at abandoned mine sites (up to an approved limit of \$5 million per year).

<b>MINING REHABILITATION FUND</b>			Table 5.6
	2016-17 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	63	91	
Receipts	29	29	
Payments	1	2	
<b>Closing Balance</b>	<b>91</b>	<b>118</b>	

Note: Columns may not add due to rounding.

## Municipal and Essential Services Account

This account was established in 2015-16 to set aside the Commonwealth's final \$90 million contribution for essential and municipal services for remote Aboriginal communities in Western Australia. Key services to be funded from this SPA include power, water and sewerage, and services that would generally be provided by local governments in less remote locations (such as the management of refuse, roads, airstrips and fire prevention).

<b>MUNICIPAL AND ESSENTIAL SERVICES ACCOUNT</b>			Table 5.7
	2016-17 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	63	34	
Receipts	-	-	
Payments	29	34	
<b>Closing Balance</b>	<b>34</b>	<b>-</b>	

Note: Columns may not add due to rounding.

## Perth Children's Hospital Account

This SPA was established in October 2010 to hold money for the construction and opening of the Perth Children's Hospital.

The Hospital reached practical completion in April 2017, although resolution of potable water quality issues is ongoing. Defects rectification and completion of outstanding minor construction works is also continuing. A small cash balance is expected to remain at the end of 2017-18 to cover costs associated with project close-out activities.

<b>PERTH CHILDREN'S HOSPITAL ACCOUNT</b>			Table 5.8
	2016-17 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	122	40	
Receipts	-	-	
Payments	82	38	
<b>Closing Balance</b>	<b>40</b>	<b>2</b>	

Note: Columns may not add due to rounding.

## Perth Parking Licensing Account

This SPA was established in July 1999 to set aside funds to be used to encourage a balanced transport system for gaining access to the Perth city area. Receipts consist of licence fees, penalties and money appropriated by the Parliament.

Funds drawn from the account are spent on the Central Area Transit system, the Free Transit Zone, improving public transport access, enhancing the pedestrian environment, supporting bicycle access and for administration of the *Perth Parking Management Act 1999*. Lower spending in 2017-18 (relative to 2016-17) reflects the cessation of payments to the PTA for works on the now complete Perth Busport.

PERTH PARKING LICENSING ACCOUNT			Table 5.9
	2016-17 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	11	26	
Receipts	58	58	
Payments	43	28	
<b>Closing Balance</b>	<b>26</b>	<b>56</b>	

Note: Columns may not add due to rounding.

## Perth Stadium Account

This SPA was established in October 2011 to set aside funds to be used for the construction of the Perth Stadium and its surrounding sports precinct, including associated transport infrastructure. All infrastructure is expected to be completed in early 2018. All available funds in the SPA will be utilised as part of the funding to support construction.

Forecast receipts of \$122 million in 2017-18 reflect appropriation funding for the project. Forecast payments of \$215 million in 2017-18 reflect payments totalling \$122 million for stadium and sports precinct works (largely being delivered under a Design-Build-Finance-Maintain Public Private Partnership procurement model) and a further \$92 million for related transport infrastructure.

PERTH STADIUM ACCOUNT			Table 5.10
	2016-17 \$m	2017-18 \$m	
<i>Balance at 1 July</i>	36	96	
Receipts	370	122	
Payments	311	215	
<b>Closing Balance</b>	<b>96</b>	<b>3</b>	

Note: Columns may not add due to rounding.

## Road Trauma Trust Account

This account was established to provide for road safety initiatives. Receipts reflect prescribed penalties paid during the year, other funds collected under the *Road Traffic (Administration) Act 2008*, and interest revenue earned on the account balance.

Key initiatives to be funded from the account in 2017-18 include:

- a significant increase in the volume of drug and alcohol tests undertaken by Western Australia Police;
- improvements to regional roads to reduce single vehicle run-off road crashes and works to reduce the incidence and severity of vehicle crashes at metropolitan intersections;
- targeted safety improvements including intersection improvements, shoulder widening and passing lanes for Wheatbelt Highways;
- maintenance of the electronic school zone signs;
- community education advertising campaigns; and
- the ongoing data collection, road safety research and project evaluation undertaken by Western Australia Police.

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### ROAD TRAUMA TRUST ACCOUNT

Table 5.11

	2016-17 \$m	2017-18 \$m
<i>Balance at 1 July</i>	95	30
Receipts	106	125
Payments	172	119
<b>Closing Balance</b>	<b>30</b>	<b>35</b>

Note: Columns may not add due to rounding.

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## Royalties for Regions Fund

The Royalties for Regions (RfR) Fund was established in December 2008 to set aside a share of the State's annual royalty income to fund investment in regional Western Australia.

Receipts reflect interest on Fund balances and the statutory funding for the program based on 25% of royalty forecasts at the time of the 2017-18 Budget, adjusted for the \$1 billion legislated cap on the Fund balance. Payments from the Fund include transfers to agencies that deliver RfR projects.

Details of the RfR program are available in Chapter 7: *Royalties for Regions*.

Table 5.12

**ROYALTIES FOR REGIONS FUND**

	2016-17 \$m	2017-18 \$m
<i>Balance at 1 July</i>	870	1,000
Receipts	809	914
Payments	679	914
<b>Closing Balance</b>	<b>1,000</b>	<b>1,000</b>

Note: Columns may not add due to rounding.

## Royalties for Regions Regional Reform Fund

This SPA was approved as part of the 2015-16 Budget to receive \$150 million, transferred from the RfR Fund, commencing in 2014-15. The account will fund strategic reform initiatives in regional Western Australia, with regional Aboriginal reform initiatives the first area of focus. The final contribution of \$50 million will be made in 2017-18. Payments in 2017-18 are expected to fund the Kimberley Schools project, the North West Aboriginal Housing initiative and improvements to essential and municipal services in remote Aboriginal communities.

Table 5.13

**ROYALITES FOR REGIONS REGIONAL REFORM FUND**

	2016-17 \$m	2017-18 \$m
<i>Balance at 1 July</i>	100	100
Receipts	-	50
Payments	-	18
<b>Closing Balance</b>	<b>100</b>	<b>132</b>

Note: Columns may not add due to rounding.

## Royalties for Regions Southern Inland Health Initiative

This SPA was established in June 2012 to hold funds for expenditure on the Southern Inland Health Initiative.

Funds paid into this account are sourced from the RfR Fund and are drawn from the SPA to support improved access to core health services through providing additional resources and improvements to local hospitals and health facilities, aged care and telehealth services in the Great Southern, Mid West, Goldfields, South West and Wheatbelt regions.

Table 5.14

**ROYALTIES FOR REGIONS SOUTHERN INLAND HEALTH INITIATIVE**

	2016-17 \$m	2017-18 \$m
<i>Balance at 1 July</i>	156	57
Receipts	11	85
Payments	110	123
<b>Closing Balance</b>	<b>57</b>	<b>19</b>

Note: Columns may not add due to rounding.



## Waste Avoidance and Resource Recovery Account

The Waste Avoidance and Resource Recovery Account was established in 2008 under section 79 of the *Waste Avoidance and Resource Recovery Act 2007* to hold revenue allocated from the landfill levy. The purpose of the account is to fund nominated programs and other waste management initiatives approved by the Minister for Environment on the advice of the Waste Authority of Western Australia.

Table 5.15

<b>WASTE AVOIDANCE AND RESOURCE RECOVERY ACCOUNT</b>		
	2016-17 \$m	2017-18 \$m
<i>Balance at 1 July</i>	30	33
Receipts	18	20
Payments	15	19
<b>Closing Balance</b>	<b>33</b>	<b>34</b>

Note: Columns may not add due to rounding.

## Western Australian Future Fund

The Western Australian Future Fund was established following the passage of the *Western Australian Future Fund Act 2012* in November 2012. The Act provides for an accruing balance over 20 years to 2032, after which the annual interest earnings can be drawn down to fund economic or social infrastructure across Western Australia.

The Future Fund received \$933 million in 'seed capital' from the Royalties for Regions Fund and \$111 million in interest receipts over the period 2012-13 to 2015-16. From 2016-17 onwards, 1% of the State's annual royalty revenue will be paid into the Fund annually (\$52 million in 2017-18). Interest receipts in 2017-18 are forecast to be \$37 million.

One of the Government's election commitments was to repurpose the Future Fund to create a Future Health Research and Innovation Fund to grow Western Australia's health and scientific communities to be global leaders in medical research and innovation. Options for implementing this commitment are currently under development, with the outcome expected to be reflected in the 2018-19 Budget.

Table 5.16

<b>WESTERN AUSTRALIAN FUTURE FUND</b>		
	2016-17 \$m	2017-18 \$m
<i>Balance at 1 July</i>	1,044	1,126
Receipts	82	89
Payments	-	-
<b>Closing Balance</b>	<b>1,126</b>	<b>1,215</b>

Note: Columns may not add due to rounding.

# State Government Social Concessions Expenditure Statement

## Introduction

The State Government provides social concessions in the form of rebates, discounts, waivers for services, and subsidies to improve the affordability of services and help reduce the cost of living for individuals and families.

This appendix reports the entire range of social concessions provided by State Government agencies. The information provided reflects actual expenditure on each social concession, by agency, in 2015-16 and estimated expenditure in 2016-17 and 2017-18.

The total value of State Government social concessions in 2017-18 is estimated at \$2.7 billion, including \$1.5 billion in operating subsidies for electricity, water, and public transport services<sup>1</sup>.

## General Notes on the Statement

For the purposes of this appendix, social concessions are defined as:

- discounts, rebates, waivers for services, and subsidies to improve access to, and affordability of, a range of services based on eligibility criteria related to factors such as age, income and special needs or disadvantage; and
- concessional prices for services provided by public non-financial corporations where the price charged to all consumers is less than the full cost of service provision, and grants paid to private and State training providers to subsidise the cost of training services.

The information in this appendix is compiled from information provided by relevant agencies.

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<sup>1</sup> Operating subsidies for social concessions purposes form the vast bulk of operating subsidies reported in Table 8.5 in Appendix 8: *Public Corporations and Major Tariffs, Fees and Charges*.

The method of estimating the value of concessions varies. In some cases, the estimates reflect the amount of a good or service consumed at the concessional price or fare and is the difference between the concession and the otherwise applicable price or fare. In others, such as those involving a fixed annual charge, the estimates reflect the rebate or subsidy paid.

The estimated number of recipients is recorded against each social concession. Where the number of unique recipients is not recorded, the number of occasions the concession has been accessed is used instead.

<b>SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS</b>						
Western Australia						
Concession	2015-16	2015-16	2016-17	2016-17	2017-18	2017-18
	Actual \$'000	No. of Recipients	Estimated Actual \$'000	Estimated No. of Recipients	Budget Estimate \$'000	Estimated No. of Recipients
<b>BIODIVERSITY, CONSERVATION AND ATTRACTIONS</b>						
National Park Entrance Fee Reduction	485	44,461	485	44,461	485	44,461
Tree Top Walk Entry Concession	71	14,219	71	14,219	71	14,219
Geike Gorge Boat Trip Concession	65	5,485	65	5,485	65	5,485
Camping Concession	293	47,432	293	47,432	345	47,432
Monkey Mia Park Entry Fee Concessions	16	9,046	25	9,046	25	9,046
Concession Annual All Park Pass	109	4,066	109	4,066	112	4,066
Dryandra Woodland Barna Mia Concession						
Tour fee	2	510	2	510	2	510
Cave Concessions	10	3,342	10	3,342	10	3,342
Penguin Island Concessions	15	11,081	15	11,081	15	11,081
Train/Bus/Bike Concessions	2	705	2	726	2	745
Tour Concessions	5	2,460	5	2,520	5	2,550
Children's Discount – Zoo	1,339	95,663	1,262	90,145	1,352	90,145
Children Under 4 – Free Zoo Entry	3,339	115,155	3,147	108,513	3,364	108,513
Education Excursion Discount	653	37,869	615	35,685	683	35,685
Seniors Discount and Concession						
Card – Zoo	454	64,792	427	61,055	427	61,055
Carers Free Entry	101	3,478	95	3,277	102	3,277
<b>Sub-Total</b>	<b>6,960</b>		<b>6,628</b>		<b>7,064</b>	
<b>BUNBURY WATER CORPORATION</b>						
Pensioners and Seniors Supply Charge Rebate <sup>(a)</sup>	320	4,069	319	4,110	332	4,151
Pensioners and Seniors Consumption Rebate <sup>(a)</sup>	365	3,201	340	3,233	321	3,265
Pensioners Tenant Rebate <sup>(a)</sup>	10	114	13	115	13	116
Ex-Gratia Water (Leak) Allowance <sup>(b)</sup>	142	179	121	181	124	183
<b>Sub-Total</b>	<b>837</b>		<b>794</b>		<b>789</b>	
<b>BUSSELTON WATER CORPORATION</b>						
Pensioners Supply Charge and Consumption Rebate <sup>(a)</sup>	412	2,110	426	2,107	421	2,107
Seniors Supply Charge and Consumption Rebate <sup>(a)(c)</sup>	80	907	87	943	87	943

Note: Columns may not add due to rounding. There are no sub-totals for recipient numbers due to the different methods used to calculate these values. Footnotes are on the last page of the table.

Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2015-16	2015-16	2016-17	2016-17	2017-18	2017-18
	Actual \$'000	No. of Recipients	Estimated Actual \$'000	Estimated No. of Recipients	Budget Estimate \$'000	Estimated No. of Recipients
Pensioners Tenant Rebate <sup>(a)(d)</sup>	-	-	32	210	139	810
Ex-Gratia Water (Leak) Allowance <sup>(b)</sup>	31	38	47	45	48	45
<b>Sub-Total</b>	<b>523</b>	<b>3,055</b>	<b>592</b>	<b>3,305</b>	<b>695</b>	<b>3,905</b>
<b>COMMUNITIES</b>						
Rental Subsidy	387,046	30,532	361,295	30,840	354,969	30,300
Cash Assistance Grant <sup>(e)</sup>	-	-	5	2	5	2
Rental Sales Scheme Subsidy	17	8	8	4	8	4
Bond Assistance Loans Interest Foregone	380	13,121	450	15,800	475	17,585
Centenarian Initiative <sup>(f)</sup>	62	4	70	6	118	7
Seniors Cost of Living Rebate	21,844	303,112	22,708	306,431	25,280	332,295
<b>Sub-Total</b>	<b>409,349</b>		<b>384,536</b>		<b>380,855</b>	
<b>EDUCATION</b>						
Secondary Assistance						
Scheme – Education Program Allowance	6,108	26,045	6,516	27,784	6,638	28,306
Secondary Assistance Scheme – Clothing	2,995	26,045	3,195	27,784	3,255	28,306
Boarding Away from Home Allowance	2,901	1,404	3,103	1,510	3,112	1,515
Boarding Away from Home						
Allowance – Agriculture College	594	297	554	272	596	292
Boarding Away from Home						
Allowance – Gifted and Talented	67	36	65	33	75	38
Secondary Assistance						
Scheme – Abstudy Supplement	34	432	38	486	39	495
<b>Sub-Total</b>	<b>12,699</b>		<b>13,472</b>		<b>13,716</b>	
<b>FINANCE</b>						
Council Rates Concession for Pensioners and Seniors	116,909	424,172	119,900	429,262	129,400	434,842
• Rates and Charges Rebate – Local Government	100,652	216,703	102,118	219,303	100,400	222,154
• Rates and Charges Rebate – Emergency Services Levy	16,257	207,469	18,300	209,959	19,800	212,688
Energy Concession Extension Scheme <sup>(g)</sup>	997	4,318	1,037	4,370	1,125	4,427
Thermoregulatory Dysfunction Energy Subsidy	1,549	2,460	1,800	2,529	2,000	2,596
Life Support Equipment Energy Subsidy	1,037	1,565	1,100	1,584	1,300	1,834
<b>Sub-Total</b>	<b>237,401</b>		<b>244,255</b>		<b>254,025</b>	
<b>GOLD CORPORATION</b>						
Concession Admission	25	12,513	21	10,378	21	10,500
<b>Sub-Total</b>	<b>25</b>		<b>21</b>		<b>21</b>	
<b>HEALTH</b>						
Spectacle Subsidy Scheme	2,390	46,246	2,629	49,993	2,923	53,740
Subsidised Dental Care – Dental Health Services <sup>(h)</sup>	15,913	58,456	15,801	63,119	15,959	63,750
Subsidised Dental Care – Oral Health Centre of WA <sup>(h)</sup>	13,370	15,483	13,649	15,483	13,649	15,483
Country Patients Dental Subsidy Scheme	3,790	13,281	4,643	15,332	4,690	15,485
Metropolitan Patients Dental Subsidy Scheme	719	2,085	1,139	3,301	1,150	3,334
WA Country Health Service Patient Assisted Travel Scheme	32,505	36,505	32,700	36,505	32,896	36,505
Peel Health Service Patient Assisted Travel Scheme <sup>(i)</sup>	72	63	66	68	71	70
Home Haemodialysis	24	30	22	35	25	35
Ambulance Services for Seniors	39,039	107,638	41,188	113,218	42,835	117,000
<b>Sub-Total</b>	<b>107,821</b>		<b>111,839</b>		<b>114,198</b>	

Note: Columns may not add due to rounding. There are no sub-totals for recipient numbers due to the different methods used to calculate these values. Footnotes are on the last page of the table.

Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2015-16	2015-16	2016-17	2016-17	2017-18	2017-18
	Actual \$'000	No. of Recipients	Estimated Actual \$'000	Estimated No. of Recipients	Budget Estimate \$'000	Estimated No. of Recipients
<b>HORIZON POWER</b>						
Energy Assistance Payment <sup>(a)(i)</sup>	1,037	6,262	1,146	6,342	1,348	4,960
Dependent Child Rebate <sup>(a)</sup>	549	2,494	556	2,390	527	1,464
Tariff Migration (Caravan Park Subsidy) <sup>(a)(k)</sup>	141	11	203	11	221	11
Aboriginal and Remote Communities Project – Stage 1 <sup>(a)</sup>	3,870	697	6,840	702	6,156	737
Aboriginal and Remote Communities Project – Stage 2 <sup>(a)</sup>	2,936	209	2,513	215	1,984	198
Air Conditioning Allowance (North of 26 <sup>th</sup> Parallel) <sup>(a)</sup>	589	2,304	675	2,399	542	1,796
Feed-In Tariff <sup>(a)(l)</sup>	1,023	601	1,106	601	1,105	601
Tariff Adjustment Payment – Operating Subsidy <sup>(a)</sup>	28,996	44,410	37,987	43,100	9,379	46,600
<b>Sub-Total</b>	<b>39,142</b>		<b>51,026</b>		<b>21,262</b>	
<b>INSURANCE COMMISSION OF WESTERN AUSTRALIA</b>						
Farm Vehicles – 50% Insurance Premium Rebate	809	6,672	1,042	6,672	1,091	6,799
<b>Sub-Total</b>	<b>809</b>		<b>1,042</b>		<b>1,091</b>	
<b>JUSTICE</b>						
Legal Aid Concessions	25,688	74,630	23,741	69,640	23,973	69,713
Public Trustee Discount Fees	287	1,340	300	1,273	300	1,300
Court and Tribunal Concessions <sup>(m)</sup>	3,399	11,659	3,170	12,609	3,208	12,573
<b>Sub-Total</b>	<b>29,375</b>		<b>27,211</b>		<b>27,481</b>	
<b>KEYSTART HOUSING SCHEME TRUST</b>						
Safety Net <sup>(n)</sup>	-	318	-	382	-	382
<b>Sub-Total</b>	<b>-</b>		<b>-</b>		<b>-</b>	
<b>LOCAL GOVERNMENT, SPORT AND CULTURAL INDUSTRIES</b>						
Art Gallery Concessions	39	8,811	18	4,058	36	8,116
Perth Theatre Trust Concessions	104	4,238	105	4,285	106	4,332
WA Museum Concessions	411	46,545	407	42,076	508	61,207
Children's Camp Prices	29	356	29	360	30	370
<b>Sub-Total</b>	<b>582</b>		<b>559</b>		<b>680</b>	
<b>PLANNING, LANDS AND HERITAGE</b>						
Pension Protection Plan Fees and Charges <sup>(o)</sup>	24	3	4	2	4	2
Fremantle Prison Entry Concessions <sup>(p)</sup>	343	88,978	354	91,647	371	94,397
<b>Sub-Total</b>	<b>367</b>		<b>358</b>		<b>375</b>	
<b>PRIMARY INDUSTRIES AND REGIONAL DEVELOPMENT</b>						
Concessional Abalone Fishing Licence	51	2,737	54	2,885	66	3,100
Concessional Net Fishing Licence	93	5,060	95	5,184	114	5,200
Concessional Marron Fishing Licence	47	2,534	52	2,768	66	3,100
Concessional Rock Lobster Fishing Licence	196	10,679	213	11,603	259	12,000
Concessional SW Freshwater Angling Licence	50	2,687	42	2,247	68	3,100
Concessional Recreational Fishing from a Boat Licence	493	34,016	495	34,279	630	37,000
<b>Sub-Total</b>	<b>931</b>		<b>951</b>		<b>1,203</b>	

Note: Columns may not add due to rounding. There are no sub-totals for recipient numbers due to the different methods used to calculate these values. Footnotes are on the last page of the table.

Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2015-16	2015-16	2016-17	2016-17	2017-18	2017-18
	Actual \$'000	No. of Recipients	Estimated Actual \$'000	Estimated No. of Recipients	Budget Estimate \$'000	Estimated No. of Recipients
<b>PUBLIC TRANSPORT AUTHORITY <sup>(a)</sup></b>						
Transperth – General <sup>(a)(f)</sup>	513,506	87,056,886	527,774	83,973,886	546,624	84,500,622
Transperth – Concession Fares <sup>(a)(s)</sup>	74,667	36,242,772	73,275	35,350,246	74,387	34,238,150
Transperth – Pensioners, Seniors and Carers Free Travel <sup>(a)(t)</sup>	17,713	5,662,626	20,124	6,308,170	21,846	6,308,170
Transperth – Free Transit Zone <sup>(a)(u)</sup>	14,889	14,673,802	15,293	14,087,091	15,293	13,676,451
Transperth – Perth Stadium Special Events <sup>(a)(v)</sup>	-	-	-	-	4,374	1,872,480
Regional Town Bus Services – General <sup>(a)(f)</sup>	11,683	2,241,712	11,966	2,241,712	11,811	2,241,712
Regional Town Bus Services – Concession Fares <sup>(a)(w)</sup>	4,122	2,082,904	4,157	2,082,904	4,329	2,082,904
Regional Town Bus Services – Pensioners, Seniors and Carers Free Travel <sup>(a)(x)</sup>	185	81,521	186	81,521	193	81,521
Regional School Bus Services <sup>(a)(y)(z)</sup>	124,227	26,964	125,398	26,691	126,030	26,913
Regional School Bus Services – Student Conveyance Allowance <sup>(a)(z)(aa)</sup>	2,300	4,717	2,271	4,750	2,292	4,783
Transwa – General <sup>(a)(bb)</sup>	26,397	163,080	29,230	153,656	28,389	153,254
Transwa – Concession Fares <sup>(a)</sup>	4,182	204,626	3,993	189,505	3,842	179,371
Transwa – Annual Free Trip for Pensioners <sup>(a)(y)</sup>	1,755	23,540	1,684	22,339	1,626	21,203
<b>Sub-Total</b>	<b>795,626</b>		<b>815,351</b>		<b>841,036</b>	
<b>SYNERGY</b>						
Energy Assistance Payment <sup>(a)(i)</sup>	47,032	207,097	48,443	208,547	61,213	210,633
Dependent Child Rebate <sup>(a)</sup>	15,068	50,044	9,977	50,394	11,847	50,898
Account Establishment Fee Rebate <sup>(a)</sup>	1,185	38,551	767	38,821	911	39,209
Air Conditioning Rebate <sup>(a)</sup>	56	332	37	334	44	338
Late Payment Waiver <sup>(a)</sup>	569	81,242	372	81,811	442	82,629
Feed-In Tariff <sup>(a)</sup>	30,300	76,131	30,300	75,370	30,300	74,616
Tariff Adjustment Payment – Operating Subsidy <sup>(a)</sup>	310,061	1,055,422	280,980	1,070,596	146,137	1,077,409
<b>Sub-Total</b>	<b>404,270</b>		<b>370,876</b>		<b>250,894</b>	
<b>TRAINING AND WORKFORCE DEVELOPMENT</b>						
Total Grants including: <sup>(cc)(dd)</sup>	279,932	73,781	223,791	63,652	300,889	80,820
• Tuition Fees – Vocational Educational Training (VET) Courses – 50% Course Fee Concession	5,138	11,448	5,681	10,079	8,458	13,155
• Tuition Fees – VET Courses – 100% Course Fee Concession	3,853	2,584	5,204	10,079	5,895	3,348
South West Bus Service	486	133	345	3,120	400	110
<b>Sub-Total</b>	<b>280,418</b>		<b>224,136</b>		<b>301,289</b>	
<b>TRANSPORT</b>						
Pensioner/Senior Inter-Town Travel Scheme <sup>(ee)</sup>	275	14,561	330	15,534	350	15,600
Pensioner/Senior Intra-Town Travel Scheme <sup>(ee)</sup>	131	56,844	132	60,808	162	61,200
Students Subsidised Travel Scheme	1,340	1,954	1,356	1,930	1,241	1,918
Taxi Users' Subsidy Scheme	10,951	13,195	10,785	13,171	10,785	13,106
Motor Drivers Licence (50% + 100%) <sup>(ff)</sup>	13,689	405,355	14,810	426,452	15,835	447,579
Motor Vehicle Licence (50% + 100%) <sup>(gg)</sup>	33,373	214,876	35,313	222,723	38,586	230,877
Pensioner Annual Free Trip	1,001	1,049	1,012	1,065	1,077	1,039
Perth Parking Management Exemptions	15,558	15,326	16,904	16,389	17,441	16,620
<b>Sub-Total</b>	<b>76,318</b>		<b>80,642</b>		<b>85,477</b>	

Note: Columns may not add due to rounding. There are no sub-totals for recipient numbers due to the different methods used to calculate these values. Footnotes are on the last page of the table.

Table 6.1 (cont.)

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

Concession	2015-16	2015-16	2016-17	2016-17	2017-18	2017-18
	Actual \$'000	No. of Recipients	Estimated Actual \$'000	Estimated No. of Recipients	Budget Estimate \$'000	Estimated No. of Recipients
<b>WESTERN AUSTRALIAN GREYHOUND RACING ASSOCIATION</b>						
Veterans, Disabled and Aged Discount – Greyhound	1	347	1	360	1	360
<b>Sub-Total</b>	<b>1</b>		<b>1</b>		<b>1</b>	
<b>WESTERN AUSTRALIAN SPORTS CENTRE TRUST – VENUESWEST</b>						
Aquatic Centre Entry Concession – Total <sup>(hh)</sup>	24	20,411	22	20,411	29	20,411
Aquatic Concession Aqua Card – Total <sup>(ii)</sup>	18	1,131	20	1,131	23	1,131
Fitness Membership	38	404	38	401	39	403
<b>Sub-Total</b>	<b>80</b>		<b>81</b>		<b>91</b>	
<b>WATER CORPORATION <sup>(ii)</sup></b>						
Pensioners Service Charge Rebate <sup>(a)</sup>	55,349	137,322	56,122	139,794	61,099	142,170
Pensioners Consumption Concession <sup>(a)</sup>	18,548	174,185	18,808	177,320	20,229	180,335
Seniors Service Charge Rebate <sup>(a)</sup>	18,825	73,408	19,088	74,729	12,117	76,000
Retirement Unit Concession <sup>(a)</sup>	17	76	17	77	7	79
Interest on Rates Deferred for Pensioners <sup>(a)</sup>	562	14,869	303	14,869	389	14,869
Country – Water <sup>(a)(kk)</sup>	345,702	227,466	295,634	229,627	299,066	231,395
Country – Wastewater <sup>(a)(ll)</sup>	40,407	174,883	-	-	-	-
Country – Drainage <sup>(a)</sup>	13,368	9,170	18,105	9,257	18,324	9,328
Leaks and Bursts <sup>(a)(mm)</sup>	5,552	8,644	5,790	9,041	6,192	9,719
<b>Sub-Total</b>	<b>498,330</b>		<b>413,866</b>		<b>417,423</b>	
<b>Total</b>	<b>2,901,862</b>		<b>2,747,717</b>		<b>2,728,866</b>	

- (a) Operating subsidies are reported in Appendix 8.
- (b) This concession is funded by an operating subsidy in 2015-16 only. The value of the concession for 2015-16 in this appendix may differ to the operating subsidies disclosed in Appendix 8, as the value in Appendix 8 contains a portion that reimburses the Corporation for the actual value of concessions paid to pensioners and seniors in 2014-15.
- (c) This includes rebates for Commonwealth Seniors Health Card holders, Western Australian Seniors Card holders and State concession card holders.
- (d) The introduction of this concession in 2015-16 brings Busselton Water Corporation in line with the concessions offered by other water utilities in Western Australia.
- (e) No cash assistance grant was paid in 2015-16.
- (f) Rent-free housing is provided to public housing tenants aged one hundred years or older.
- (g) This provides the Energy Assistance Payment to eligible households that receive electricity charges through on-selling arrangements. This includes those living in retirement villages or apartment buildings where the electricity costs are recouped from the tenants by the owner, as the owner is billed directly by Synergy or Horizon Power on behalf of the residential complex. It also applied to households that receive electricity charges direct from a retailer other than Synergy or Horizon Power. The estimated concession values for 2016-17 and 2017-18 are extrapolated based on the actual payments made to eligible customers in 2015-16.
- (h) Subsidised Dental Care is predominantly subsidised general dental services to eligible Western Australian residents through Dental Health Services, a budget holder of the North Metropolitan Health Service. The Oral Health Centre of WA also provides predominantly subsidised specialist dental services for eligible Western Australian residents through a WA Health contract with the University of Western Australia.
- (i) Data on the number of recipients are not collected, only the number of trips is recorded. A single recipient may make multiple trips in a year.
- (j) The means-tested Energy Assistance Payment replaced the Cost of Living Assistance payment from 1 July 2015.
- (k) This is the number of caravan parks as there are no data on individual recipients.
- (l) The operating subsidy for this concession is capped at \$40,000.
- (m) This includes State Administrative Tribunal (WA), Magistrates Courts and Tribunal, Supreme Court, Children's Court, Coroner's Court, District Court, and Family Court.
- (n) A value for the Safety Net concession cannot be identified as this program provides assistance to borrowers with reduced repayments for three to six months. When the client comes out of the Safety Net, they will resume making normal repayments.
- (o) Eligible pensioners leasing property through the Department of Lands, can defer land rent until they become ineligible for the concession, or the accrued rent is recouped from their final estate.
- (p) This concession was previously reported under the Department of Finance.
- (q) The number of recipients is based on the total number of boardings in each concession category, except where otherwise indicated.
- (r) This is the difference between total cost and revenue. Revenue is calculated as the total value if all passengers paid the standard fare, rather than paying a concession fare or travelling for free.
- (s) The values are an aggregation of concession fares and school children fares. This breakdown can be seen in Table 8.5 in Appendix 8.
- (t) This is the total value of revenue that could have been collected if passengers paid a concession fare, rather than travelling for free.

Table 6.1 (cont.)

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**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS**  
Western Australia

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- (u) This is funded by the Department of Transport through the Perth Parking Levy.
- (v) This reflects the operating subsidy paid to fund 50% of the cost of Perth Stadium special event public transport services.
- (w) The values are an aggregation of concession fares and school children fares. This breakdown can be seen in Table 8.5 in Appendix 8.
- (x) This is the total value of revenue that could have been collected if passengers paid a concession fare, rather than travelling for free.
- (y) This reflects the number of unique recipients accessing the concession.
- (z) The values are an aggregation of Regional School Bus Services and Intensive English Centre revenue from the Department of Education. This breakdown can be seen in Table 8.5 in Appendix 8.
- (aa) The concession is paid to a parent or carer in place of the Authority providing a school bus service.
- (bb) The values are an aggregation of Transwa General and Royalties for Regions funding for the AvonLink. This breakdown can be seen in Table 8.5 in Appendix 8.
- (cc) The Commonwealth Government's contribution to the funding of training concessions has been excluded.
- (dd) The cost of concessions includes private training providers, in addition to TAFE colleges as reported in the 2016-17 Budget. The number of recipients is based on the number of clients, rather than the number of VET course enrolments as reported in the 2016-17 Budget.
- (ee) Subsidies are costed based on the number of trips taken.
- (ff) Age pensioners and pensioners holding both a Western Australian Seniors Card (WASC) and a Commonwealth Seniors Health Card (CSHC) receive a 100% concession on their annual drivers licence fee. Holders of a Pensioner Concession Card, WASC or a CSHC receive a 50% concession.
- (gg) Invalid or disability pensioners receive a 100% concession on their annual motor vehicle licence fee. Holders of a PCC or a WASC and a CSHC receive a 50% concession.
- (hh) Number of recipients is based on the number of visits.
- (ii) Number of recipients is based on the number of multi-visit aqua cards purchased.
- (jj) Pensioner and senior concessions are reported as an operating subsidy in Table 8.5 in Appendix 8. The operating subsidy also includes non-rated properties and Aboriginal reserves. The values for pensioner and senior concessions in Table 8.5 aggregates the total cost of concession for each concession, with the corresponding administrative cost.
- (kk) Includes the rural irrigation schemes operating subsidy.
- (ll) From 2016-17, the Country – Wastewater tariff is forecast to be at full cost reflectivity resulting in the estimated concession values and number of recipients reducing to nil.
- (mm) This has not been provided as a concession in the metropolitan area from 1 July 2015.

Note: Columns may not add due to rounding. There are no sub-totals for recipient numbers due to the different methods used to calculate these values.

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## APPENDIX 7

# Asset Investment Program – Summary of Expenditure and Source of Funds

## Overview

This appendix summarises asset investment expenditure by agencies within portfolio groups, and the sources of funds for the aggregate Asset Investment Program by year.

