

BUDGET 2000-01

ECONOMIC AND FISCAL OUTLOOK

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CHAPTER 1

Economic and Fiscal Outlook - Summary

Overview

This budget has been framed against a background of steady, broadly based, economic growth conditions. Together with strong population growth, demand for public services remains high.

Reflecting these demand conditions, this budget provides for improved service delivery in key social priority areas while remaining within fiscal targets. New expenditure initiatives address important priorities in the areas of health, education, disabilities, justice and transport. These initiatives build on the expansion in these services which has occurred since 1992-93.

There are no increases in State taxes.

An accrual surplus of \$42.0 million is expected for the general government sector in 2000-01. This is an improvement of \$102.1 million on the expected outturn for 1999-2000.

For the total public sector an accrual surplus of \$304.0 million is projected.

Another record capital works program is projected for 2000-01. This will require a further modest increase in net debt, although debt falls as a share of State output over the budget period.

2000-01 Economic and Fiscal Outlook

The introduction of national tax reforms and associated changes in financial arrangements between the Commonwealth and the State Governments have an essentially neutral net impact on the State's finances in the budget year, and a small positive impact over the forward estimates period.

Western Australia's own source revenue is expected to fall in 2000-01 as a result of national tax reform. However, this will be offset by increased Commonwealth grants (ie. revenues largely from the goods and services tax).

Economic growth is expected to remain strong throughout the budget projection period, with a steady fall in unemployment.

Financial Projections

General Government Sector

The general government accrual operating surplus projected for 2000-01 is the result of a \$468.4 million (5.0%) increase in revenue in 2000-01 relative to 1999-2000, which is greater than the \$366.4 million (3.9%) increase in expenses¹.

The surplus indicates that the State's finances have returned to a more sustainable trajectory after a deficit of \$60.1 million expected in 1999-2000.

The greater balance in the general government sector outlook follows strong growth in expenses and capital investment in 1999-2000 at the time the Asian financial crisis was impacting the State.

That strong growth in expenses and investment supported private sector activity during 1999-2000. Circumstances have changed quite substantially and there is no longer a need for the same fiscal stimulus to sustain activity across the budget period. This is reflected in the proposed cash estimates, which improve steadily to be back in surplus in 2003-04.

¹ The revenue and expense measures discussed in these chapters are accrual based. Expenses vary from cash appropriations by including non-cash items (such as depreciation and superannuation). They may also be more or less than appropriations depending on amongst other things, agencies use of cash balances. There is some discussion of appropriations planned for 2000-01 in this chapter. However, Chapter 3: *Forward Estimates of Revenue, Expenses and Capital* provides a comprehensive analysis of appropriations for 2000-01.

The following table summarises the outlook.

Table 1

GENERAL GOVERNMENT						
Summary Financial Statements						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<u>OPERATING STATEMENT</u>						
Revenue	8,984.3	9,370.3	9,838.7	9,965.3	10,202.9	10,487.2
Expenses	9,119.3	9,430.3	9,796.7	9,919.2	10,110.8	10,267.5
Net Operating Balance	-135.0	-60.1	42.0	46.1	92.1	219.7
<u>BALANCE SHEET</u>						
Assets	40,770.1	41,693.8	42,568.0	43,506.8	44,494.4	45,452.1
Liabilities	9,283.9	9,436.7	9,727.1	10,006.6	10,220.6	10,232.6
Net Worth	31,486.2	32,257.1	32,840.9	33,500.2	34,273.8	35,219.5
<u>STATEMENT OF CASH FLOWS</u>						
Change in net cash held	120.5	-184.6	-115.2	-46.6	-4.7	-2.0
GFS Cash Surplus	-19.2	-613.2	-345.5	-225.7	-178.5	29.1
<i>Memorandum Item: Net Debt</i>	417.5	842.8	1,181.0	1,379.5	1,577.5	1,548.7

Note: Columns may not add due to rounding.

The increase in expenses in 2000-01 continues to be driven by strong growth in demand in the health, education and justice areas. There are also new initiatives eg. in the disabilities area and additional expenditure responsibilities as a result of national tax reform.

Although no new revenue raising initiatives are included in this budget, revenue is expected to grow steadily throughout the forward estimates period. Revenue growth in 2000-01 reflects additional Commonwealth funding to meet increased expenditures resulting from tax reform, as well as growth in State royalties and (after adjusting for tax reform impacts) taxes, grants and revenue from public corporations.

Major features of the outlook for the general government sector include:

- Tighter restraint on expenses with a small deficit of \$60.1 million in 1999-2000 turning around to a surplus in the budget year;
- The surplus will increase to \$219.7 million by 2003-04;
- The net worth will increase from \$32.3 billion at 30 June 2000 to \$35.2 billion at 30 June 2004; and

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- General government net debt will rise in 2000-01 as some of the capital works program is funded by borrowings. Nevertheless, net interest costs will fall as a proportion of revenue over the budget period.

Total Public Sector

The outlook for the total public sector (comprising general government, public non-financial corporations (PNFC) and public financial corporations (PFC)) remains positive with a surplus projected for the budget year and each of the years in the projection period.

The surplus for the total public sector is projected to rise from \$192.8 million in 1999-2000 to \$304.0 million in 2000-01 and to rise further to \$513.2 million by the end of the projection period.

Total public sector net debt is expected to increase from \$5.4 billion at 30 June 2000 to \$6.1 billion at 30 June 2004 as a result of the increase in capital expenditure by both the general government and PNFC sectors over that period. Nevertheless, the State's net debt is expected to fall relative to the size of the economy over the projection period, falling from 8.4% of GSP in 2000-01 to 6.9% of GSP in 2003-04.

Most of the State's debt is held by the (PNFC) sector and serviced through its commercial operations.

The sale of AlintaGas and Westrail Freight later in 2000 will further reduce the State's net debt level. Consistent with the practice adopted in previous budgets the possible impacts of these sales are not included in the budget estimates.

More details on the State's financial outlook are provided in Chapter 2: *Budget Strategy and Financial Projections*, Chapter 3: *Forward Estimates of Revenue, Expenses and Capital* and in the appendices. Summary Consolidated Fund and Consolidated Budget Statements are also provided as appendices.

Policy Measures

Consistent with a focus on financial responsibility, this budget has provided only moderate new expenditure measures.

Table 2 (over the page) shows the increase in appropriations for 2000-01 that are due to policy decisions taken since the forward estimates for 2000-01 were published in the 1999-2000 Budget. It does not indicate year on year growth – that information is provided in Chapter 3.

The amounts shown in Table 2 do not include the impact of increases in funding for 2000-01 built into the estimates at the time of the last budget. Nor do they include the effect of parameter changes on costs.

The focus of new policy measures continues to be on the provision of community services. Main features of policy decisions in this budget include:

- An additional \$42.0 million has been provided to enable the Department of Health to meet increased public demand for quality health services and research. For example an additional 67,000 occasions of community health service will be provided and the number of breast screenings for women will again increase, by over 3,000;
- The Ministry of Justice will receive an additional \$22.4 million towards meeting service demands, including reducing the criminal case backlog by four months, incarcerating around 200 more prisoners and establishing a pilot drug court regime;
- The increase in the Education Department's 2000-01 budget includes \$18.6 million to cover salary and other cost increases as kindergarten programs are extended and the participation rate of Aboriginal students is increased. Funds have also been provided for lap-top computers for teachers in rural areas;
- In recognition of the Second Five Year Business Plan for Disability Services and certain cost increases, an additional \$8.3 million has been provided in 2000-01 to assist in delivering services to 6,700 people and their carers;
- A dairy industry assistance package has added \$12.4 million to funding for Agriculture in 2000-01, reducing to \$4.2 million by 2002-03 and ceasing by the end of the projection period; and
- The Department of Commerce and Trade will receive an additional \$19.0 million to fund industry incentives, telecentres, on-line Government services and other initiatives.

More detail is provided in Chapter 3: *Forward Estimates of Revenue, Expenses and Capital*.

Table 2

**IMPACT ON APPROPRIATIONS OF POLICY DECISIONS TAKEN
SINCE THE 1999-2000 BUDGET ^(a)**

	Effect on Consolidated Fund Cash Balance ^(b)			
	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
Aboriginal Affairs	0.3	0.3	0.3	0.3
Agriculture	12.4	10.4	4.2	-
Anti Corruption Commission	0.3	0.3	0.3	0.3
Conservation ^(c)	6.7	16.9	7.3	7.3
Construction and Management Services	0.6	2.0	0.5	-
Chemistry Centre ^(c)	1.6	-	-	-
Commerce and Trade	19.0	14.1	10.9	10.2
Commission for Equal Opportunity	0.1	0.1	0.1	0.1
Country High School Hostels Authority	8.0	-	-	-
Culture and the Arts	0.3	0.3	-	-
Curriculum Council	0.1	1.6	1.6	1.6
Disability Services	8.3	11.3	17.7	24.2
Education ^(c)	18.6	20.9	13.7	13.7
Education Services	0.4	1.5	2.1	2.1
Electoral Commission	2.0	-1.6	2.0	-2.0
Energy	0.9	1.1	1.1	1.1
Environmental Protection	2.2	1.8	1.3	1.0
Fair Trading	1.2	-	-	-
Family and Children's Services ^(c)	4.2	4.6	4.6	4.6
Fire and Emergency Services	1.1	3.4	3.4	3.4
Fisheries ^(c)	1.0	1.0	1.0	1.0
Gascoyne Development Commission	0.5	1.6	1.7	1.0
Goldfields-Esperance Development	0.3	-	-	-
Great Southern Development Commission	0.5	0.4	0.4	1.2
Health ^(c)	42.0	57.0	62.0	77.0
Heritage Council	0.1	1.0	1.0	1.0
Justice ^(c)	22.4	2.4	2.4	2.5
Local Government	0.9	-	-	-
Minerals and Energy	4.5	4.0	4.0	4.0
National Trust	0.03	0.03	0.03	0.03
Parliament	1.8	0.8	0.8	0.8
Peel Development Commission	0.5	0.4	0.4	0.5
Ministry of Planning	0.4	0.3	0.3	0.2
Western Australian Planning Commission	5.0	5.0	5.0	5.0
Police ^(c)	2.3	4.3	4.3	4.3
Premier and Cabinet	5.8	5.8	5.8	5.8
Productivity and Labour Relations	2.1	2.1	2.1	0.1
Resources Development ^(c)	5.2	4.1	3.8	3.5
South West Development Commission	3.9	1.2	0.6	-
Sport and Recreation	0.2	-	0.5	-
Tourism Commission	2.1	1.2	0.8	0.7
Transport ^(c)	23.6	23.7	34.8	31.0
Treasury	7.0	9.5	11.5	16.5
Water and Rivers Commission	2.4	1.6	1.4	1.3
Water Regulation	0.1	0.1	0.1	0.1
Wheatbelt Development Commission	0.3	-	-	-
Worksafe	0.1	0.1	0.1	0.1
TOTAL	222.8	216.2	215.6	225.4

(a) Comprises current and capital funding for agencies. Cash appropriations can be more or less than expenses depending; *inter alia*, on movements in agencies' cash balances. Capital appropriations are not reflected in expenses other than as depreciation. As such movements in appropriations should not be compared to movements in expenses.

(b) A negative (-) sign indicates an increase in the surplus.

(c) These decisions are partly in the nature of additional funding to provide services to meet rising demand

Note: Columns may not add due to rounding.

Cross Agency Initiatives

The 2000-01 Budget Papers include for the first time, information on a number of high priority cross-agency initiatives. Chapter 3 describes the strategies, actions and roles of a number of contributing agencies towards achieving desired outcomes of each initiative. These include:

- State Salinity strategy;
- WA Drug Abuse strategy; and
- Building Blocks (an early childhood enhancement strategy).

In addition, Regional Development and Online Services Strategy are two further cross-agency initiatives currently being progressed by Government. The broad policy aims and background to these initiatives are also outlined in Chapter 3.