Table 7.1

**ASSET INVESTMENT PROGRAM**

	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<b>PARLIAMENT</b>					
Legislative Council	-	-	-	-	-
Legislative Assembly	-	-	-	-	-
Parliamentary Services	1.0	1.0	1.0	1.0	1.0
Parliamentary Commissioner for Administrative Investigations	0.3	0.2	0.2	0.2	0.2
<b>PREMIER; MINISTER FOR PUBLIC SECTOR MANAGEMENT; FEDERAL-STATE RELATIONS</b>					
Premier and Cabinet	0.7	0.6	0.4	0.4	0.1
Public Sector Commission	0.2	0.1	0.1	0.1	0.1
Gold Corporation	20.0	25.4	11.2	6.9	6.7
Governor's Establishment	0.3	1.6	2.5	1.1	1.1
Lotteries Commission	13.5	10.6	2.1	1.7	2.0
Salaries and Allowances Tribunal	-	-	-	-	-
<b>MINISTER FOR STATE DEVELOPMENT; JOBS AND TRADE; MINISTER FOR TOURISM; DEFENCE ISSUES; MINISTER FOR COMMERCE AND INDUSTRIAL RELATIONS; ASIAN ENGAGEMENT; MINISTER FOR INNOVATION AND ICT; SCIENCE</b>					
Jobs, Tourism, Science and Innovation	2.1	1.6	0.7	1.1	0.7
<b>DEPUTY PREMIER; MINISTER FOR HEALTH; MENTAL HEALTH</b>					
WA Health	358.9	586.9	284.4	27.6	53.7
Western Australian Health Promotion Foundation	0.1	0.1	0.1	0.1	0.1
Animal Resources Authority	1.2	1.5	0.2	0.2	0.2
Mental Health Commission	0.2	-	6.2	15.2	0.3
<b>MINISTER FOR EDUCATION AND TRAINING</b>					
Education	345.9	452.3	436.5	301.1	190.3
Training and Workforce Development	58.2	32.0	17.4	15.3	25.3
TAFE Colleges	9.5	10.6	8.9	8.7	8.1
Building and Construction Industry Training Board	4.3	3.0	-	-	-
<b>MINISTER FOR ENVIRONMENT; MINISTER FOR TOURISM</b>					
Biodiversity, Conservation and Attractions	48.7	47.7	26.9	26.4	25.7
<b>MINISTER FOR ENVIRONMENT; MINISTER FOR WATER</b>					
Water and Environmental Regulation	13.9	17.1	13.3	14.9	14.8
<b>MINISTER FOR CHILD PROTECTION; WOMEN'S INTERESTS; PREVENTION OF FAMILY AND DOMESTIC VIOLENCE; COMMUNITY SERVICES; MINISTER FOR DISABILITY SERVICES; MINISTER FOR HOUSING; VETERANS ISSUES; YOUTH; MINISTER FOR SENIORS AND AGEING; VOLUNTEERING</b>					
Communities	620.4	344.1	278.2	289.3	293.5
Keystart Housing Scheme Trust	0.6	1.3	1.2	1.2	1.2

## ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<b>MINISTER FOR POLICE; ROAD SAFETY</b>					
Western Australia Police	82.3	68.1	45.4	39.6	45.0
<b>MINISTER FOR REGIONAL DEVELOPMENT; AGRICULTURE AND FOOD; MINISTER FOR FISHERIES</b>					
Primary Industries and Regional Development	21.1	-20.0	64.9	76.4	103.2
<b>MINISTER FOR REGIONAL DEVELOPMENT; AGRICULTURE AND FOOD</b>					
Rural Business Development Corporation	-	-	-	-	-
Western Australian Meat Industry Authority	0.7	0.7	0.5	0.4	0.5
<b>MINISTER FOR EMERGENCY SERVICES; CORRECTIVE SERVICES</b>					
Fire and Emergency Services	40.0	57.8	28.4	15.8	18.8
Office of Emergency Management	-	- (a)	-	-	-
Office of the Inspector of Custodial Services	- (a)	- (a)	- (a)	- (a)	- (a)
<b>ATTORNEY GENERAL; MINISTER FOR CORRECTIVE SERVICES</b>					
Justice	51.6	61.4	17.0	15.5	15.5
<b>MINISTER FOR LOCAL GOVERNMENT; CULTURE AND THE ARTS; MINISTER FOR SPORT AND RECREATION; MINISTER FOR RACING AND GAMING; CITIZENSHIP AND MULTICULTURAL INTERESTS</b>					
Local Government, Sport and Cultural Industries	84.5	196.7	178.2	67.0	16.0
<b>MINISTER FOR LOCAL GOVERNMENT; HERITAGE</b>					
Metropolitan Cemeteries Board	11.3	9.7	7.9	5.5	5.3
Heritage Council of Western Australia	-	-	-	-	-
National Trust of Australia (WA)	0.7	0.7	0.7	0.7	0.7
<b>MINISTER FOR PLANNING; LANDS; MINISTER FOR HERITAGE; MINISTER FOR ABORIGINAL AFFAIRS</b>					
Planning, Lands and Heritage	7.8	9.4	3.0	3.2	4.0
<b>ATTORNEY GENERAL</b>					
Corruption and Crime Commission	2.0	18.3	2.2	2.2	2.2
Commissioner for Equal Opportunity	-	- (a)	- (a)	- (a)	0.1
Office of the Director of Public Prosecutions	0.1	0.6	1.1	0.7	0.7
Commissioner for Children and Young People	-	-	-	-	-
Office of the Information Commissioner	-	-	-	-	-
Parliamentary Inspector of the Corruption and Crime Commission	-	-	-	-	-
Legal Aid Commission of Western Australia	0.9	1.9	1.3	1.2	1.2
<b>MINISTER FOR SPORT AND RECREATION</b>					
Western Australian Sports Centre Trust	20.8	27.2	9.9	10.4	12.3
Western Australian Institute of Sport	0.1	0.1	0.1	0.1	0.1

Table 7.1 (cont.)

**ASSET INVESTMENT PROGRAM**

	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<b>TREASURER; MINISTER FOR FINANCE; ENERGY</b>					
Treasury	-	- (a)	-	-	-
Economic Regulation Authority	- (a)	-	-	0.3	-
Insurance Commission of Western Australia	5.0	4.5	4.8	5.5	5.0
Office of the Auditor General	1.4	0.5	0.5	0.6	0.7
Western Australian Treasury Corporation	1.7	1.6	1.4	2.0	1.9
Finance	149.1	164.9	109.3	124.7	90.7
Horizon Power	108.2	154.4	97.7	52.9	51.8
Synergy	57.5	61.9	44.6	25.8	40.9
Western Power Networks	667.9	609.4	622.0	608.0	635.5
Western Power Provisions	-	227.3	233.6	226.1	215.4
<b>MINISTER FOR RACING AND GAMING; SMALL BUSINESS</b>					
Racing and Wagering Western Australia	16.4	16.3	10.7	11.3	11.3
Western Australian Greyhound Racing Association	0.6	0.6	-	-	-
Small Business Development Corporation	0.2	0.1	0.1	0.1	0.1
<b>MINISTER FOR MINES AND PETROLEUM; COMMERCE AND INDUSTRIAL RELATIONS; ELECTORAL AFFAIRS</b>					
Mines, Industry Regulation and Safety	15.2	7.9	3.9	3.6	0.9
Registrar, Western Australian Industrial Relations Commission	2.3	0.2	0.2	0.2	0.2
WorkCover WA Authority	0.7	0.8	0.8	0.8	1.3
Western Australian Electoral Commission	0.1	0.1	0.1	0.1	0.1
<b>MINISTER FOR TRANSPORT; PLANNING; LANDS</b>					
Transport	35.5	33.3	25.2	21.8	18.1
Commissioner of Main Roads	979.3	1,467.5	989.1	736.1	542.3
Public Transport Authority of Western Australia	631.3	876.8	1,000.8	1,063.3	808.2
Fremantle Port Authority	7.7	86.7	92.8	33.4	27.5
Kimberley Ports Authority	11.9	1.5	1.6	1.6	1.6
Mid West Ports Authority	16.9	10.3	5.0	5.0	5.5
Pilbara Ports Authority	50.6	82.1	206.4	19.6	18.4
Southern Ports Authority	16.7	15.4	12.3	8.8	9.0
Metropolitan Redevelopment Authority	81.5	102.4	47.8	32.3	22.9
Western Australian Planning Commission	43.3	44.8	36.7	46.8	46.9
Western Australian Land Authority	143.9	196.3	311.3	208.3	197.1
Western Australian Land Information Authority	19.1	15.6	14.3	11.2	12.1

## ASSET INVESTMENT PROGRAM

Table 7.1 (cont.)

	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<b>MINISTER FOR WATER; FORESTRY; INNOVATION AND ICT; SCIENCE</b>					
Water Corporation	805.6	765.4	757.0	834.5	693.6
Bunbury Water Corporation	3.8	10.6	11.1	3.6	3.6
Busselton Water Corporation	3.0	3.9	2.7	2.8	2.8
Forest Products Commission	6.8	0.9	0.6	0.6	0.6
Office of the Government Chief Information Officer	-	-	-	-	-
Chemistry Centre (WA)	1.8	1.5	1.0	1.0	1.0
<b>PROVISIONS</b>					
Provision for Road Trauma Trust Account Spending	-	15.5	51.9	54.0	53.5
Inter-agency Purchases	-28.4	-0.3	-	-	-
Provision for Underspend	-	-750.0	-	-	-
Provision for Slippage	-500.0	-200.0	-200.0	250.0	650.0
<b>TOTAL</b>	<b>5,180.6</b>	<b>6,001.0</b>	<b>5,949.2</b>	<b>5,347.8</b>	<b>5,021.1</b>
<i>Funded by:</i>					
<b>APPROPRIATIONS</b>					
Capital Appropriation <sup>(b)</sup>	1,452.8	1,007.5	1,045.0	997.6	867.6
<b>OTHER FUNDING</b>					
Holding Account	311.8	247.0	281.0	294.6	298.5
Agency Borrowings	741.5	1,249.2	1,134.2	1,008.4	675.3
Royalties for Regions	302.4	477.9	449.2	288.0	216.2
Commonwealth Grants	278.7	1,182.3	506.6	262.6	119.6
Land and Property Sales	507.4	529.7	514.9	435.9	421.6
Internal Funds and Balances	1,339.9	981.4	1,895.9	2,002.6	2,322.5
Special Purpose Accounts <sup>(c)</sup>	246.1	325.9	122.5	58.2	99.8
<b>TOTAL</b>	<b>5,180.6</b>	<b>6,001.0</b>	<b>5,949.2</b>	<b>5,347.8</b>	<b>5,021.1</b>

(a) Amount less than \$50,000.

(b) Includes Commonwealth contributions to projects undertaken by the Public Transport Authority, which are paid to the Authority as a capital appropriation.

(c) Funding held at the Department of Treasury for the Fiona Stanley Hospital, Perth Children's Hospital, new Perth Stadium, and other projects funded from Special Purpose Accounts.

Note: Columns may not add due to rounding.



# Public Corporations and Major Tariffs, Fees and Charges

## Introduction

Corporatised public corporations (also known as Government Trading Enterprises or GTEs) are generally liable for income tax equivalent and dividend payments to the State. A number of public corporations are also liable for local government rate equivalent payments. These payments are levied by the State to ensure competitive neutrality (i.e. a level playing field) between public and private sector business activities.

The Government has a role in setting household tariffs, fees and charges to ensure an appropriate balance between cost recovery and impacts on households. Some public corporations also receive operating subsidies where the cost of providing a service is not fully recovered from customers, to assist with reducing the prices for consumers of electricity, water and public transport services. Some of these operating subsidies benefit all households through lower electricity, water and public transport costs, while others are targeted at only particular groups such as pensioners, seniors or consumers in regional areas.

The general government sector will receive a net amount totalling an estimated \$257.7 million from public corporations in 2017-18 (see Table 8.1). That is, tax equivalent and dividend revenue received from public corporations (around \$2.2 billion) is expected to exceed gross subsidy payments to these corporations (around \$2 billion) by \$257.7 million. This is an \$859.5 million improvement on the \$601.7 million net subsidy paid in 2016-17, primarily as a result of increased dividend revenue from public corporations in 2017-18 and changes in the timing of 2016-17 interim dividend payments.



Table 8.1

**PUBLIC CORPORATIONS**  
Revenue to and Expenses from the General Government Sector <sup>(a)</sup>

	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m
<b>Electricity Corporations</b>		
Dividends, Tax Equivalents, and Local Government Rate Equivalents		
Horizon Pow er	30.6	95.7
Synergy	14.1	149.5
Western Pow er	103.6	391.2
<b>TOTAL</b>	<b>148.2</b>	<b>636.4</b>
Operating Subsidies		
Horizon Pow er	50.0	20.2
Synergy	370.9	250.9
Western Pow er	-	-
<i>Subtotal</i>	<i>420.8</i>	<i>271.1</i>
Other Subsidies <sup>(b)</sup>	-	109.1
<i>Net Electricity Corporations</i>	<i>-272.6</i>	<i>256.2</i>
<b>Water Corporation</b>		
Dividends, Tax Equivalents, and Local Government Rate Equivalents	781.6	923.9
Operating Subsidies <sup>(c)</sup>	464.2	468.8
Other Subsidies	13.4	12.4
<i>Net Water Corporation</i>	<i>303.9</i>	<i>442.7</i>
<b>Public Transport Authority <sup>(d)</sup></b>		
Operating Subsidies	799.1	838.9
Other Subsidies	22.6	20.6
<i>Net Public Transport Authority</i>	<i>-821.7</i>	<i>-859.5</i>
<b>Other Public Corporations</b>		
Dividends, Tax Equivalents, and Local Government Rate Equivalents	413.4	660.6
Operating Subsidies	46.0	51.6
Other Subsidies	178.7	190.8
<i>Net Other Public Corporations</i>	<i>188.7</i>	<i>418.3</i>
<b>Total revenue from Public Corporations</b>	<b>1,343.2</b>	<b>2,220.9</b>
Dividends	837.0	1,649.4
Tax Equivalents	485.8	550.8
Local Government Rate Equivalents	20.4	20.7
<b>Total expense to Public Corporations</b>	<b>1,945.0</b>	<b>1,963.2</b>
Operating Subsidies	1,730.2	1,630.4
Other Subsidies	214.8	332.8
<b>Net impact on General Government Sector <sup>(e)</sup></b>	<b>-601.7</b>	<b>257.7</b>

(a) Revenue includes dividends, tax equivalent payments and local government rate equivalents. Expenses include operating subsidies and grants funded from the Consolidated Account and other subsidies funded from other sources such as Royalties for Regions (capital appropriations to public corporations are not included). More detailed information on revenues and expenses can be found in Table 8.2 and Table 8.5.

(b) Subsidies in 2017-18 relate to Horizon Power's Onslow Power Infrastructure Project (\$106 million) and Western Power's Underground Power Program (\$3.1 million).

(c) The Water Corporation's Country Loss operating subsidy is currently funded from the Consolidated Account, however a portion of this subsidy will be funded from the Royalties for Regions program from 2019-20.

(d) The Public Transport Authority does not pay dividends or tax equivalent payments.

(e) A negative total for the net impact on the general government sector means that the sector is subsidising public corporations in net terms.

Note: Columns may not add due to rounding.

## Revenue

General government sector revenue from public corporations in 2017-18 is estimated to total around \$2.2 billion, comprising \$1.6 billion in dividend payments, \$551 million in income tax equivalent payments, and \$21 million in local government rate equivalent payments.

Revenue from public corporations in 2017-18 is expected to be \$878 million (or 65%) higher than in 2016-17. This is mainly the result of:

- increased dividend payout ratios from 65% to 75% for most public corporations (see Table 8.3);
- a deferral of the payment of the electricity corporations' and port authorities' 2016-17 interim dividends until 2017-18; and
- a special dividend to be paid by Synergy in 2017-18, estimated to be \$119.4 million.

A detailed list of revenue items from individual public corporations to the general government sector is provided in Table 8.2.