Tax Reform

The 2000-01 Budget incorporates the national tax reforms associated with the introduction of the GST from 1 July 2000, all the revenues from which will be provided to the States. A detailed overview of the changes may be found in Chapter 5: *Intergovernmental Relations and Tax Reform*.

The net impact of tax reform on the budget is essentially neutral in 2000-01 and remains small over the forward estimates period (see Table 3), largely reflecting the Commonwealth's guarantee that it will provide additional payments to the States as necessary to ensure that they will be no worse off as a result of the tax reforms. In the longer term, Western Australia (like all States and Territories) is expected to gain significantly from the tax reforms, as the growth in GST revenues is expected to exceed the growth in the revenues it replaces.

Although the net impact of tax reform is small in the initial years, there are significant compositional changes affecting the State budget, the primary change being the abolition of Commonwealth financial assistance grants and safety net revenues, which will be replaced by GST revenues and guarantee payments. At the same time, State diesel subsidies will also be abolished.

Other direct effects on State revenues arise from the reduction in net gambling revenue to make room for the GST, abolition of wholesale sales tax equivalent revenues from public corporations and (after 2000-01) the abolition of financial institutions duty and stamp duty on quoted marketable securities.

On the expenditure side, the budget incorporates savings from the reduced costs of purchasing goods and services. The removal of wholesale sales tax and savings from lower fuel costs will reduce purchasing costs to agencies. Government agencies will pay GST on their purchases in the same way as the private sector, but this will be offset by input credits, resulting in no net cost. Additional expenditure will be incurred to pay the Australian Taxation Office's cost of administering the GST, to provide assistance to first home owners to help offset the impact of the GST on house prices, and to cover increased public housing costs.

Table 3

**TAX REFORM IMPACTS ON
GENERAL GOVERNMENT FINANCES** ^(a)
Western Australia

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2000-04 \$m
Financial assistance grants abolished	-1,604.7	-1,615.5	-1,642.9	-1,662.9
Safety net revenue abolished ^(b)	-750.1	-813.3	-843.3	-874.7
Reduction in other State revenue (net) ^(c)	-68.1	-205.5	-216.5	-217.6
GST revenue	2,352.9	2,684.0	2,720.0	2,846.0
Guarantee payments	227.1	84.0	121.0	27.0
Increased expenditures (net) ^(d)	-161.4	-103.2	-91.7	-80.2
TOTAL	-4.3	30.5	46.6	37.6

(a) For further details, see Table 2 in Chapter 5: *Intergovernmental Relations and Tax Reform*.

(b) Franchise fee safety net revenue, net of abolished diesel subsidies.

(c) Reductions: gambling revenues, financial institutions duty, stamp duty on listed marketable securities, wholesale sales tax equivalents and interest.
Increases: growth dividend, stamp duties.

(d) Increases: First Home Owners' Scheme, GST administration costs and subsidies for public housing.
Reductions: Savings from reduced cost of purchasing goods and services.

Note: Columns may not add due to rounding. Increases in Commonwealth-State Housing Agreement funding (\$8.5 million per annum) have been netted off against increased expenditures.

There is a small negative impact of tax reform in the first year. This occurs, despite the Commonwealth guarantee, due in large part to estimates now available of the savings from tax reform for agencies in 2000-01. Based on independent estimates, the budget reflects lower savings for agencies in this year than estimated by the Commonwealth for the agreed guarantee arrangements (which are based on long term savings). Savings are expected to be larger in the subsequent years.

Economic Outlook

The Western Australian economy is forecast to grow by 4% in both 1999-2000 and 2000-01. Growth has been concentrated in dwelling investment, public investment and consumer demand in 1999-2000, but is expected to be broader-based over the next few years.

Importantly, business investment is forecast to strengthen in 2000-01 and accelerate in 2001-02. The external sector is forecast to make a strong contribution to growth in the latter part of 1999-2000, extending into 2000-01, as recently commissioned projects move into full production and conditions in Western Australia's major trading partners improve.

Strong employment growth is projected over the medium-term. Although it is anticipated that this will encourage a further lift in labour force participation, a gradual decline in the unemployment rate is forecast to 6% by 2003-04.

The forecasts for the major economic aggregates underpinning the budget and forward estimates, together with the expected outcome for 1999-2000, are detailed below. A more detailed discussion on the State's economic environment is provided in Chapter 4: *The Western Australian Economy*.

Table 4

MAJOR ECONOMIC AGGREGATES

	1999-00 Estimated Actual %	2000-01 Budget Estimate %	2001-02 Forward Estimate %	2002-03 Forward Estimate %	2003-04 Forward Estimate %
Real Economic Growth (GSP)	4.0	4.0	4.5	5.0	5.0
Employment Growth	3.0	2.5	2.5	2.75	2.75
Unemployment Rate	6.5	6.5	6.25	6.25	6.0
Wages Growth	2.5	3.5	3.5	3.5	3.5
Consumer Price Index Growth ^(a)	2.5	3.0	2.75	2.75	2.75
GSP Implicit Price Deflator Growth	2.0	2.5	2.5	2.25	2.25
Population Growth ^(b)	1.8	1.5	1.4	1.4	1.4

(a) Does not incorporate any impact of the Tax Reform package.

(b) Based on ABS projections.

Budget Presentation

This budget is formulated (for the first time) in accordance with the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) accrual methodology. This methodology has been adopted by all Australian Governments for the purpose of Uniform Presentation Framework (UPF) of public finances. The UPF format was approved at the June 1999 Council of Australian Governments meeting. Appendix 1 provides a comprehensive discussion of this methodology, which gives very similar operating and balance sheet outcomes to the Consolidated Budget Statements accrual presentation of the last two budgets.

While the Consolidated Budget Statements are still reported in these Budget Papers (Appendix 3) the focus of the discussion on financial aggregates is the GFS general government sector.

CHAPTER 2

Budget Strategy and Financial Projections

Budget Strategy

The Government remains committed to its financial strategy, which focuses on the long term stability of the public sector.

Sound financial management principles dictate that over time operating expenses should be fully funded from operating revenues. As for any private business, operating expenses can only exceed operating revenues for short periods if State finances are to be sustainable. This budget achieves a surplus for the general government and total public sectors on an accrual basis from the budget year forward. Significantly, the general government accrual result is turned around from a moderate deficit to a moderate surplus in the budget year.

With strong population growth and healthy economic expansion, demand for government services is continuing to grow. This budget accommodates incremental spending on essential service requirements and follows a period of strong service growth and social and economic infrastructure investment.

The Government's financial targets remain broadly unchanged from those of the last three years. Some adjustments have been made to accommodate certain accounting changes. These targets, which are discussed later in this chapter, apply across the budget period and in summary form are as follows:

- Net worth of the total public sector should be maintained or increased;
- There should be a declining net interest cost as a proportion of total public sector revenue;

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- Real per capita expenses for the general government sector should decrease; and
- There should be an accrual operating surplus for the general government and total public sectors.

All of these targets are achieved in the period 2000-01 to 2003-04.

Financial Projections

General Government

Summary

The general government sector is the focus of the annual budget. It represents that area of public sector activity which is subject to greatest control by government.

The general government sector's finances are projected to strengthen across the forward estimates period. The sector is expected to record an operating surplus of \$42.0 million in 2000-01 and a surplus of \$219.7 million by 2003-04.

Consistent with the overall strengthening in the sector's finances, net worth is expected to increase by around \$583.8 million in 2000-01 to \$32.8 billion. It will increase further to \$35.2 billion by 2003-04.

Net debt for the general government sector is expected to increase by \$338.2 million to \$1.2 billion in 2000-01.

There are no new revenue raising initiatives in this budget, although general government fees and charges have been adjusted for the impact of the goods and services tax (GST) where applicable. Some other charges have been adjusted in line with the consumer price index (CPI) and other factors.

Operating Statement

The moderate operating surplus projected for 2000-01 is a turnaround of \$102.1 million from the expected outturn for 1999-2000. The surplus grows thereafter as shown in Table 1.

The projected deficit for 1999-2000 of \$60.1 million is \$64.6 million less than projected in the Mid-year Review and \$194.4 million less than had been expected at the time of the 1999-2000 Budget. Some of the expenses previously expected to be incurred in 1999-2000 have been delayed to later years and revenue collections have been stronger than expected.

The expected outcome for 1999-2000 reflects considerable efforts to restrain the growth in expenses to budget projections. Total expenses will be around 0.1% greater than budgeted for 1999-2000, which is a much smaller increase than experienced over recent years. A similar tight oversight on expenses will occur in 2000-01 to ensure the projected budget outcome is achieved.

Table 1

GENERAL GOVERNMENT						
Operating Statement						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
REVENUE						
Taxation revenue	3,270.2	3,401.1	2,706.2	2,662.2	2,814.6	2,982.3
Current grants and subsidies	3,299.7	3,644.6	4,607.4	4,804.3	4,920.3	4,989.8
Capital grants	188.9	187.2	273.2	232.2	176.2	179.1
Sales of goods and services	924.2	764.6	762.9	752.6	739.5	744.5
Interest income	106.5	83.9	85.6	87.6	78.7	84.4
Revenue from public corporations						
Dividends	340.3	398.6	416.5	471.3	507.8	525.1
Tax equivalent payments	234.6	251.2	260.0	260.1	285.7	300.1
Royalty income	419.4	441.4	520.5	514.6	504.6	505.6
Other	200.5	197.7	206.6	180.5	175.5	176.4
<i>Total</i>	<i>8,984.3</i>	<i>9,370.3</i>	<i>9,838.7</i>	<i>9,965.3</i>	<i>10,202.9</i>	<i>10,487.2</i>
EXPENSES						
Gross operating expenses						
Salaries	3,568.3	3,744.2	3,848.0	3,924.7	4,007.7	4,103.8
Depreciation and amortisation	419.9	422.0	415.7	439.5	445.0	454.4
Superannuation	322.7	369.6	343.3	342.9	353.0	342.7
Other	2,401.0	2,415.3	2,430.5	2,432.0	2,458.7	2,514.4
Nominal superannuation interest	275.9	296.6	302.8	305.6	307.2	307.5
Other interest	224.2	207.6	223.9	225.9	235.6	245.4
Current transfers	1,653.4	1,716.3	1,987.5	2,034.1	2,089.8	2,116.5
Capital transfers	253.9	258.7	245.0	214.5	213.9	182.8
<i>Total</i>	<i>9,119.3</i>	<i>9,430.3</i>	<i>9,796.7</i>	<i>9,919.2</i>	<i>10,110.8</i>	<i>10,267.5</i>
NET OPERATING BALANCE	-135.0	-60.1	42.0	46.1	92.1	219.7

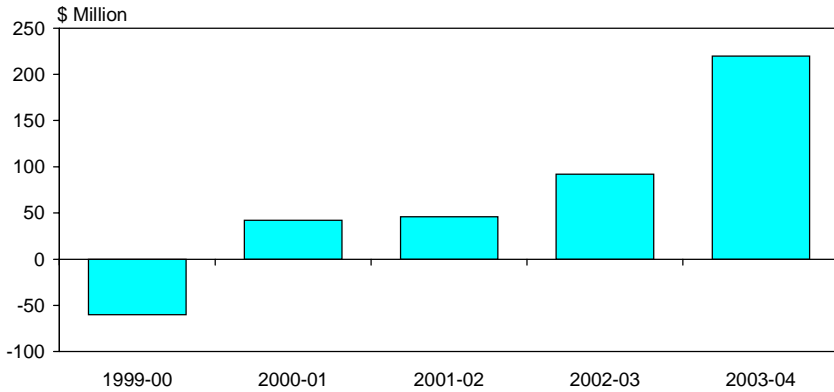
Note: Columns may not add due to rounding.

The improvement in the net operating balance for the general government sector over the forward estimates is illustrated below. The balance increases only slowly over the next two years. Revenue growth is projected to be only modest. However, it will exceed projected growth in expenses (measured on a constant policy basis) which will average around 2.1% a year over the forward estimates.