Table 8.2

**GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS**

Details of Payment	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<b>ELECTRICITY CORPORATIONS</b>					
Horizon Power					
Income tax expense	14.0	48.2	10.4	12.6	13.3
Local Government Rates expense	0.2	0.3	0.3	0.3	0.3
Dividends	16.4	47.2	21.1	21.1	23.0
<i>Subtotal</i>	<u>30.6</u>	<u>95.7</u>	<u>31.8</u>	<u>34.0</u>	<u>36.6</u>
Synergy					
Income tax expense	13.4	4.6	7.2	4.4	34.3
Local Government Rates expense	0.7	0.7	0.7	0.7	0.7
Dividends	0.0	144.2	1.3	23.2	62.0
<i>Subtotal</i>	<u>14.1</u>	<u>149.5</u>	<u>9.2</u>	<u>28.3</u>	<u>97.1</u>
Western Power <sup>(a)</sup>					
Income tax expense	-	-	14.0	12.7	-
Local Government Rates expense	1.6	1.7	1.7	1.7	1.8
Dividends	101.9	389.5	241.7	232.5	197.2
<i>Subtotal</i>	<u>103.6</u>	<u>391.2</u>	<u>257.5</u>	<u>246.8</u>	<u>199.0</u>
<b>WATER CORPORATIONS</b>					
Water Corporation					
Income tax expense	292.2	328.4	381.8	432.0	438.5
Local Government Rates expense	5.9	6.0	6.1	6.3	6.5
Dividends	483.5	589.4	683.9	714.0	793.8
<i>Subtotal</i>	<u>781.6</u>	<u>923.9</u>	<u>1,071.9</u>	<u>1,152.3</u>	<u>1,238.8</u>
Bunbury Water Corporation (Aqwest)					
Income tax expense	1.7	1.6	1.6	1.6	1.9
Local Government Rates expense	0.1	0.1	0.1	0.1	0.1
Dividends	2.0	1.9	2.0	2.0	2.0
<i>Subtotal</i>	<u>3.7</u>	<u>3.6</u>	<u>3.7</u>	<u>3.7</u>	<u>4.0</u>
Busselton Water Corporation					
Income tax expense	0.7	1.2	0.8	0.8	0.8
Local Government Rates expense	- <sup>(b)</sup>	0.1	0.1	0.1	0.1
Dividends	1.5	1.0	0.9	1.0	0.9
<i>Subtotal</i>	<u>2.2</u>	<u>2.3</u>	<u>1.8</u>	<u>1.9</u>	<u>1.8</u>
<b>PORT AUTHORITIES</b>					
Fremantle Port Authority					
Income tax expense	17.1	18.6	20.3	22.1	23.8
Local Government Rates expense	0.8	0.8	0.8	0.9	0.9
Dividends	12.4	48.8	31.9	34.6	37.1
<i>Subtotal</i>	<u>30.3</u>	<u>68.2</u>	<u>53.1</u>	<u>57.6</u>	<u>61.7</u>
Kimberley Ports Authority					
Income tax expense	-	-	-	-	-
Local Government Rates expense	0.2	0.2	0.2	0.2	0.2
Dividends	2.6	0.3	-	-	-
<i>Subtotal</i>	<u>2.7</u>	<u>0.5</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Mid West Ports Authority					
Income tax expense	3.9	3.0	5.2	4.0	4.5
Local Government Rates expense	0.8	0.8	0.8	0.8	0.9
Dividends	5.3	14.4	10.7	9.9	10.0
<i>Subtotal</i>	<u>10.0</u>	<u>18.2</u>	<u>16.7</u>	<u>14.8</u>	<u>15.3</u>

Table 8.2 (cont.)

<b>GENERAL GOVERNMENT REVENUE FROM PUBLIC CORPORATIONS</b>					
Details of Payment	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
Pilbara Ports Authority					
Income tax expense	55.2	66.4	85.1	78.6	74.1
Local Government Rates expense	1.7	1.7	1.8	1.8	1.9
Dividends	13.1	209.4	145.0	140.3	131.7
<i>Subtotal</i>	<u>70.0</u>	<u>277.6</u>	<u>231.8</u>	<u>220.7</u>	<u>207.7</u>
Southern Ports Authority					
Income tax expense	10.1	12.3	12.7	13.5	14.1
Local Government Rates expense	0.7	0.7	0.7	0.7	0.7
Dividends	6.3	44.8	29.0	30.7	32.0
<i>Subtotal</i>	<u>17.0</u>	<u>57.7</u>	<u>42.4</u>	<u>44.8</u>	<u>46.8</u>
<b>OTHER AGENCIES</b>					
Western Australian Land Authority (LandCorp)					
Income tax expense	5.4	9.3	9.5	10.9	19.2
Local Government Rates expense	6.5	6.3	6.4	6.3	6.0
Dividends	43.2	59.9	31.1	31.1	31.1
<i>Subtotal</i>	<u>55.1</u>	<u>75.5</u>	<u>46.9</u>	<u>48.3</u>	<u>56.3</u>
Gold Corporation					
Income tax expense	9.3	10.0	11.5	12.1	13.0
Local Government Rates expense	1.0	1.1	1.1	1.1	1.2
Dividends	22.2	16.3	17.6	20.2	21.1
<i>Subtotal</i>	<u>32.5</u>	<u>27.4</u>	<u>30.2</u>	<u>33.4</u>	<u>35.3</u>
Western Australian Treasury Corporation					
Income tax expense	6.9	9.2	10.5	12.0	12.5
Dividends	7.3	12.2	16.1	18.4	21.0
<i>Subtotal</i>	<u>14.2</u>	<u>21.3</u>	<u>26.6</u>	<u>30.4</u>	<u>33.5</u>
Insurance Commission of Western Australia					
Income tax expense	55.6	38.0	28.0	32.3	36.7
Dividends	116.9	68.1	70.7	72.2	65.1
<i>Subtotal</i>	<u>172.5</u>	<u>106.0</u>	<u>98.7</u>	<u>104.5</u>	<u>101.8</u>
Forest Products Commission					
Income tax expense	0.4	-	0.3	1.2	1.3
Local Government Rates expense	0.3	0.3	0.3	0.3	0.3
Dividends	2.5	1.9	-	0.5	2.1
<i>Subtotal</i>	<u>3.2</u>	<u>2.2</u>	<u>0.6</u>	<u>2.0</u>	<u>3.7</u>
<b>Subtotal Amounts</b>					
Income tax expense <sup>(c)</sup>	<b>485.8</b>	<b>550.8</b>	<b>599.0</b>	<b>650.9</b>	<b>687.9</b>
Local Government Rates expense	<b>20.4</b>	<b>20.7</b>	<b>21.1</b>	<b>21.3</b>	<b>21.4</b>
Dividends	<b>837.0</b>	<b>1,649.4</b>	<b>1,303.0</b>	<b>1,351.5</b>	<b>1,430.2</b>
<b>TOTAL</b>	<b><u>1,343.2</u></b>	<b><u>2,220.9</u></b>	<b><u>1,923.1</u></b>	<b><u>2,023.7</u></b>	<b><u>2,139.5</u></b>

(a) This includes payments associated with Western Power Provisions included in the Budget estimates.

(b) Amount less than \$50,000.

(c) Some general government sector agencies (e.g. the Chemistry Centre (WA) and the Western Australian Land Information Authority (Landgate)) pay income tax equivalent payments. As these agencies are not in the public non-financial corporations or public financial corporations sectors, they are not reflected in this table.

Note: Columns may not add due to rounding.

## Dividends

### Dividend Payout Ratios

Public corporation dividend payout ratios are considered as part of the annual Budget process to determine appropriate returns to the Government as the sole shareholder of these agencies. Dividend payout ratios were last increased for the majority of public corporations as part of the 2010-11 Budget (when, for the majority of public corporations, they were increased from 50% to 65% of Net Profit After Tax (NPAT)).

Table 8.3 summarises the dividend payout ratios for the public corporations.

<b>PUBLIC CORPORATION DIVIDEND PAYOUT RATIOS</b>					
	2016-17	2017-18	2018-19	2019-20	2020-21
	%	%	%	%	%
Horizon Power	75	75	75	75	75
Synergy	75	75	75	75	75
Western Power	75	75	75	75	75
Water Corporation	85	85	85	85	85
Busselton Water Corporation	75	75	75	75	75
Bunbury Water Corporation	75	75	75	75	75
Fremantle Port Authority	75	75	75	75	75
Kimberley Ports Authority	75	75	75	75	75
Mid West Ports Authority	100	100	100	100	100
Pilbara Ports Authority	90	75	75	75	75
Southern Ports Authority	100	100	100	100	100
Western Australian Land Authority (LandCorp) <sup>(a)</sup>	n.a.	n.a.	n.a.	n.a.	n.a.
Gold Corporation	75	75	75	75	75
Western Australian Treasury Corporation	75	75	75	75	75
Insurance Commission of Western Australia <sup>(b)</sup>	75	75	75	75	75
Forest Products Commission	75	75	75	75	75

(a) Western Australian Land Authority's dividend arrangement consists of a fixed component of \$31.07 million and project specific payments.

(b) Annual ratio may be adjusted based on the need to maintain appropriate capital adequacy and any other factors or circumstances taken into account by the Board of the Insurance Commission of Western Australia.

Taking into consideration retained earnings, cash balances and borrowing levels, the dividend payout ratios for most public corporations have been increased from 65% to 75% of NPAT from 2016-17 (to be paid in 2017-18). The exceptions to this increase are:

- the Water Corporation and Gold Corporation, which already have an 85% and 75% of NPAT dividend payout ratio respectively;
- the Mid West Ports Authority and Southern Ports Authority dividend payout ratios have been increased from 65% to 100% of NPAT from 2016-17 reflecting strong cash positions; and
- following a strong operating outcome, the Pilbara Ports Authority dividend payout ratio has been increased to 90% of NPAT for 2016-17 only, with it being 75% thereafter.

## **2016-17 Interim Dividends**

The 2016-17 interim dividend payments by the electricity corporations (\$197.1 million in total) and port authorities (\$100.9 million in total) have been deferred to 2017-18, reflecting optimal cash management across the total public sector.

## **Special Dividends**

### *Synergy*

Synergy will be providing a special dividend of \$100 million in 2017-18 from its cash reserves. This is in addition to a one-off dividend from the sale of the Mumbida wind farm during 2016, estimated at \$19.4 million.

## Expenses

Subsidies provided to public corporations in 2017-18 are estimated to total around \$2 billion, an increase of \$18 million (or 0.9%) from 2016-17. The general government sector is forecast to pay a total of \$7.2 billion across the four year period to 2020-21 to subsidise the activities of public corporations.

A detailed list of these subsidies is provided in Table 8.5.

The size of the operating subsidies paid to public corporations is affected by the Government's decisions on the tariffs, fees and charges to be paid by consumers. The approved tariff increases in 2017-18 are outlined in Tables 8.7-8.9 below.

Despite these increases, electricity tariffs and public transport fares will continue to fall well short of the actual cost of electricity and public transport provision. Water tariffs in regional areas will also fall short of the actual cost of providing water to those areas. In this regard:

- the expected cost recovery rate for metropolitan public transport services is 28.8% in 2016-17, and is anticipated to increase to 29.1% in 2017-18;
- residential electricity tariffs are estimated to reach full cost-reflectivity in 2019-20; and
- the Water Corporation is expected to receive subsidies totalling \$481.2 million in 2017-18, most of which (\$319.5 million) is to support the ongoing commitment to provide water at the same cost for country residential users as for metropolitan residents, despite the higher cost of services in the regions.

The Tariff Adjustment Payment operating subsidy paid to Synergy will cease after 2017-18. This change is expected to drive ongoing efficiencies in the Synergy business and result in a general government operating balance benefit of \$56 million in 2018-19.

### **Regional Utilities Pricing Subsidies**

The Government's commitment to applying uniform tariffs for water and electricity services to metropolitan and regional areas has a significant impact on State finances.

### **Water Corporation Country Loss Funding Source**

The Water Corporation's operating subsidy for its Country Water, Sewerage and Drainage Operations totals \$1.3 billion over the forward estimates period.

### **Electricity Subsidies**

Horizon Power currently receives the Tariff Equalisation Contribution (TEC) due to the Government's Uniform Tariff Policy, whereby all residential and small business customers pay the same regulated charges for electricity services.

The TEC funds the difference between the efficient costs of supply in the South West Interconnected System and Horizon Power's (higher regional) costs. The TEC is funded by Western Power's network distribution customers; that is, all Synergy retail customers and non-Synergy retail customers.

In 2017-18, approximately 60% of the TEC will be funded by Synergy's residential and small business customers and the remaining 40% by cost-reflective tariff and contract (commercial) customers (both Synergy and non-Synergy).

The representative household will contribute \$76 towards the payment of the TEC in 2017-18, which represents 4.4% of its electricity bill.

Table 8.4 outlines the value of the Country Water Loss and the TEC provided to the Water Corporation and Horizon Power, respectively, over the forward estimates period.

Table 8.4

<b>REGIONAL UTILITIES PRICING SUBSIDIES</b>					
	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
Country Water, Sewerage and Drainage Operations – Consolidated Account	315.7	319.5	314.5	140.3	59.6
Country Water, Sewerage and Drainage Operations – Royalties for Regions	-	-	-	191.5	284.1
Tariff Equalisation Contribution	150.0	167.0	175.0	162.0	157.0
<b>TOTAL</b>	<b>465.7</b>	<b>486.5</b>	<b>489.5</b>	<b>493.8</b>	<b>500.7</b>



Table 8.5

## EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<b>ELECTRICITY CORPORATIONS</b>						
Horizon Power						
<i>Operating Subsidies (a)</i>						
Aboriginal and Remote Communities Project – Stage 1	Treasury	6.8	6.2	5.0	4.8	4.8
Aboriginal and Remote Communities Project – Stage 2	Treasury	2.5	2.0	2.0	1.9	1.9
Air Conditioning Allowance (North of 26 <sup>th</sup> Parallel)	Treasury	0.7	0.5	0.6	0.6	0.7
Dependent Child Rebate	Treasury	0.6	0.5	0.6	0.6	0.7
Energy Assistance Payment	Treasury	1.1	1.3	1.4	1.4	1.5
Feed-in Tariff	Treasury	- (b)	- (b)	- (b)	- (b)	- (b)
Tariff Adjustment Payment – Operating Subsidy	Treasury	38.0	9.4	0.2	-	-
Tariff Migration – Movement to L2 and A2 Tariff	Treasury	0.2	0.2	0.2	0.3	0.3
<i>Other Subsidies</i>						
Onslow Power Infrastructure Project	JTSI (c)	-	106.0 (d)	-	-	-
<i>Subtotal</i>		<u>50.0</u>	<u>126.2</u>	<u>10.0</u>	<u>9.8</u>	<u>9.9</u>
Synergy						
<i>Operating Subsidies (a)</i>						
Air Conditioning Allowance	Treasury	- (b)	- (b)	0.1	0.1	0.1
Late Payment Waiver	Treasury	0.4	0.4	0.5	0.6	0.6
Account Establishment Fee Rebate	Treasury	0.8	0.9	1.1	1.2	1.2
Dependent Child Rebate	Treasury	10.0	11.8	13.7	15.8	15.2
Energy Assistance Payment	Treasury	48.4	61.2	63.0	64.8	66.7
Feed-in Tariff	Treasury	30.3	30.3	30.3	30.3	30.3
Tariff Adjustment Payment – Operating Subsidy	Treasury	281.0	146.1	-	-	-
<i>Subtotal</i>		<u>370.9</u>	<u>250.9</u>	<u>108.6</u>	<u>112.8</u>	<u>114.0</u>
Western Power						
<i>Other Subsidies</i>						
State Underground Power Program	Finance	-	3.1	7.6	3.8	0.8
<i>Subtotal</i>		<u>-</u>	<u>3.1</u>	<u>7.6</u>	<u>3.8</u>	<u>0.8</u>

Table 8.5 (cont.)

**EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS**

Details of Payment	Funding Department	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<b>WATER CORPORATIONS</b>						
Water Corporation						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Country Water, Sewerage and Drainage Operations	Treasury	315.7	319.5	314.5	140.3	59.6
Royalties for Regions – Country Water, Sewerage and Drainage Operations	Treasury	-	-	-	191.5	284.1
Pensioner and Senior Concessions <sup>(e)</sup>	Treasury	145.8	146.6	152.0	154.8	157.7
Metropolitan Operations	Treasury	2.8	2.7	2.8	2.8	2.9
<i>Other Subsidies</i>						
Royalties for Regions – Various Projects	Treasury	1.3	-	-	-	-
Burrup Water Supply System	JTSI <sup>(c)</sup>	9.8	10.1	10.3	10.6	10.9
Onslow Wastewater Treatment and Conveyance	JTSI <sup>(c)</sup>	2.2	-	-	-	-
National Water Infrastructure Development Fund – Ord Stage 3 Feasibility Study	DWER <sup>(f)</sup>	0.1	2.3	-	-	-
<i>Subtotal</i>		<u>477.7</u>	<u>481.2</u>	<u>479.6</u>	<u>500.0</u>	<u>515.1</u>
Bunbury Water Corporation (Aqwest)						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Pensioner and Senior Concessions	Treasury	0.7	0.7	0.7	0.7	0.7
<i>Subtotal</i>		<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Busselton Water Corporation						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Pensioner and Senior Concessions	Treasury	0.6	0.6	0.7	0.7	0.7
<i>Subtotal</i>		<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
<b>PORT AUTHORITIES</b>						
Mid West Ports Authority						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Financial Assistance for Karara Mining Ltd	Treasury	5.4	5.0	-	-	-
<i>Subtotal</i>		<u>5.4</u>	<u>5.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pilbara Ports Authority						
<i>Other Subsidies</i>						
Dampier – Burrup Port Infrastructure	JTSI <sup>(c)</sup>	8.0	8.1	8.1	8.1	8.1
<i>Subtotal</i>		<u>8.0</u>	<u>8.1</u>	<u>8.1</u>	<u>8.1</u>	<u>8.1</u>

Table 8.5 (cont.)

### EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS

Details of Payment	Funding Department	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<b>Southern Ports Authority</b>						
<i>Other Subsidies</i>						
Esperance Minerals Concentrate Circuit Unit – Debt Servicing	Treasury	0.6	0.4	0.3	0.2	0.1
Royalties for Regions – Bunbury Port Planning	Treasury	-	0.5	-	-	-
<i>Subtotal</i>		<u>0.6</u>	<u>0.9</u>	<u>0.3</u>	<u>0.2</u>	<u>0.1</u>
<b>LAND AGENCIES</b>						
Western Australian Land Authority (LandCorp)						
<i>Operating Subsidies</i> <sup>(a)</sup>						
Australian Marine Complex – Rate of Return Stages 1 and 2	Treasury	22.0	22.0	19.0	19.0	19.0
Australian Marine Complex Technology Precinct	Treasury	0.1	0.2	0.6	0.6	0.7
Australian Marine Complex Common User Valve Replacement	Treasury	-	8.3	-	-	-
Hope Valley/Wattleup Redevelopment – Land Acquisition	Treasury	7.7	7.7	7.8	-	-
Karratha/Burrup Service Corridor	Treasury	2.3	2.3	2.3	-	-
Kemerton Core – Land Acquisition	Treasury	2.0	-	-	-	-
Kwinana Land – Holding Costs	Treasury	0.4	0.5	1.8	1.8	1.9
Leighton Marshalling Yards	Treasury	0.3	0.3	-	-	-
Ocean Reef Marina Structure Plan	Treasury	0.5	-	-	-	-
Townsite Development Program	Treasury	4.0	4.0	4.0	4.0	4.0
<i>Other Subsidies</i>						
Royalties for Regions – Various Projects	Treasury	36.4	27.8	47.0	6.9	0.3
<i>Subtotal</i>		<u>75.7</u>	<u>73.1</u>	<u>82.4</u>	<u>32.3</u>	<u>25.8</u>
Metropolitan Redevelopment Authority						
<i>Other Subsidies</i>						
Chinatown Improvement	Treasury	0.1	- <sup>(b)</sup>	-	-	-
Curtin Medical School Midland	Treasury	2.4	10.3	9.8	-	-
Elizabeth Quay Project	Treasury	2.2	-	-	-	-
Inner City College	Treasury	-	6.6	-	-	-
Scarborough Beach Redevelopment Area	Treasury	8.5	19.9	0.3	-	-
Scarborough Beach Redevelopment Area	DPLH <sup>(g)</sup>	0.4	1.6	-	-	-
Scarborough Beach Relief Package	Treasury	-	0.5	-	-	-
<i>Subtotal</i>		<u>13.5</u>	<u>38.9</u>	<u>10.1</u>	<u>-</u>	<u>-</u>

Table 8.5 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS						
Details of Payment	Funding Department	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
<b>OTHER</b>						
Racing and Wagering Western Australia						
<i>Other Subsidies</i>						
Direct Grants – Various Racing Funding	Various <sup>(h)</sup>	48.8	50.1	51.5	52.8	54.2
<i>Subtotal</i>		<u>48.8</u>	<u>50.1</u>	<u>51.5</u>	<u>52.8</u>	<u>54.2</u>
Forest Products Commission						
<i>Other Subsidies</i>						
Strategic Assessment of the Perth and Peel Regions	Treasury	1.5	-	-	-	-
Royalties for Regions – Forest Product Development	Treasury	0.3	0.3	-	-	-
<i>Subtotal</i>		<u>1.7</u>	<u>0.3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Public Transport Authority <sup>(i)</sup>						
<i>Operating Subsidies <sup>(a)</sup></i>						
Transperth and Regional Town Services						
Transperth – General <sup>(j)</sup>	Treasury	527.8	546.6	574.8	606.6	634.8
Transperth – Concessional Fares	Treasury	47.9	48.1	49.2	48.3	48.9
Transperth – Pensioners, Seniors and Carers Free Travel <sup>(k)</sup>	Treasury	20.1	21.8	22.3	22.8	23.5
Transperth – School Children Fares	Treasury	25.3	26.3	27.5	28.8	30.5
Transperth – Perth Stadium Special Events	Treasury	-	4.4	7.2	7.3	7.4
Regional Town Bus Services <sup>(l)</sup>	Treasury	16.3	16.3	16.7	17.1	17.1
Regional School Bus Services						
School Bus Services	Treasury	120.1	120.8	117.9	122.3	123.1
Conveyance Allowance	Treasury	2.3	2.3	2.3	2.3	2.4
Transwa						
General <sup>(j)</sup>	Treasury	27.2	28.4	25.2	26.4	26.2
Concession Fares	Treasury	4.0	3.8	4.6	4.7	4.9
Annual Free Trip for Pensioners	Treasury	1.7	1.6	2.0	2.0	2.1
Freight Network – General	Treasury	6.4	18.4	8.9	10.1	5.3
<i>Other Subsidies</i>						
Royalties for Regions – AvonLink	Treasury	2.0	-	-	-	-
Royalties for Regions – District Allowance Payments	Treasury	- <sup>(b)</sup>	- <sup>(b)</sup>	- <sup>(b)</sup>	- <sup>(b)</sup>	- <sup>(b)</sup>
Transperth Free Transit Zone – Recurrent Grant	Transport	15.3	15.3	15.3	15.3	15.3
Regional School Bus Services – Intensive English Centres and Other Services	Education	5.3	5.3	5.3	5.3	5.3
<i>Subtotal</i>		<u>821.7</u>	<u>859.5</u>	<u>879.3</u>	<u>919.4</u>	<u>946.5</u>

Table 8.5 (cont.)

EXPENSES FROM THE GENERAL GOVERNMENT SECTOR TO PUBLIC CORPORATIONS						
Details of Payment	Funding Department	2016-17 Estimated Actual \$m	2017-18 Budget Estimate \$m	2018-19 Forward Estimate \$m	2019-20 Forward Estimate \$m	2020-21 Forward Estimate \$m
Housing Authority <sup>(m)</sup>						
<i>Other Subsidies</i>						
Aboriginal Housing and Essential Remote Services – Various Programs	Treasury	49.2	49.0	82.1	16.2	16.3
Rebuilding Warmun	DFES <sup>(n)</sup>	0.6	-	-	-	-
Mental Health Sub-acute Facilities – Broome/Karratha/Bunbury	MHC <sup>(o)</sup>	-	9.3	0.5	-	-
Various Programs	Treasury	19.3	1.5	-	-	-
Royalties for Regions – Various Projects	Treasury	0.6	4.8	7.8	60.1	57.1
<i>Subtotal</i>		<i>69.6</i>	<i>64.6</i>	<i>90.3</i>	<i>76.3</i>	<i>73.4</i>
<b>Total</b>		<b>1,945.0</b>	<b>1,963.2</b>	<b>1,729.2</b>	<b>1,716.8</b>	<b>1,749.2</b>

- (a) Details of operating subsidiaries contained in this appendix may differ to those disclosed in Budget Paper No. 2: *Budget Statements*. Details contained in this appendix are accrual in nature, while appropriations detailed in Budget Paper No. 2 are on a cash basis. Funding is from the Consolidated Account and other general government agencies. Further breakdown of some of these operating subsidiaries are contained as part of Appendix 6: *State Government Social Concessions Expenditure Statement*.
- (b) Amount less than \$50,000.
- (c) Department of Jobs, Tourism, Science and Innovation.
- (d) The Department of Jobs, Tourism, Science and Innovation's expense profile against this item is: 2015-16 – \$5.3 million; 2016-17 – \$39.2 million; and 2017-18 – \$61.5 million. In accordance with the Australian Accounting Standards Board Interpretation 18, Horizon Power is recognising the revenue when the service is performed.
- (e) Includes pensioners and seniors concessions, and concessions provided for non-rated and exempt properties.
- (f) Department of Water and Environmental Regulation.
- (g) Department of Planning, Lands and Heritage.
- (h) Gaming and Wagering Commission and the Department of Local Government, Sport and Cultural Industries.
- (i) Includes service appropriations authorised under the *Salaries and Allowances Act 1975*.
- (j) Represents the difference between total cost and revenue assumed if all passengers paid the standard fare, rather than paying the concession fare or travelling for free.
- (k) Represents the revenue foregone if passengers paid concession fares, rather than travelling for free.
- (l) Includes payments to provide concessional fares to eligible passengers.
- (m) The Housing Authority also receives funding from the Commonwealth Government for affordable housing programs (\$630 million across the forward estimates period) and Indigenous housing programs (\$229 million over the forward estimates period), which are not disclosed in this table as they have no net impact on the general government sector.
- (n) Department of Fire and Emergency Services.
- (o) Mental Health Commission.

Note: Columns may not add due to rounding.

## Household Tariffs, Fees and Charges

For a number of years, the Department of Treasury has produced a model that estimates the costs incurred by a 'representative' household through the consumption of certain government goods and services.

Calculating the effects of changes in government tariffs, fees and charges for a single 'representative' household can never entirely capture the diversity in household structures or the widely differing patterns of usage of public sector goods and services.

Nonetheless, the model seeks to highlight the impact of changes in major government tariffs, fees and charges on a particular hypothetical household reflecting current average electricity and water consumption, an assumed level of public transport use, and specified consumption of a range of other public sector goods and services (including some specific taxes).

## Results

Table 8.6 shows the impact of changes in government tariffs, fees and charges on the ‘representative’ household with a single income (full-time work), two adults and two children.

Table 8.6

<b>ESTIMATED IMPACT ON THE ‘REPRESENTATIVE’ HOUSEHOLD</b>				
	2016-17 \$ level	% change	\$ change	2017-18 \$ level
<b>Motor Vehicles <sup>(a)</sup></b>				
Vehicle licence charge	\$334.44	5.69	\$19.04	\$353.48
Recording fee	\$12.10	0.00	\$0.00	\$12.10
Drivers licence	\$83.60	1.67	\$1.40	\$85.00
Motor Injury Insurance (MII) <sup>(b)</sup>	\$372.20	2.79	\$10.40	\$382.60
<i>Total</i>	<i>\$802.34</i>	<i>3.84</i>	<i>\$30.84</i>	<i>\$833.18</i>
<b>Utility Charges <sup>(c)</sup></b>				
Electricity <sup>(d)</sup>	\$1,553.50	10.88	\$169.03	\$1,722.53
Water, sewerage and drainage <sup>(e)(f)</sup>	\$1,615.39	6.00	\$96.92	\$1,712.31
<i>Total</i>	<i>\$3,168.89</i>	<i>8.39</i>	<i>\$265.95</i>	<i>\$3,434.84</i>
<b>Public Transport <sup>(g)</sup></b>				
Student fares	\$312.00	16.67	\$52.00	\$364.00
Standard fares (2 zones)	\$897.00	8.99	\$80.60	\$977.60
<i>Total</i>	<i>\$1,209.00</i>	<i>10.97</i>	<i>\$132.60</i>	<i>\$1,341.60</i>
<b>Emergency Services Levy <sup>(f)</sup></b>				
	\$269.00	3.35	\$9.00	\$278.00
<b>Stamp Duty <sup>(h)</sup></b>				
Stamp duty on general insurance <sup>(i)</sup>	\$173.69	0.00	\$0.00	\$173.69
Stamp duty on MII	\$38.26	0.00	\$0.00	\$38.26
<i>Total</i>	<i>\$211.95</i>	<i>0.00</i>	<i>0.00</i>	<i>\$211.95</i>
<b>Total Expenditure</b>	<b>\$5,661.18</b>	<b>7.74</b>	<b>\$438.39</b>	<b>\$6,099.57</b>

- (a) Based on a household with two drivers and owning one car (a sedan with tare weight of 1,600 kg – relevant for the purpose of determining the appropriate level of vehicle licence charge).
- (b) MII was previously referred to as Compulsory Third Party Insurance. It includes cover for the Catastrophic Insurance Support Scheme that was introduced from 1 July 2016 and reported separately in the 2016-17 Household Model.
- (c) Assumes no access to concessions, rebates or hardship packages.
- (d) Consumes 5,198 kW hours of electricity per annum, based on the current average consumption level for a household.
- (e) Consumes 250 kL of water per annum, based on the current average consumption level for a household.
- (f) Owns and occupies a property that has an average gross rental value (for calculation of sewerage, drainage and Emergency Services Levy charges).
- (g) Purchases five standard 2 zone Transperth fares and 10 Transperth student fares each week. Transperth fares are assumed to be purchased using the lowest cost means available (i.e. SmartRider Autoload).
- (h) Stamp duty in 2016-17 has been estimated using 2017-18 insurance premiums in order to compare the impost on a like-for-like basis.
- (i) The ‘representative’ household pays average home and contents and motor vehicle insurance, based on information from the insurance industry.

Note: Columns may not add due to rounding.

Total expenditure by the ‘representative’ household on this basket of public sector goods and services in 2017-18 is \$6,099.57. This represents an increase of \$438.39 (or 7.7%) on 2016-17 levels.

## Electricity Tariffs

Approved increases for 2017-18, and assumed increases for Budget planning purposes from 2018-19 onwards, are outlined in Table 8.7.

Table 8.7

<b>2017-18 ELECTRICITY TARIFF PRICE PATHS</b>				
Tariff	2017-18	2018-19	2019-20	2020-21
	%	%	%	%
<b>NON-CONTESTABLE TARIFFS</b>				
Residential (A1/A2) <sup>(a)</sup>	10.9	7.0	5.6	3.5
Residential Hot Water (B1) <sup>(b)</sup>	1.0	-3.8	1.5	2.1
Community and Charitable Organisations (C1/C2) <sup>(b)</sup>	2.4	-1.3	0.0	4.6
Charitable Organisation Providing Residential Accommodation (D1/D2) <sup>(b)</sup>	10.9	-1.9	2.4	3.3
Combined Residential/Business (K1/K2) <sup>(a)</sup>	10.9	6.0	1.5	3.2
Small Business (L1/L2) <sup>(b)</sup>	10.0	-1.5	-1.5	-1.5
Small Business Time of Use (R1) <sup>(a)</sup>	10.9	4.1	1.1	3.5
Unmetered Supply (UMS) <sup>(c)</sup>	5.9	5.9	5.9	5.9
Traffic Lighting (W1/W2) <sup>(c)</sup>	6.3	6.3	6.3	6.3
Street Lighting (Z) <sup>(c)</sup>	2.8	2.8	2.8	2.8
<b>CONTESTABLE TARIFFS <sup>(c)(d)</sup></b>				
Medium Business (L3/L4)	1.1	1.1	1.1	1.1
Medium Business Time of Use (R3)	3.6	3.6	3.6	3.6

(a) These regulated tariffs are assumed to reach full cost-reflectivity within the forward estimates period.

(b) These regulated tariffs are assumed to reach full cost-reflectivity in 2017-18.

(c) These regulated tariffs are at cost-reflective levels but have been smoothed over the forward estimates period in order to minimise large year-on-year movements in price.

(d) The Large Business Tariffs (M1/M2, S1, T1) previously included in this table are no longer regulated by Government.

For Budget planning purposes, residential electricity tariffs are assumed to increase by 7% in 2018-19, 5.6% in 2019-20 and 3.5% in 2020-21. Residential electricity tariffs are assumed to reach cost-reflective levels in 2019-20.

Despite a 10.9% increase in tariffs in 2017-18, residential electricity tariffs remain 8.8% below cost-reflective levels. The Government will pay Synergy and Horizon Power a combined subsidy of \$155.5 million in 2017-18 (Tariff Adjustment Payment) to offset this shortfall.



## Water Tariffs

The Government approved a 6% increase in tariffs for a range of services provided by the Water Corporation in 2017-18. A selection of key tariff changes from 2016-17 to 2017-18 is provided in Table 8.8.

<b>WATER CORPORATION'S 2017-18 TARIFF CHANGES</b>			
	2016-17	2017-18	% Change
<b>Metropolitan Residential Tariffs</b>			
<b>Water</b>			
Standard fixed service charge (\$)	236.22	250.39	6.0
Consumption charges (c/kL) <sup>(a)</sup>			
0-150kL	158.60	168.10	6.0
151-500kL	211.40	224.10	6.0
Over 500kL	299.30	317.30	6.0
<b>Wastewater (c in \$GRV) <sup>(b)(c)</sup></b>			
First \$20,500 Gross Rental Value (GRV)	3.960	4.198	6.0
Over \$20,500 GRV	0.900	3.100	_ <sup>(d)</sup>
<b>Drainage <sup>(e)</sup></b>			
Drainage charge (c in \$GRV) <sup>(e)</sup>	0.502	0.527	5.0
<b>Metropolitan Non-Residential Tariffs</b>			
<b>Water</b>			
Standard fixed service charge (\$)			
Minimum charge (15 or 20 mm) <sup>(f)</sup>	236.22	250.39	6.0
Consumption charges (c/kL) <sup>(g)</sup>	218.70	231.80	6.0
<b>Wastewater <sup>(h)</sup></b>			
First fixture (\$)	886.68	939.88	6.0
Volumetric charge (c/kL)	325.80	345.30	6.0
<b>Drainage <sup>(e)</sup></b>			
Drainage charge (c in \$GRV) <sup>(e)</sup>	0.288	0.302	4.9

(a) Country residential water consumption charges are no more than metropolitan charges for the first 300kL, after which the charges reflect the cost of providing services.