Figure 1

NET OPERATING BALANCE

General Government

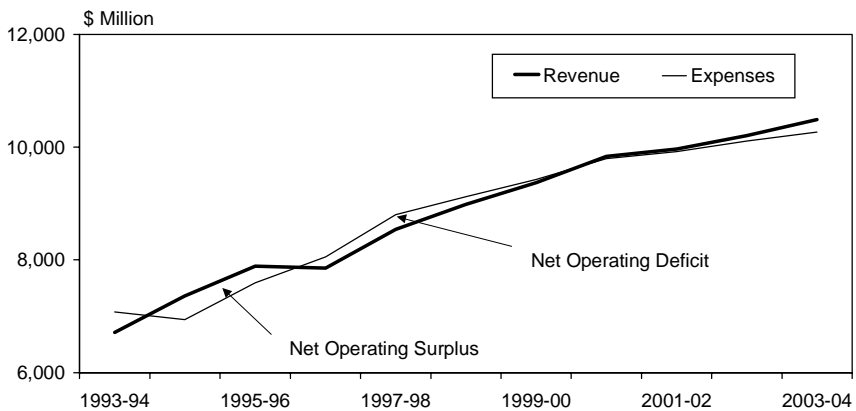


The revenue and expense components of the general government surplus are discussed below and further detail is provided in Chapter 3 *Forward Estimates of Revenue, Expenses and Capital*.

Figure 2

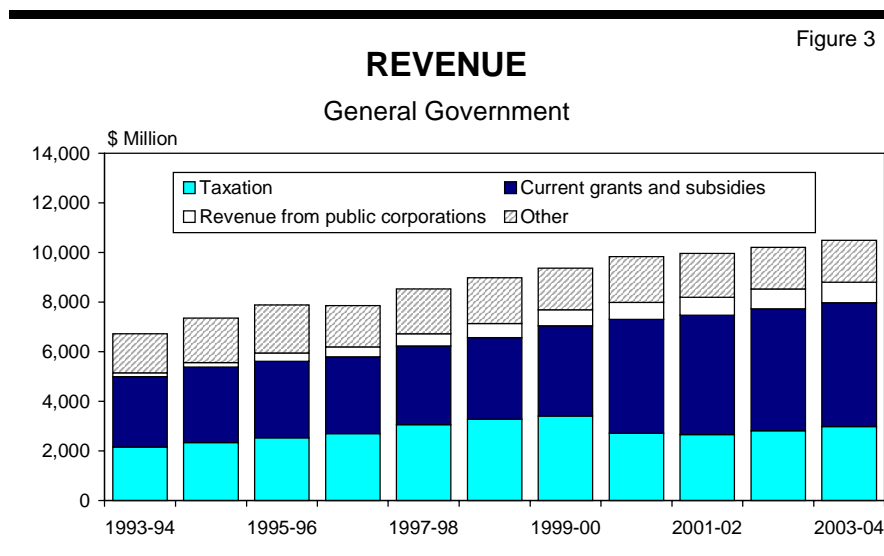
REVENUE AND EXPENSES

General Government



Revenue

General government sector accrual revenues of \$9.8 billion are expected in 2000-01. Including tax reform effects, revenue increases by \$468.4 million, or 5.0%. Excluding the impact of GST and related reforms there will be a revenue increase of \$302.8 million or 3.2% on the expected outcome for 1999-2000. A modest increase in revenue, averaging 2.9% per annum, is expected across the forward estimates. This is illustrated by the following chart.



There are significant changes in the composition of general government sector revenues in 2000-01 and across the forward years because of the introduction of the GST and the changes in Commonwealth and State financial relations, which will accompany it. Details of these changes are contained in Chapter 5.

Reflecting these changes, payments from the Commonwealth are expected to rise by \$1,048.8 million. This increase in payments arises from various sources as follows:

- Additional grants of \$825.8 million to offset reduced own source revenues as a result of tax reform (mainly abolition of safety net revenues and reduced gambling revenues);
- Additional grants of \$158.0 million to meet increased expenditures resulting from tax reform (mainly the First Home Owners' Scheme and payments to the Commonwealth for administration of the GST); and

2000-01 Economic and Fiscal Outlook

- An increase of \$65.0 million abstracting from the impact of tax reform. This growth reflects a slight increase in general purpose grants, which will occur despite the Commonwealth Grants Commission's latest recommendations which again reduce Western Australia's share of grants - by \$56.0 million in 2000-01. In addition, growth in current and capital specific purpose payments more than offsets lower receipts from North-West Shelf royalty sharing arrangements.

State own source revenues are estimated to fall by \$580.4 million in 2000-01, largely due to the abolition of franchise fee safety net revenues as part of national tax reform. Abstracting from the tax reforms, State taxation revenues are estimated to increase by 3.1%. A weaker property market is primarily responsible for this modest growth.

At the same time payroll tax receipts are projected to grow by around 7.1% in 2000-01 following growth of only 0.3% in 1999-2000. The payroll tax base has been reduced markedly by a shift in employment from the mining industry and larger firms, to contract employment which falls outside the payroll tax base. This has reduced payroll tax revenue estimates made at the time of the 1999-2000 Budget by around \$61.5 million a year.

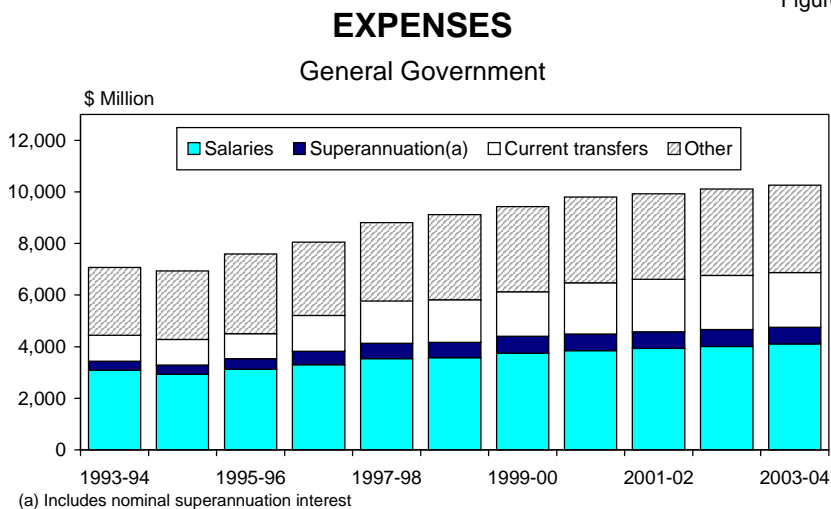
An increase in mining royalties is projected due to increased nickel production and the application of the full gold royalty rate. Royalty income overall is expected to increase by \$79.1 million in 2000-01.