(b) Country residential wastewater charges reflect the cost of delivering services with minimum and maximum charges applied.

(c) The percentage increase in the rate in the dollar may differ from the approved tariff increase as the rates are set with reference to GRVs (that can vary between years, as they have done between 2016-17 and 2017-18) so as to obtain an average bill increase equal to the approved tariff increase.

(d) While the rate in the dollar charge for the proportion of a household's GRV that is greater than \$20,500 may increase by more than the approved tariff increase in 2017-18, increases to individual households' metropolitan residential wastewater bills are capped at 10.5%.

(e) Drainage is not charged in the country.

(f) The charge varies depending upon the size of the meter.

(g) Country non-residential water consumption charges are based on the cost of delivering services.

(h) Non-residential wastewater charges are uniform across the State.

For Budget planning purposes, water tariffs are assumed to increase by 6% in 2018-19 and by 2.5% per annum in 2019-20 and 2020-21.

## Public Transport Fares

The Government has approved the following public transport fares from 1 July 2017:

- a 1.75% increase to standard public transport fares (rounded to the nearest 10 cents);
- a 10 cent increase in the two section fare to \$2.20;
- the student fare increasing by 10 cents to 70 cents;
- concession fares increasing from 40% to 41% of standard fares;
- reducing SmartRider discounts by 5% (to 20% for Autoload and 10% for Other reload); and
- no change in the \$2 per day parking fee.

Seniors, disability and age pensioner cardholders, and carers will continue to be eligible for free travel on weekdays before 6am, between 9.00am and 3.30pm and after 7pm, and anytime on weekends and public holidays.

The Public Transport Authority's Budget projections assume standard Transperth fares will increase by 2.25% in 2018-19 and 2.5% per annum in 2019-20 and 2020-21. It is assumed that concession fares will increase as a proportion of standard fares by 1% per annum from 2018-19 to 2020-21. The Government has set a long-term goal to increase concession fares to 50% of standard fares over the next 10 years. Table 8.9 details the change in cash fares for various journey lengths between 2016-17 and 2017-18.

**TRANSPERTH FARES 2017-18**

Table 8.9

Standard Cash Fare <sup>(a)(b)</sup>	2016-17	\$ increase <sup>(c)</sup>	% increase	2017-18
2 sections	\$2.10	\$0.10	4.8	\$2.20
1 zone	\$3.00	\$0.10	3.3	\$3.10
2 zones	\$4.60	\$0.10	2.2	\$4.70
3 zones	\$5.50	\$0.10	1.8	\$5.60
4 zones	\$6.50	\$0.10	1.5	\$6.60
5 zones	\$8.10	\$0.10	1.2	\$8.20
6 zones	\$9.10	\$0.20	2.2	\$9.30
7 zones	\$10.70	\$0.20	1.9	\$10.90
8 zones	\$11.60	\$0.20	1.7	\$11.80
9 zones	\$12.40	\$0.20	1.6	\$12.60
Day Rider	\$12.40	\$0.20	1.6	\$12.60
Family Rider	\$12.40	\$0.20	1.6	\$12.60
Student	\$0.60	\$0.10	16.7	\$0.70

(a) Concession Fares increased from 40% to 41% of the full standard fare from 1 July 2017 subject to rounding.

(b) The discount for Smartrider reduced by 5% to 20% for Autoload and 10% for Other reload from 1 July 2017.

(c) Fare increases are rounded to 10 cent increments and are based on the 2016-17 fare calculated before rounding.



# Western Australian Treasury Corporation Borrowings

## Introduction

The Western Australian Treasury Corporation (WATC) is the State's central borrowing authority and primary provider of debt finance for Western Australia's public sector. Each Australian State and Territory has a central borrowing authority similar to WATC to fund its debt.

The Treasurer borrows from WATC on behalf of the State for general public purposes. Borrowings for general public purposes are authorised by the *Loan Act 2017* and preceding Loan Acts. The proceeds of all loans raised by the Loan Acts are paid into the Consolidated Account.

Individual agencies with borrowing powers in their enabling legislation also borrow from WATC. This includes Government Trading Enterprises, some general government statutory authorities, public universities and local government.

The aggregation of the borrowing requirements for each of these entities across the total public sector<sup>1</sup> results in the total debt portfolio that WATC is required to manage. At 30 June 2017, total borrowings from WATC stood at \$44.9 billion. A breakdown of this by broad industry/sector, and its evolution since 30 June 2013, is shown in the following chart.

The borrowing requirement for Western Australia in any particular year is determined as an outcome of the annual Budget and Mid-year Review processes.

Western Australia's borrowing requirement for public purposes (distinct from borrowings by statutory authorities with borrowing powers in their enabling Acts) has increased relative to other States.

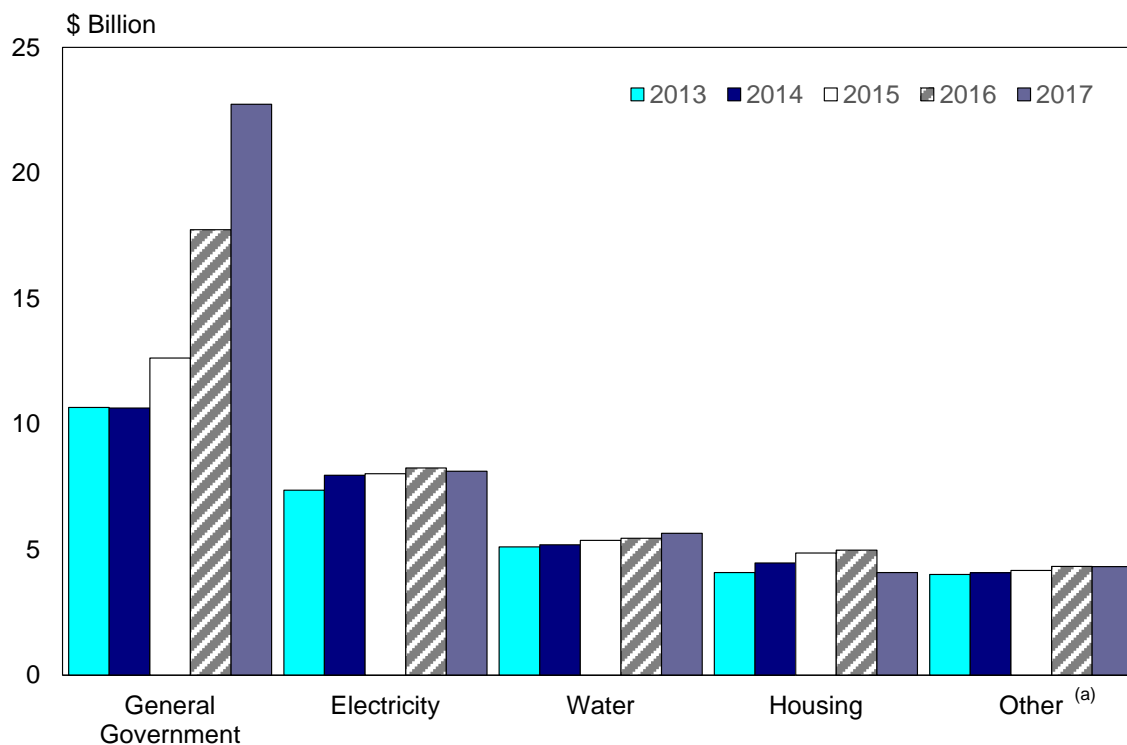
This increase has been driven by the requirement to fund the State's Asset Investment Program and, more recently, to address funding pressures arising from recent (and projected) general government operating deficits.

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<sup>1</sup> Gross borrowings for the total public sector also include finance lease obligations (which totalled \$1.6 billion at 30 June 2017) and other minor parcels of external debt. While funded by WATC, for the purposes of whole-of-government financial disclosures reflected in this Budget, and in line with treatment under applicable accounting standards, local governments and public universities are not classified as total public sector agencies of the State of Western Australia in the balance sheet disclosures elsewhere in the Budget Papers.

Figure 9.1

**BORROWINGS FROM WATC BY SECTOR**  
30 June 2013 to 30 June 2017



(a) Ports, transport, public universities, local governments and all other public entity borrowings from WATC.

## How WATC Raises Funds

WATC raises funds to finance Western Australia’s debt requirements through issuing a range of debt securities on the Australian and international debt markets.

- **Benchmark Bonds** – Fixed coupon bonds which at 30 June 2017 had a face value of \$36.4 billion outstanding, with eleven annual bond maturities from 2017 to 2027.
- **Floating Rate Notes (FRN)** – FRNs with coupon rates that change every three months, with \$9.4 billion outstanding at 30 June 2017 and seven maturities out to 2022.
- **Short Term Inscribed Stock (STIS)** – Domestically issued short term paper with maturities out to one year, with \$1.9 billion outstanding at 30 June 2017.
- **Euro Commercial Paper (ECP)** – Short term paper issued in a range of currencies offshore, out to one year maturities, with \$357 million outstanding at 30 June 2017. All proceeds are swapped back into Australian dollars so that no currency risk exists. This market is only used when there is a pricing advantage compared to Short Term Inscribed Stock.

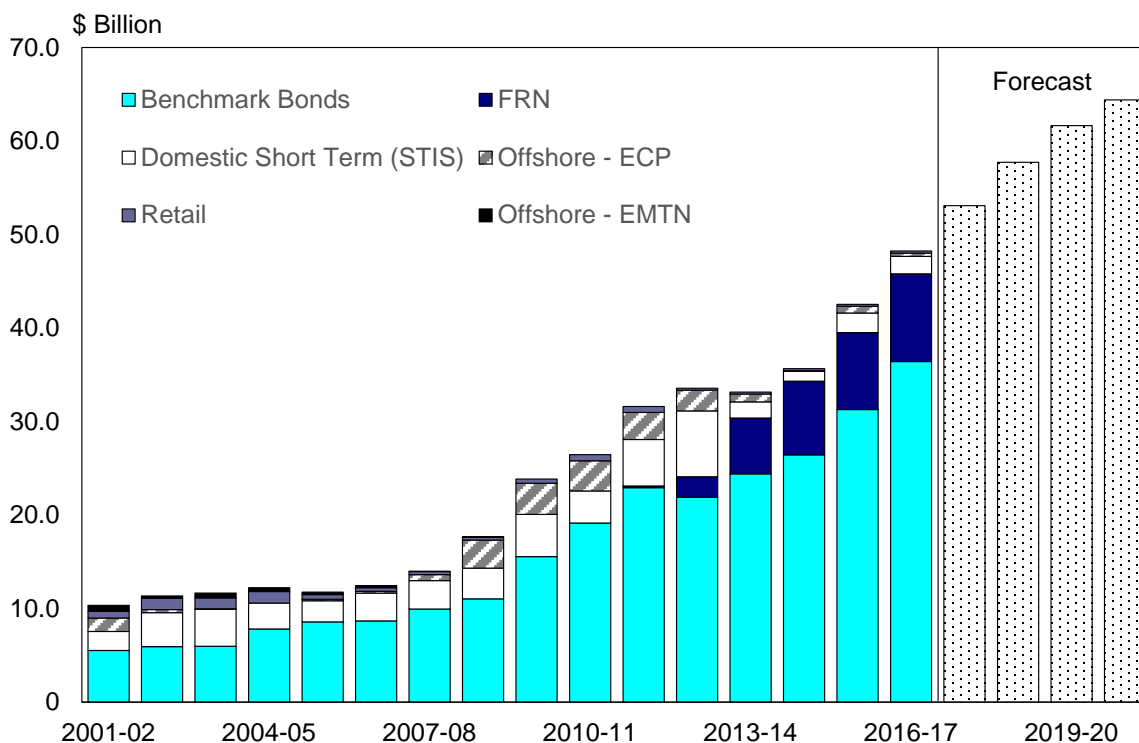
- Euro Medium Term Notes (EMTN) – Bonds issued offshore in a range of currencies, hedged back into Australian dollars such that no currency risk exists. This market is only used when pricing advantages exist relative to benchmark bonds. There has been no issuance under this program for about 10 years.
- Other Borrowings – These include retail bonds (smaller parcels of bonds issued in conjunction with migrant schemes), and other smaller programs.

Total outstanding debt on WATC’s balance sheet is a combination of that required to meet the borrowing needs of each public sector agency and to fund, in part, WATC’s liquid asset portfolio.

Prior to 2014, the percentage of WATC debt maturing within 12 months at the end of each financial year ranged from about 35% to 50%. Since the Global Financial Crisis, this was seen increasingly by investors and credit ratings agencies as creating too much refinancing risk, especially as the debt portfolio grew. From 30 June 2014, a target was implemented to restrict debt maturing within 12 months to a maximum of 20% of total debt. An additional target was also created to maintain the State’s liquidity portfolios at a minimum of 100% of this amount at 30 June of each financial year. This change was largely achieved by reducing the issuance of short term paper (i.e. STIS and ECP) and issuing a similar proportion of FRNs (for terms out to five years), as can be seen in the following chart. This approach allows for the interest rate risk of floating rate assets and liabilities to continue to be matched, while reducing refinancing risk.

**DISTRIBUTION OF OUTSTANDING WATC DEBT**  
30 June

Figure 9.2



Source: WATC – actuals to 2016-17. Treasury - forecasts 2017-18 and beyond (distribution beyond 2016-17 not yet available).

Over the past five years or so, all Australian States (including Western Australia) have benefitted from regulatory changes in the banking sector which increased demand for State Government-issued debt. However, that demand has now largely been met. Therefore, with the increase in the estimated borrowing requirements of the Consolidated Account over the forward estimates period (as reflected in the authorisation for the *Loan Act 2017*), a more diverse range of investors will be required in the future.

It is estimated that about 55% of WATC paper is currently held by Australian banks<sup>2</sup> to meet regulatory requirements for their High Quality Liquid Asset portfolios<sup>3</sup>. It is also estimated that between 20% and 25% of WATC's paper is held by offshore holders.

By comparison, the Commonwealth has in excess of 60% of its investors offshore, and two other large Australian States estimate as much as 40% of their investors are offshore. This suggests that opportunities exist for WATC to increase its percentage of offshore issuance. Currently, approximately half of WATC's offshore holdings come from North Asia (particularly Japan), with the balance largely from Europe.

The increase in debt and volatility in Western Australia's revenue base has resulted in a deterioration of the State's credit rating since 2012. As a result, Western Australian-issued bonds generally trade at higher yields than all other States. This increases the importance of ensuring that the State's borrowing requirement and interest rate risk is effectively managed.

## Consolidated Account Borrowings

Consolidated Account borrowings (i.e. borrowings for general public purposes) represented 49.5% of WATC lending at 30 June 2017.

Borrowings for the Consolidated Account are authorised by Loan Acts. The proceeds of all loans raised under the authority of the Loan Acts are paid into the Consolidated Account. The funds are then appropriated to agencies by Parliament in accordance with the State Budget.

The *Loan Act 2017* authorisation reflected the estimated borrowing requirements of the Consolidated Account until 30 June 2021 based on the *Pre-election Financial Projections Statement* released on 9 February 2017. The Consolidated Account borrowing expectation for 2017-18 is \$4.8 billion, comprising \$5 billion of gross proceeds less \$230 million in repayments.

The Department of Treasury is responsible for administering the Loan Acts on behalf of the Treasurer. The actual borrowing function through debt capital markets is undertaken and managed by WATC and then on-lent to the Consolidated Account in accordance with a Debt Management Strategy that is agreed to by both parties.

The primary objective is for WATC to manage interest rate risk by maintaining a diversified portfolio of fixed and floating rate debt, subject to maintaining flexibility for WATC to respond to evolving demand for its debt paper in capital markets.

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<sup>2</sup> The holders of WATC paper are difficult to identify with precision, as about 25% is held in nominee company names with some investors preferring to remain anonymous. This is similar for central borrowing authorities in all States.

<sup>3</sup> Only Commonwealth and State-issued paper is currently eligible to meet this requirement from the Australian Prudential Regulation Authority.

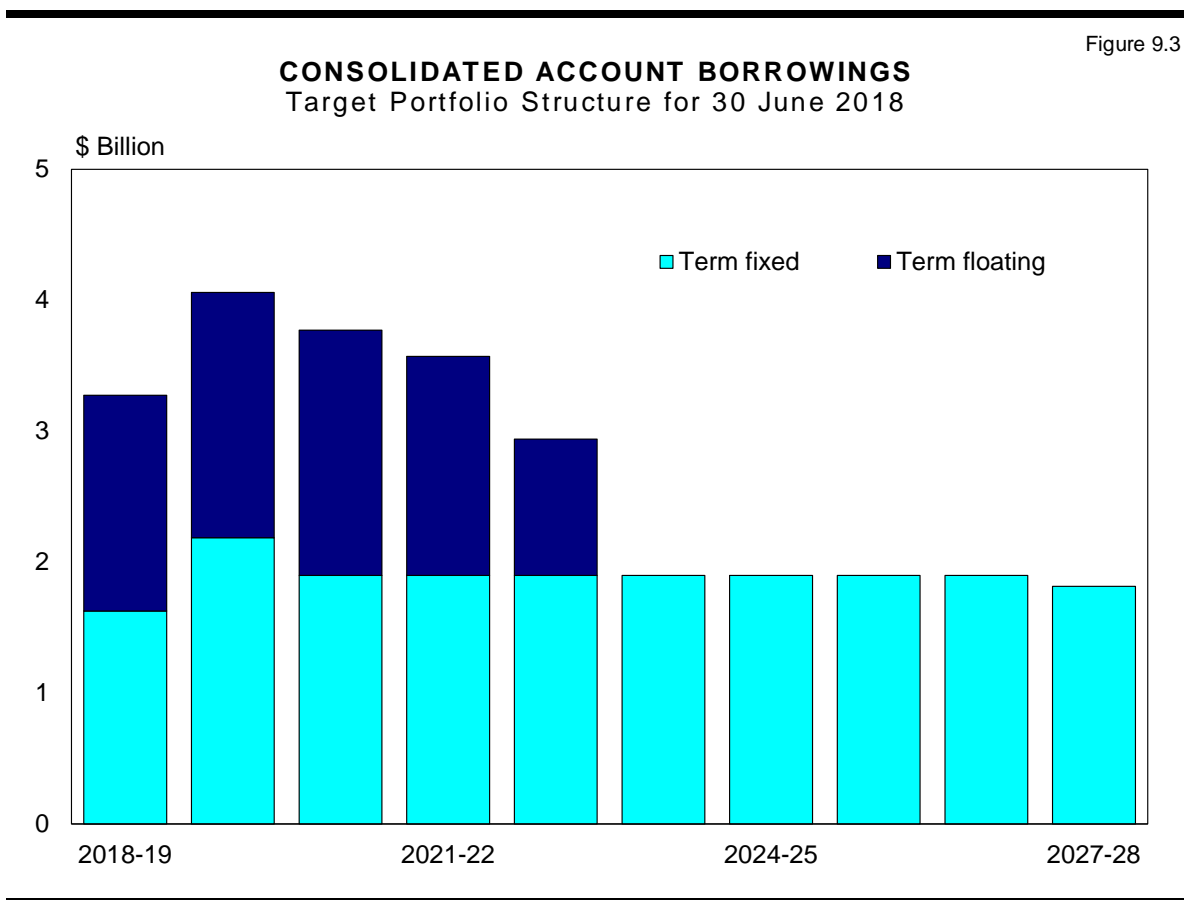
This borrowing strategy is informed through financial modelling performed by WATC. Practical implementation involves Treasury and WATC agreeing on a target floating and fixed rate debt and maturity allocation to be achieved within each financial year to meet new borrowing and refinancing requirements. WATC has discretion as to the component products and maturity structure of individual advances provided they are within the agreed allocation limits. Deviation from target allocations between fixed and floating rate debt is permitted over the short term.

### Borrowings and Portfolio Structure

At 30 June 2017, Consolidated Account borrowings totalled \$22.3 billion at an average interest rate of 3.11% across a portfolio of term fixed rate and term floating rate loans. Interest costs have increased commensurately with the growing Consolidated Account debt portfolio. This means that a greater proportion of general government revenue is consumed by interest costs rather than funding service delivery.

For 2017-18, the Consolidated Account debt portfolio is forecast to increase by \$4.8 billion, from \$22.3 billion to \$27 billion.

The target structure of the Consolidated Account borrowing profile at 30 June 2018 is shown in the following chart. This is the projected outcome of the borrowing activity to be undertaken by WATC to achieve the portfolio management objective discussed above.





## **All Other Borrowings from WATC**

All other borrowings required by individual agencies with borrowing powers in their enabling legislation are also undertaken and managed through debt capital markets by WATC, and then on-lent to each agency in accordance with the agreed Debt Management Strategies adopted by these agencies.

Agencies with this authority mostly include the public non-financial corporations and public financial corporations, public universities and local government. However, some general government agencies can also borrow independently from WATC (e.g. the Departments of Finance, Fire and Emergency Services, and Education<sup>4</sup>).

Each Western Australian public sector entity has its own unique borrowing requirements. WATC has a range of loan products and portfolio management services at its disposal to assist each agency develop and maintain an appropriate debt portfolio. This includes a working capital facility, short term loan facilities, floating rate loan facilities, fixed rate loan facilities and inflation linked products. WATC works with each to determine an optimal debt management strategy with the dual objective of meeting agency business needs and contributing to meeting WATC's overall balance sheet targets.

At 30 June 2017, all other borrowings from WATC (excluding the Consolidated Account) were \$22.7 billion at an average portfolio interest rate of 3.35%.

## **Total Borrowings from WATC**

As at 30 June 2017, total borrowings from WATC stood at \$44.9 billion, allocated over WATC's loan products as shown below at an average portfolio interest rate of 3.23%.

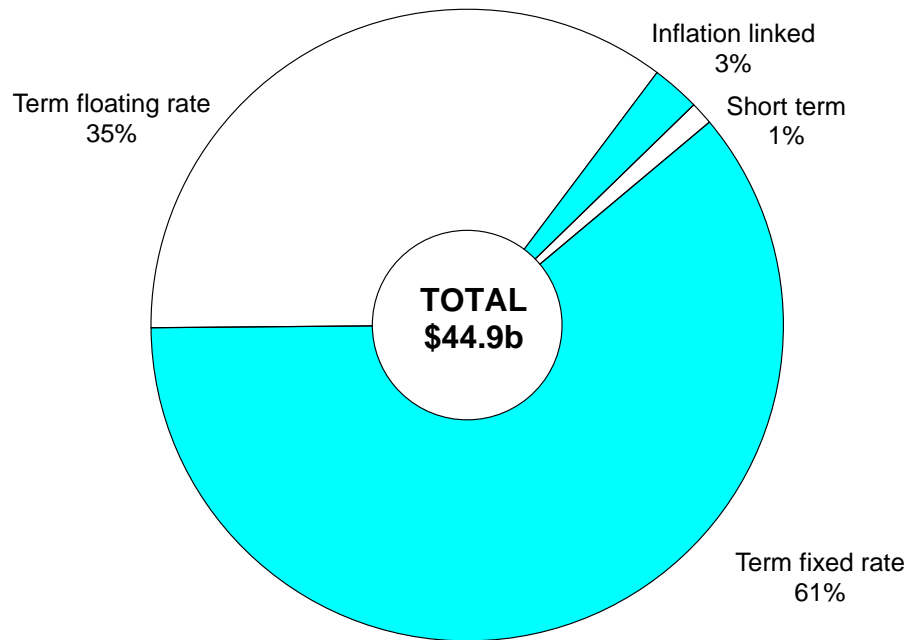
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<sup>4</sup> In support of non-government school loans previously administered by the Department of Education Services.

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**ALLOCATION OF LOAN PRODUCTS FOR 30 JUNE 2017**

Figure 9.4





# Tax and Royalty Expenditure Statement

## Purpose

The purpose of this tax and royalty expenditure statement is to provide information about the cost or value of tax and royalty concessions that would not otherwise be reported in the Budget Papers in the years after the concessions were introduced.

## What is a tax or royalty expenditure?

Tax and royalty expenditures include revenue forgone by government, and financial benefits to taxpayers, from exemptions and other concessions that depart from the general tax or royalty treatment. They are ‘expenditures’ in the sense that their impact on the Budget is similar to direct outlays, and they can be used to achieve specific goals.

Labelling an exemption or concession as a tax or royalty expenditure does not necessarily imply any judgement about its appropriateness. Rather, it makes the amount of the exemption or concession explicit, and thereby facilitates scrutiny as part of the annual Budget process (including review of whether the exemption or concession is still effective in achieving any specific objective originally intended).

## Measuring tax and royalty expenditures

Measuring a tax or royalty expenditure requires identification of:

- a benchmark tax or royalty base and rate; and
- concessionary tax or royalty treatment of components of the benchmark tax or royalty base (e.g. a concession or exemption for a particular industry, activity or class of taxpayer).

Identification of benchmark revenue bases and rates requires a degree of judgement. Furthermore, data limitations mean that the tax and royalty expenditures identified in this statement are only approximations. Data sources and methods used for estimating these expenditures are also subject to review each year (such that time series estimates may not be fully comparable).

Estimates of the expenditures have been derived from a range of sources, including unpublished data from relevant government departments, Public Sector Commission ‘State of the Sector’ statistical bulletins, and Australian Prudential Regulation Authority bulletins. However, the statement is not exhaustive. For example, some exemptions and concessions have not been included due to data limitations. Very small exemptions or concessions are also excluded.

This year’s statement includes estimated actual outcomes for 2015-16 and 2016-17.

Table 10.1

**SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURES**  
Western Australia

	2015-16 Estimated Actuals \$m	2016-17 Estimated \$m
<b>PAYROLL TAX</b>		
Tax-free threshold <sup>(a)</sup>	1,226.9	1,413.2
State government departments exemption <sup>(b)(c)</sup>	289.7	275.9
Schools/colleges exemption <sup>(b)</sup>	232.9	250.5
Public hospitals exemption <sup>(b)</sup>	207.2	211.5
Apprentices and trainees exemption	86.5	79.8
Local government exemption	78.1	78.3
Charitable body exemption	57.0	57.8
<b>LAND TAX AND METROPOLITAN REGION IMPROVEMENT TAX</b>		
Principal place of residence exemption	478.5	475.2
Primary production exemption	103.3	101.8
Religious bodies concession	31.2	30.7
Educational institutions exemption <sup>(b)</sup>	24.9	27.2
Public charitable or benevolent institution exemption	14.1	18.2
Land value growth cap	19.2	28.0
Developers' concession <sup>(d)</sup>	23.2	25.0
Retirement villages exemption	9.9	9.7
Club or sporting association exemption/concession	8.1	8.0
Aged care facilities exemption	4.4	4.8
Caravan park exemption	3.4	3.2
Public or religious hospitals exemption <sup>(b)</sup>	2.4	2.0
<b>TRANSFER DUTY AND LANDHOLDER DUTY</b>		
Connected entities restructure exemption <sup>(e)</sup>	592.0	652.0
First home owners' exemption/concession	123.0	84.0
Concessional scale for residential property	83.0	86.0
Family farm exemption	3.4	3.7
<b>INSURANCE DUTY</b>		
Health insurance policies exemption	231.5	246.2
Workers' compensation insurance exemption	57.1	57.3
Marine hulls exemption	6.7	6.4
Reinsurance exemption	7.5	7.9
<b>VEHICLE LICENCE FEES</b>		
Pensioner and Seniors vehicle concession	32.8	34.6
Primary producer vehicle concession	10.5	10.8
<b>VEHICLE LICENCE DUTY</b>		
Heavy vehicle concession	50.3	50.1
Caravan and camper trailer exemption	20.0	20.2
<b>MINING ROYALTIES</b>		
Gold royalty-free threshold	5.3	5.9
Salt State Agreement Acts concession	4.0	3.7
<b>TOTAL</b>	<b>4,127.7</b>	<b>4,369.7</b>

(a) Estimates have been calculated after taking into account all other reported payroll tax expenditures.

(b) While any removal of these concessions could lead to an increase in relevant budget appropriations, these tax expenditures have been reported to provide an indication of the total support provided by the Government. They also illustrate where tax concessions could change the 'relative price' faced by government departments and create incentives to (for example) employ labour over capital.

(c) Excludes the value of separately reported tax expenditures for public hospitals and schools.

(d) Estimates of this tax expenditure are likely to be inflated by a difficult to quantify behavioural response by developers to this concession.

(e) These estimates are likely to be inflated by a difficult to quantify behavioural response to the exemption.

## Major Tax and Royalty Expenditures

### Payroll Tax

#### Tax-free threshold

An employer is not liable for payroll tax if its (or its group's) total Australia wide wages paid per annum is \$850,000 or less. In 2015-16, employers liable for payroll tax were exempt from paying tax on the first \$800,000 of annual wages. A diminishing exemption threshold was introduced from 1 July 2015 for employers with taxable wages between the tax free threshold and \$7,500,000. Employers with annual Australia-wide taxable wages above \$7,500,000 are liable for payroll tax on their entire taxable wages. The payroll tax free threshold increased to \$850,000 from 1 July 2016.

#### State government departments exemption

The wages paid by all State Government departments listed on Pay-roll Tax Assessment Regulations 2003 – Schedule 1 are exempt from payroll tax. This item excludes public hospitals and public schools, which are reported separately.

#### Schools/colleges exemption

A school or college (other than a vocational education and training college) that is carried on by a non-profit organisation and provides education at or below, but not above, the secondary level of education is exempt from payroll tax.

#### Public hospitals exemption

The wages of employers or contractors of a health service provider, as defined in the *Health Services Act 2016*, are exempt from payroll tax.

#### Apprentices and trainees exemption

The wages of eligible apprentices and trainees employed under a training contract registered with the Department of Training and Workforce Development are exempt from payroll tax.

#### Local government exemption

Local governments, regional local governments and the Western Australian Local Government Association are exempt from payroll tax.

#### Charitable body exemption

A charitable body or organisation performing relevant charitable work may apply to the Commissioner of State Revenue for a payroll tax exemption.

## **Land Tax and Metropolitan Region Improvement Tax**

### **Principal place of residence exemption**

Generally, land used by the owner as their primary residence at midnight 30 June is exempt from land tax and Metropolitan Region Improvement Tax (MRIT) for the following assessment year.

### **Primary production exemption**

Land used in carrying out certain primary production businesses on a commercial basis is exempt from land tax and MRIT (where applicable) if all relevant conditions are met.

### **Religious bodies exemption**

Land owned by, or held in trust for, a religious body is exempt from land tax and MRIT provided that the land is used for religious, public worship or educational purposes or for the residence of a minister of the religious body.

### **Educational institutions exemption**

Land owned by, or held in trust for, a university or educational institution in Western Australia is exempt from land tax and MRIT provided that it is used solely for the purposes of the institution.

### **Public charitable or benevolent institution exemption**

Land owned by, or held in trust for, a public charitable or benevolent institution is exempt from land tax and MRIT if it is used solely for the public charitable or benevolent purposes for which the institution was established.

### **Land value growth cap**

A 50% cap on growth in land values applies for the purpose of assessing land tax and MRIT to help reduce the volatility and unpredictability of growth in individual land tax and MRIT liabilities.

### **Developers' concession**

Land tax and MRIT is only paid on the un-subdivided (or 'englobo') value of land holdings at midnight 30 June, rather than the full subdivided value of lots, for one year after the creation of the lots.

### **Retirement villages exemption**

Land used for a retirement village within the meaning of the *Retirement Villages Act 1992* is exempt from land tax and MRIT.

### **Club or sporting association exemption/concession**

Land owned by sporting or other not for profit associations used to provide facilities necessary for or conducive to meeting the objects of the association is exempt from land tax and MRIT. Not-for-profit facilities that are commercially available to the public may be eligible for a 50% concession if at least half of the land is being used to meet the objects of the association.



### **Aged care facilities exemption**

Land used for the purposes of providing a residential care service that is certified under the Commonwealth *Aged Care Act 1997* is exempt from land tax and MRIT.

### **Caravan parks exemption**

Land used as caravan parks, park home sites or camping grounds is exempt from land tax and MRIT.

### **Public or religious hospitals exemption**

Land used solely for the purposes of a public hospital, or a hospital conducted by or on behalf of a religious body, is exempt from land tax and MRIT.

### **Transfer Duty (including Landholder Duty)**

#### **Connected entities restructure exemption**

Certain transactions between related corporations or unit trust schemes are exempt from transfer duty.

#### **First home owners' exemption/concession**

First home buyers eligible for the First Home Owner Grant may also be entitled to a concessional rate of transfer duty if the value of the dutiable property is below \$530,000 for the house and land, or below \$400,000 for vacant land. No duty is payable if the house and land value is below \$430,000, or the vacant land value is below \$300,000.

#### **Concessional scale for residential property**

A concessional transfer duty scale applies to purchases of residential properties, including not only principal places of residence but also rental properties and land on which the building of a residence is subsequently commenced within five years.

#### **Family farm exemption**

A transfer of farming land in Western Australia to a family member is exempt from transfer duty, subject to certain conditions being satisfied.

### **Insurance Duty**

#### **Health insurance policies exemption**

Health insurance issued by a private health insurer (as defined in the Commonwealth *Private Health Insurance Act 2007*) is exempt from insurance duty.

#### **Workers' compensation insurance exemption**

Insurance against an employer's liability to pay compensation under the *Workers' Compensation and Injury Management Act 1981* is exempt from insurance duty.

### **Marine hulls exemption**

Insurance in respect of marine hulls used mainly for commercial purposes is exempt from insurance duty.

### **Reinsurance exemption**

The indemnification of one party by another against a liability or payment arising under an insurance or reinsurance contract is exempt from insurance duty.

### **Vehicle Licence Fees**

#### **Pensioner and Seniors vehicle concession**

A 50% concession on vehicle licence fees is available to holders of a Centrelink Pensioner Concession Card or Veterans' Affairs Pensioner Concession Card, and seniors who hold both a State Seniors Card and a Commonwealth Seniors Health Card.

#### **Primary producer vehicle concession**

Vehicles used by farmers or graziers principally on their farm, and vehicles used by beekeepers, kangaroo hunters, prospectors and sandalwood pullers solely or principally in the course of their occupation, are entitled to a 50% vehicle licence fee concession.