The revenue projections are discussed in more detail in Chapter 3: *Forward Estimates of Revenue, Expenses and Capital*.

Expenses

Total operating expenses of the general government sector are expected to be \$9.80 billion in 2000-01. This is an increase of \$366.4 million (3.9%) over the expected outturn for 1999-2000. Net of the impact of tax reform, expenses are estimated to increase by \$196.5 million or 2.0% (a real decline of 0.5%).

Figure 4



The general government's largest operating expense, salaries, are expected to rise by 2.8% in 2000-01 and to increase on average by 2.3% over the four year projection period. Public sector salary levels are governed by public sector wages policy, which provides for increases of up to 6% over the 2 year period 1999-2000 and 2000-01 with half this increase to be achieved by productivity improvements.

Other gross operating expenses including the purchases of goods and services by government agencies, are projected to increase by only 0.6% (\$15.2 million) in 2000-01 and by 4.1% over the forward estimates period.

General government superannuation expenses experienced a one off increase in 1999-2000 because the sector assumed certain superannuation liabilities of the public non-financial corporations sector (formerly the public trading enterprise sector). These liabilities were formerly paid to that sector on an emerging basis. Over the projection period, superannuation expenses are expected to remain relatively stable.

Depreciation is expected to increase marginally across the forward estimates period as the stock of capital increases.

Increased interest payments of \$16.3 million in 2000-01 reflect a rise in the stock of debt resulting, in turn, from capital investments. Interest payments remain at a historically low level and are expected to account for around 2.3% of revenue in 2000-01.

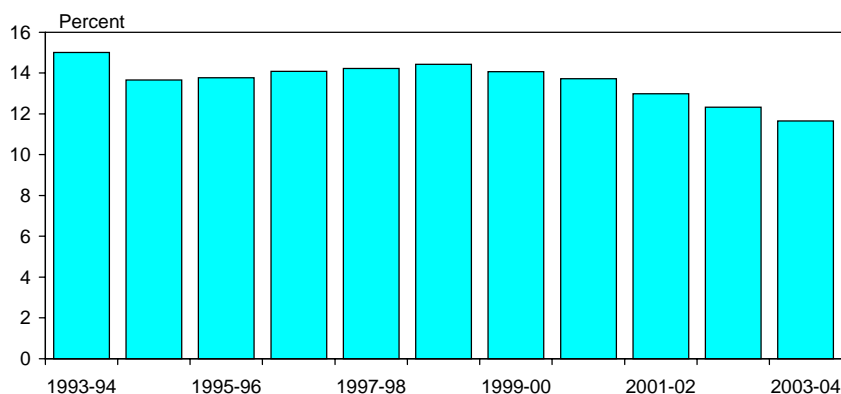
The introduction of national tax reform has added \$169.9 million to expenses. These increases result from the new First Home Owner's Scheme, payments to the Commonwealth for administration of the GST and increased expenditures on public housing, which are partly offset by reduced input costs for agencies.

While expenses continue to increase over the forward estimates period, they are expected to decline relative to the size of the economy. The following chart shows general government expenses as a share of GDP since 1993-94 and indicates a substantial decline over the forward estimates period.

Figure 5

EXPENSES AS A SHARE OF GDP

General Government



New policy measures and expenses by sector are described in detail in Chapter 3: *Forward Estimates of Revenue Expense and Capital*, and are summarised in Chapter 1: *Economic and Fiscal Outlook Summary*.

Balance Sheet

The following table shows the balance sheet of the general government sector. The balance sheet records the Government's stocks of financial and non-financial assets and liabilities.

Table 2

GENERAL GOVERNMENT						
Balance Sheet at 30 June						
	1999	2000	2001	2002	2003	2004
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	154.5	212.6	195.3	181.4	176.1	175.5
Advances paid	1,054.2	756.3	780.9	801.0	807.1	810.5
Investments, loans and placements	1,287.2	1,085.0	981.2	985.1	992.9	999.8
Other non-equity assets	650.3	652.3	571.6	594.5	629.7	638.3
Equity	14,671.7	15,638.5	16,061.3	16,549.0	17,114.7	17,686.0
<i>Total</i>	<i>17,817.9</i>	<i>18,344.6</i>	<i>18,590.2</i>	<i>19,111.1</i>	<i>19,720.5</i>	<i>20,310.1</i>
<i>Non-Financial assets</i>						
Land and fixed assets	22,679.1	23,223.7	23,845.1	24,218.8	24,597.3	24,965.3
Other non-financial assets	273.1	125.5	132.7	177.0	176.6	176.8
<i>Total</i>	<i>22,952.2</i>	<i>23,349.2</i>	<i>23,977.8</i>	<i>24,395.7</i>	<i>24,773.9</i>	<i>25,142.1</i>
TOTAL ASSETS	40,770.1	41,693.8	42,568.0	43,506.8	44,494.4	45,452.1
LIABILITIES						
Deposits held	278.1	182.0	189.3	183.5	188.6	179.2
Advances received	898.8	724.8	595.2	572.6	565.8	545.5
Borrowings	1,736.5	1,989.9	2,353.8	2,591.0	2,799.2	2,809.8
Unfunded superannuation liabilities	4,945.0	5,047.9	5,094.8	5,120.8	5,125.9	5,106.0
Other employee entitlements and provisions	907.3	953.4	981.7	1,015.2	1,056.1	1,093.2
Non-equity liabilities	518.2	538.8	512.3	523.6	484.9	499.0
TOTAL LIABILITIES	9,283.9	9,436.7	9,727.1	10,006.6	10,220.6	10,232.6
NET WORTH	31,486.2	32,257.1	32,840.9	33,500.2	34,273.8	35,219.5
<i>Memorandum Item: Net Debt</i>	<i>417.5</i>	<i>842.8</i>	<i>1,181.0</i>	<i>1,379.5</i>	<i>1,577.5</i>	<i>1,548.7</i>

Note: Columns may not add due to rounding.

The general government's net worth (ie. net assets, after liabilities have been subtracted from total assets) is expected to increase substantially over the budget projection period, rising from \$32.3 billion at 30 June 2000 to \$35.2 billion by 30 June 2003-04.

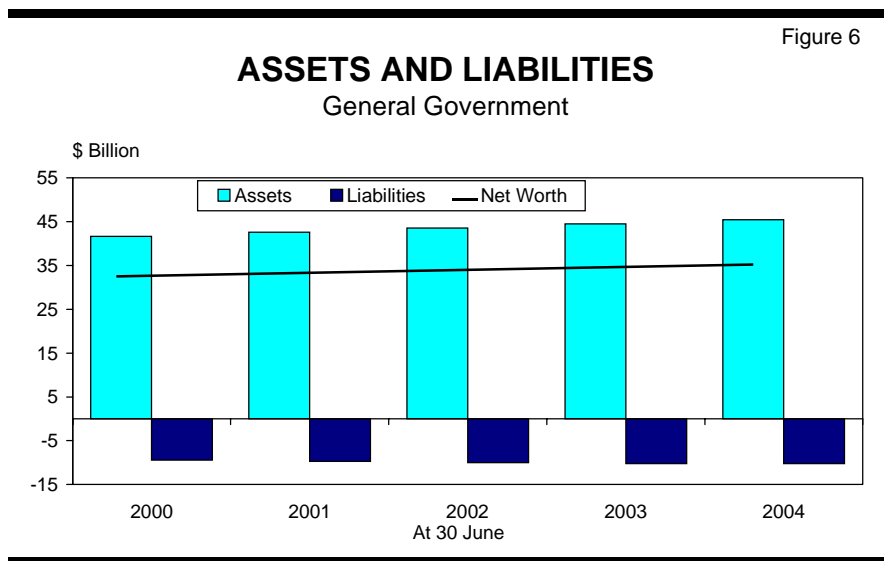
Total assets are projected to increase by \$874.2 million in 2000-01. Over half of the total is represented by land and fixed assets, such as buildings and roads. The value of land and fixed assets is expected to increase by \$621.4 million in 2000-01 and flows predominantly from growth in capital spending.

The other very large asset is the equity held by the general government sector. This is almost entirely its equity in other sectors of government, for example the Government's ownership interest in Western Power. This equity is expected to increase in value by \$422.8 million over 2000-01 mainly as a result of operating surpluses in those sectors.

The sector's liabilities are expected to rise slowly, largely reflecting increased borrowings. (Net debt is discussed later in this chapter.) Because liabilities are expected to grow more slowly than assets, growth in net worth results.

Employee entitlements are a significant factor on the general government's balance sheet (including unfunded superannuation liabilities and leave provisions). Because of the Government's policy to concurrently fund the superannuation expense arising from the West State Super scheme (the only scheme open to new members) and to close earlier schemes, growth in the superannuation liability has virtually ceased.

The following chart shows the general government sector's strong net worth position.



Cash Flow Statement

This statement shows how the Government obtains and spends cash. Flows of cash are distinguished according to operating, investing and financing activities.

The following table shows cash flows for the general government sector. These flows result in a fall in net cash held of \$115.2 million in 2000-01 following a fall of \$184.6 million in 1999-2000 from the high levels at the beginning of that year. This reduction in cash balances partially funds increases in expenses in those years.

Table 3

GENERAL GOVERNMENT
Cash Flow Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	3,242.8	3,319.4	2,625.8	2,582.6	2,733.6	2,899.1
Receipts from sales of goods and services	860.0	764.3	793.1	777.8	771.1	799.7
Grants and subsidies received	3,489.4	3,776.9	4,804.6	4,984.9	5,071.2	5,145.8
Other receipts	1,574.0	1,385.0	1,620.2	1,536.2	1,547.8	1,614.6
<i>Total</i>	<i>9,166.2</i>	<i>9,245.6</i>	<i>9,843.7</i>	<i>9,881.6</i>	<i>10,123.7</i>	<i>10,459.2</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-6,337.4	-6,632.5	-6,700.8	-6,827.5	-6,942.2	-7,111.8
Grants and subsidies paid	-1,884.9	-1,977.7	-2,087.7	-2,130.7	-2,181.4	-2,175.0
Interest paid	-231.9	-225.6	-252.8	-256.7	-257.5	-269.3
Other payments	-124.6	-116.3	-315.4	-255.0	-256.7	-260.1
<i>Total</i>	<i>-8,578.8</i>	<i>-8,952.1</i>	<i>-9,356.7</i>	<i>-9,469.9</i>	<i>-9,637.8</i>	<i>-9,816.2</i>
Net Cash Flow from Operating Activities	587.4	293.4	487.0	411.7	485.9	643.0
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-669.1	-1,137.0	-1,045.6	-820.5	-807.8	-693.5
Sales of non-financial assets	121.0	226.7	219.0	179.3	139.5	76.3
<i>Total</i>	<i>-548.1</i>	<i>-910.3</i>	<i>-826.6</i>	<i>-641.2</i>	<i>-668.3</i>	<i>-617.2</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	133.7	192.0	14.2	14.6	14.9	14.3
Liquidity purposes	-8.3	-4.8	-7.5	-12.3	-12.6	-14.4
<i>Total</i>	<i>125.4</i>	<i>187.2</i>	<i>6.6</i>	<i>2.2</i>	<i>2.3</i>	<i>-0.1</i>
Net Cash Flow from Investing Activities	-422.7	-723.2	-820.0	-638.9	-666.0	-617.4
FINANCING ACTIVITIES						
Advances received (net)	-9.5	-165.9	-119.8	-15.2	1.2	-6.5
Borrowings (net)	24.8	434.4	340.7	225.3	194.8	-2.3
Deposits received (net)	0.0	0.0	0.0	0.0	0.0	0.0
Other financing	-59.6	-23.3	-3.0	-29.4	-20.5	-18.8
<i>Total</i>	<i>-44.2</i>	<i>245.1</i>	<i>217.8</i>	<i>180.7</i>	<i>175.4</i>	<i>-27.6</i>
<i>Opening cash balance</i>	<i>620.5</i>	<i>741.0</i>	<i>556.4</i>	<i>441.2</i>	<i>394.6</i>	<i>389.9</i>
NET INCREASE IN CASH HELD	120.5	-184.6	-115.2	-46.6	-4.7	-2.0
<i>Closing cash balance</i>	<i>741.0</i>	<i>556.4</i>	<i>441.2</i>	<i>394.6</i>	<i>389.9</i>	<i>387.9</i>
<i>Net cash from operating activities and investments in non-financial assets</i>	<i>39.3</i>	<i>-616.9</i>	<i>-339.7</i>	<i>-229.5</i>	<i>-182.4</i>	<i>25.8</i>
<i>less finance leases and similar arrangements</i>	<i>-58.5</i>	<i>3.7</i>	<i>-5.9</i>	<i>3.8</i>	<i>3.9</i>	<i>3.3</i>
GFS Cash Surplus	-19.2	-613.2	-345.5	-225.7	-178.5	29.1