### **Vehicle Licence Duty**

#### **Heavy vehicle concession**

Transfers of heavy vehicle licences are subject to a single flat duty rate (currently 3%) and a maximum duty amount (of \$12,000) rather than the uncapped, progressive rate scale that applies to light vehicles.

#### **Caravan and camper trailer exemption**

Caravans and camper trailers that are permanently fitted for human habitation are exempt from vehicle licence duty.

### **Mining Royalties**

#### **Gold royalty-free threshold**

The first 2,500 ounces of gold metal produced each year is exempt from mineral royalties. From 1 July 2018, this exemption will be removed for miners producing more than 2,500 ounces per year.

#### **Salt State Agreement Acts concession**

The effective average 2015-16 rate paid by salt projects covered by the various salt Agreement Acts is around 36 cents per tonne, compared to the average 2015-16 salt royalty rate prescribed under the Mining Regulations 1981 of 73 cents per tonne.



## Western Australia's Net Contribution to the Federation

In 2017-18, Western Australia will effectively contribute around \$4.4 billion of GST to other States through the Commonwealth's fiscal equalisation process, compared to if the GST were distributed on an equal per capita basis. This reflects that Western Australia will receive only 34.4% of its population share of national GST revenue in 2017-18.

However, although large, this redistribution of GST revenue represents only a small fraction of Western Australia's total support for other States.

Each year, the Department of Treasury estimates the net redistribution across States that occurs through Commonwealth revenue raising and spending. For each State, the redistribution is measured as the difference between the Commonwealth revenues generated in that State (including GST) and the Commonwealth expenditures for the benefit of that State (including GST grants).

For example, States with higher incomes and business profits contribute more to total Commonwealth taxes, while those with younger and healthier populations, or stronger economic conditions, draw less on health and social security benefits.

Using the latest available data, Western Australia contributed around \$21.7 billion to the Federation (or \$8,500 per person) in 2015-16.

Results for all States are shown in the table below (a positive figure for a State indicates that it makes a net contribution to the Federation, while a negative figure indicates that it receives a net subsidy).

In 2015-16, Western Australia's contribution to the Federation was much greater than that of New South Wales and Victoria, the only other contributors. On a per capita basis, Western Australia's net contribution was more than 14 times greater than New South Wales and nearly 40 times greater than Victoria.

Table 11.1

**NET CONTRIBUTION OF EACH STATE TO THE FEDERATION (a)**  
2015-16

	Total Resources	
	\$m	\$ per capita
New South Wales	4,604	599
Victoria	1,318	216
Queensland	-8,101	-1,682
<b>Western Australia</b>	<b>21,737</b>	<b>8,516</b>
South Australia	-9,280	-5,434
Tasmania	-5,633	-10,907
Northern Territory	-4,645	-18,972
<b>Total</b>	<b>0</b>	<b>n.a.</b>

a) All Commonwealth outlays and revenues relating to the Australian Capital Territory (ACT) are allocated to the other States according to population shares. This recognises that the ACT would be unlikely to exist as a separate entity if the Federation dissolved.

Source: Department of Treasury estimates, using a range of data sources including the Commonwealth Final Budget Outcome publications and Australian Bureau of Statistics publication 5220.0. Results are based on the latest available data. Some data has been proxied by escalating earlier data using relevant economic indicators.

The following table shows the estimated breakdown of Western Australia's net contribution in 2015-16. It is based on the extent to which Western Australia's share of each area of Commonwealth revenue and spending varies from its population share. A positive figure indicates that Western Australia contributes more than its population share to Commonwealth revenues, or receives less than its population share of Commonwealth expenses.

Western Australia's large net contribution to the Federation is mainly driven by:

- the high level of Commonwealth company tax, personal income tax and mineral/petroleum extraction revenue derived from the State;
- the State's low draw on Commonwealth social security and health payments to residents, and low Commonwealth spending on services in the State; and
- Western Australia's very low GST grant share.

Overall, in 2015-16 it is estimated that the Commonwealth derived \$53.3 billion in revenue from Western Australia, while expenditure for the benefit of the State (including the State's share of the Commonwealth deficit) totalled only \$31.6 billion, yielding a net contribution to the Federation from Western Australia of around \$21.7 billion, or around \$8,500 per capita.

Table 11.2

**COMPONENTS OF WESTERN AUSTRALIA'S NET CONTRIBUTION**  
Relative to Western Australia's Population Share

	2013-14 <sup>(a)</sup>	2014-15 <sup>(a)</sup>	2015-16 (preliminary)
	\$m	\$m	\$m
Personal Income Tax	6,196	6,036	6,477
Company Tax	7,352	4,877	3,691
Fuel Excise (net of rebates)	114	414	522
Taxes and Royalties on Mineral/Petroleum Extraction <sup>(b)</sup>	1,646	942	567
Commonwealth Services <sup>(c)</sup>	2,745	2,830	2,857
Personal Benefit Payments	3,592	3,636	3,600
Net impact of GST	3,222	3,712	4,177
Other Grants to State and Local Governments <sup>(d)</sup>	306	-763	-384
Other	247	40	231
<b>Total</b>	<b>25,421</b>	<b>21,724</b>	<b>21,737</b>

a) Figures are revised compared to past publications as some data was not available at the time.

b) Net of North West Shelf royalties passed on as grants to Western Australia by the Commonwealth.

c) Departmental expenditures, including defence.

d) Includes grants to universities. Excludes North West Shelf royalties paid as grants to Western Australia.

Source: Department of Treasury estimates, using a range of data sources including the Commonwealth Final Budget Outcome publications and Australian Bureau of Statistics publication 5220.0. Results are based on the latest available data. Some data has been proxied by escalating earlier data using relevant economic indicators.



# National Partnership Agreements

This appendix lists all current National Partnership (NP) agreements applicable to Western Australia, the corresponding Western Australian Treasury estimates of Commonwealth funding, and the start and expiry year of funding for each agreement.

Given the uncertain future of expiring NPs, in most cases it is assumed in this Budget that there is no continued funding (either Commonwealth or State) past an NP's expiry date and that the additional or enhanced services generated by the NP will cease. However, funding is assumed to continue for a small number of NPs that expire within the forward estimates period.

Where an agreement has been rolled over in a similar form, only the most recent version of that agreement is reflected in the 'Funding Start Year' and 'Total Commonwealth Contribution' columns.



Table 12.1

**NATIONAL PARTNERSHIP AGREEMENTS**  
Current Agreements Applicable to Western Australia

National Partnership Agreements	Funding Start Year <sup>(b)</sup>	Funding Expiry Year	Total Commonwealth Contribution <sup>(c)</sup>	Estimated Commonwealth Funding to Western Australia <sup>(a)</sup>					
				2016-17	2017-18	2018-19	2019-20	2020-21	Total
				Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate	Five Years
			\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>HEALTH</b>									
Essential Vaccines	2009-10	Unspecified	276.0	16.1	16.5	16.9	17.3	18.0	84.8
Bringing Renal Dialysis and Support Services Closer to Home	2013-14	2018-19	45.8	8.0	10.0	7.8	-	-	25.8
Adult Public Dental Services	2015-16	2016-17 <sup>(d)</sup>	19.5	6.5	-	-	-	-	6.5
Strengthening Cancer Services in Regional WA	2012-13	2018-19	22.3	2.0	4.5	1.6	-	-	8.1
Expansion of the Breastscreen Australia Program	2013-14	2016-17	4.6	2.3	-	-	-	-	2.3
Bunbury, Narrogin and Collie - Pathology Laboratories	2013-14	2018-19	7.0	2.3	-	0.2	-	-	2.5
Improving Trachoma Control Services	2013-14	2016-17	5.4	1.4	-	-	-	-	1.4
Rheumatic Fever Strategy	2016-17	2016-17	0.9	0.9	-	-	-	-	0.9
National Bow el Cancer Screening Program	2014-15	2017-18	1.7	0.5	0.6	-	-	-	1.1
Narrogin General Dental Clinic	2013-14	2018-19	2.8	-	-	0.5	-	-	0.5
Rural and Remote WA - Point of Care Testing Network	2013-14	2016-17	0.8	0.1	-	-	-	-	0.1
Vaccine Preventable Diseases Surveillance Program	2013-14	2016-17	0.3	0.1	-	-	-	-	0.1
<b>TOTAL HEALTH</b>			<b>387.0</b>	<b>40.1</b>	<b>31.5</b>	<b>27.0</b>	<b>17.3</b>	<b>18.0</b>	<b>134.0</b>

Table 12.1 (cont.)

**NATIONAL PARTNERSHIP AGREEMENTS**  
Current Agreements Applicable to Western Australia

National Partnership Agreements	Funding Start Year <sup>(b)</sup>	Funding Expiry Year	Total Commonwealth Contribution <sup>(c)</sup>	Estimated Commonwealth Funding to Western Australia <sup>(a)</sup>						
				2016-17	2017-18	2018-19	2019-20	2020-21	Total	
				Estimated Actual	Budget Estimate	Forw ard Estimate	Forw ard Estimate	Forw ard Estimate	Five Years	
			\$m	\$m	\$m	\$m	\$m	\$m	\$m	
<b>EDUCATION</b>										
Universal Access to Early Childhood Education	2015-16	2017-18	93.7	46.6	47.0	32.2	-	-	-	125.8
National School Chaplaincy Program	2014-15	2017-18	30.5	7.6	7.6	-	-	-	-	15.3
National Quality Agenda for Early Childhood Education and Care	2015-16	2017-18 <sup>(e)</sup>	3.8	1.6	1.5	-	-	-	-	3.1
Independent Public Schools	2014-15	2016-17	8.1	4.6	-	-	-	-	-	4.6
School Pathw ays Programs	2009-10	2016-17	4.1	0.3	0.3	-	-	-	-	0.6
Online Safety Programmes for Schools <sup>(f)</sup>	2015-16	2017-18	0.7	0.3	0.4	-	-	-	-	0.7
Moneysmart Teaching	2013-14	2016-17	0.4	0.2	-	-	-	-	-	0.2
<b>TOTAL EDUCATION</b>			<b>141.3</b>	<b>61.2</b>	<b>56.9</b>	<b>32.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150.3</b>
<b>SKILLS AND WORKFORCE DEVELOPMENT</b>										
Skills Reform	2012-13	2016-17	182.3	53.8	-	-	-	-	-	53.8
<b>TOTAL SKILLS AND WORKFORCE DEVELOPMENT</b>			<b>182.3</b>	<b>53.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53.8</b>

Table 12.1 (cont.)

**NATIONAL PARTNERSHIP AGREEMENTS**  
Current Agreements Applicable to Western Australia

National Partnership Agreements	Funding Start Year <sup>(b)</sup>	Funding Expiry Year	Total Commonwealth Contribution <sup>(c)</sup>	Estimated Commonwealth Funding to Western Australia <sup>(a)</sup>					
				2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Five Years
			\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>COMMUNITY SERVICES</b>									
Home and Community Care <sup>(g)</sup>	2008-09	2017-18	1,490.4	187.9	197.6	-	-	-	385.5
Implementation of National Outcome Standards for Perpetrator Interventions	2015-16	2016-17	0.4	0.1	-	-	-	-	0.1
Extension and Expansion of the Trial of <i>My Way</i> Sites	2016-17	2016-17	67.6	26.5	-	-	-	-	26.5
Pay Equity for the Social and Community Services Sector	2012-13	2019-20	176.9	15.1	59.6	32.0	33.3	-	140.0
National Disability Insurance Scheme	2017-18	Unspecified	2,791.4	-	188.7	314.6	523.5	1,764.6	2,791.4
Transitional Responsibilities for Aged Care and Disability Services	2017-18	2018-19	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY SERVICES</b>			<b>4,526.8</b>	<b>229.6</b>	<b>445.9</b>	<b>346.6</b>	<b>556.8</b>	<b>1,764.6</b>	<b>3,343.4</b>
<b>AFFORDABLE HOUSING</b>									
Remote Housing	2016-17	2017-18	229.5	50.7	178.7	-	-	-	229.5
Homelessness	2017-18	2017-18	15.4	15.0	15.4	-	-	-	30.4
<b>TOTAL AFFORDABLE HOUSING</b>			<b>244.9</b>	<b>65.7</b>	<b>194.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>259.9</b>

Table 12.1 (cont.)

**NATIONAL PARTNERSHIP AGREEMENTS**  
Current Agreements Applicable to Western Australia

National Partnership Agreements	Funding Start Year <sup>(b)</sup>	Funding Expiry Year	Total Commonwealth Contribution <sup>(c)</sup>	Estimated Commonwealth Funding to Western Australia <sup>(a)</sup>					
				2016-17 Estimated Actual	2017-18 Budget Estimate	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate	Total Five Years
			\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>INFRASTRUCTURE</b>									
Land Transport Infrastructure Projects	2014-15	2018-19 <sup>(h)</sup>	2,581.3	266.6	822.8	565.9	406.9	821.9	2,884.2
Western Australian Infrastructure Projects	2014-15	2016-17	1,215.1	226.0	-	-	-	-	226.0
Interstate Road Transport <sup>(g)</sup>	2008-09	Unspecified	39.3	3.1	3.1	3.1	3.1	3.1	15.5
Asset Recycling	2013-14	2018-19	-	-	-	-	-	-	-
<b>TOTAL INFRASTRUCTURE</b>			<b>3,835.7</b>	<b>495.7</b>	<b>825.9</b>	<b>569.0</b>	<b>410.0</b>	<b>825.0</b>	<b>3,125.7</b>
<b>ENVIRONMENT</b>									
Natural Disaster Resilience	2015-16	2016-17 <sup>(h)</sup>	6.3	6.3	3.1	3.1	3.1	3.1	18.8
Managing Established Pest Animals and Weeds	2015-16	2018-19	4.4	1.0	1.0	1.0	-	-	2.9
National Bushfire Mitigation	2014-15	2016-17	0.9	0.3	-	-	-	-	0.3
Pest Animal and Weed Management in Drought-Affected Areas	2016-17	2016-17	0.5	0.5	-	-	-	-	0.5
Pest and Disease Preparedness and Response Programs	2013-14	2016-17	0.3	0.1	-	-	-	-	0.1
National Water Infrastructure Development Fund - Feasibility Component	2016-17	2017-18	6.3	2.5	3.8	-	-	-	6.3
<b>TOTAL ENVIRONMENT</b>			<b>18.7</b>	<b>10.7</b>	<b>7.9</b>	<b>4.1</b>	<b>3.1</b>	<b>3.1</b>	<b>28.9</b>

Table 12.1 (cont.)

**NATIONAL PARTNERSHIP AGREEMENTS**  
Current Agreements Applicable to Western Australia

National Partnership Agreements	Funding Start Year <sup>(b)</sup>	Funding Expiry Year	Total Commonwealth Contribution <sup>(c)</sup>	Estimated Commonwealth Funding to Western Australia <sup>(a)</sup>					
				2016-17	2017-18	2018-19	2019-20	2020-21	Total
				Estimated Actual	Budget Estimate	Forward Estimate	Forward Estimate	Forward Estimate	Five Years
			\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>OTHER</b>									
Legal Assistance Services	2015-16	2019-20 <sup>(h)</sup>	147.5	29.9	28.8	29.5	30.3	30.3	148.7
Provision of Fire Services <sup>(i)</sup>	2012-13	2016-17 <sup>(h)</sup>	6.5	1.4	1.4	1.5	1.5	1.5	7.4
Delivery of Tourism Demand-Driver Infrastructure	2014-15	2017-18	5.1	1.4	1.8	-	-	-	3.1
National Register of Foreign Ownership of Land Titles	2015-16	2017-18	3.5	1.8	-	-	-	-	1.8
<b>TOTAL OTHER</b>			<b>162.6</b>	<b>34.4</b>	<b>32.0</b>	<b>31.0</b>	<b>31.8</b>	<b>31.8</b>	<b>161.0</b>
<b>TOTAL NATIONAL PARTNERSHIP AGREEMENT FUNDING</b>			<b>9,499.2</b>	<b>991.2</b>	<b>1,594.3</b>	<b>1,009.9</b>	<b>1,019.0</b>	<b>2,642.6</b>	<b>7,257.0</b>

- (a) Western Australian Treasury estimates, which may differ from the Commonwealth due to different timing assumptions and inclusion of funding from a previous version of an agreement.
- (b) For agreements which have been rolled over this is the start of the current version of the agreement.
- (c) Includes funding since the commencement of the current version of the agreement, which may be prior to 2016-17. Excludes funding which is forecast by the State but not yet agreed with the Commonwealth.
- (d) One and a half years as the NP expires 31 December 2016.
- (e) Two and a half years as the NP expires 31 December 2018.
- (f) Payments over two calendar years.
- (g) The agreement is a Deemed NP (a current agreement created prior to the Intergovernmental Agreement on Federal Financial Relations).
- (h) The agreement expires within or before the budget period. However, estimates are based on the expected timing of the project or State assumption of continued funding.
- (i) The agreement is a Memorandum of Understanding. It is intended to continue indefinitely but is reviewed every five years.

Note: Columns/rows may not add due to rounding.