Note: Columns may not add due to rounding.

The GFS cash flow statement contains a “cash surplus” line, which is comparable to that of the former cash GFS presentation. There is no equivalent concept to this figure under accounting standards, as it includes cash outflows on physical investments but excludes certain cash inflows of a capital nature. Because the operating balance provides a better measure of fiscal performance and borrowing and net debt figures are more accurate measures of financing requirements, the cash surplus is of limited use as a fiscal indicator.

Nevertheless, the general government sector is projected to move from a cash deficit of \$613.2 million in 1999-2000 to a deficit of \$345.5 million in 2000-01 and a small surplus in 2003-04.

Cash operating payments are expected to increase in nominal terms, in line with the demand for services in an expanding economy. As a percentage of GSP, general government cash operating payments have fallen from 13.7% in 1993-94 to a projected 11.1 % in 2003-04.

Receipts from operating activities are expected to increase steadily through the forward estimates period.

Total Public Sector

The total public sector consolidates the statements for the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector. These sectors were formerly known as the public trading enterprise and public financial enterprise sectors, respectively. More detail on the individual components of the PNFC and PFC sector financial statements are at Appendix 2.

Summary

The total public sector is expected to record an operating surplus throughout the projection period. An operating surplus of \$304.0 million in 2000-01 is expected to increase to \$513.2 million by the end of the projection period. The total public sector surplus reflects surpluses in all three sectors, with the largest contribution from the public non-financial corporations.

Table 4

TOTAL PUBLIC SECTOR
Summary Financial Statements

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
<u>OPERATING STATEMENT</u>						
Revenue	14,476.8	15,008.4	15,470.3	15,763.2	16,256.6	16,742.3
Expenses	13,986.5	14,815.5	15,166.2	15,433.8	15,859.6	16,229.2
Net Operating Balance	490.3	192.8	304.0	329.4	397.0	513.2
<u>BALANCE SHEET</u>						
Assets	52,232.3	53,715.4	55,129.3	56,497.2	57,875.5	59,277.6
Liabilities	20,746.1	21,458.2	22,288.4	22,997.0	23,601.7	24,058.2
Net Worth	31,486.2	32,257.1	32,840.9	33,500.2	34,273.8	35,219.5
<u>STATEMENT OF CASH FLOWS</u>						
Change in net cash held	714.0	-112.2	-294.9	-11.7	63.8	36.5
GFS Cash Surplus	-10.5	-608.7	-442.3	-48.9	-3.9	122.0
<i>Memorandum Item: Net Debt</i>	4,663.1	5,403.8	5,999.0	6,124.6	6,194.4	6,122.8

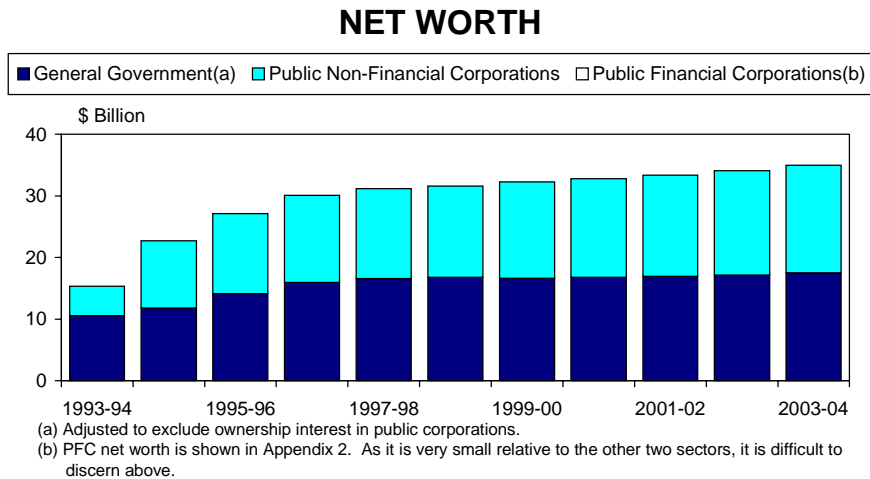
Note: Columns may not add due to rounding.

The surplus of \$304.0 million in 2000-01 compares with an estimated surplus of \$557.4 million at the time of the 1999-2000 Budget and \$402.6 million at Mid-year Review.

As the net worth of the general government sector includes the net worth of the PNFCs and PFCs as an equity asset, the total public sector's net worth is identical to that of general government.

The cash held by the total public sector is expected to fall by \$294.9 million in 2000-01 but to build again towards the end of the forward estimates period.

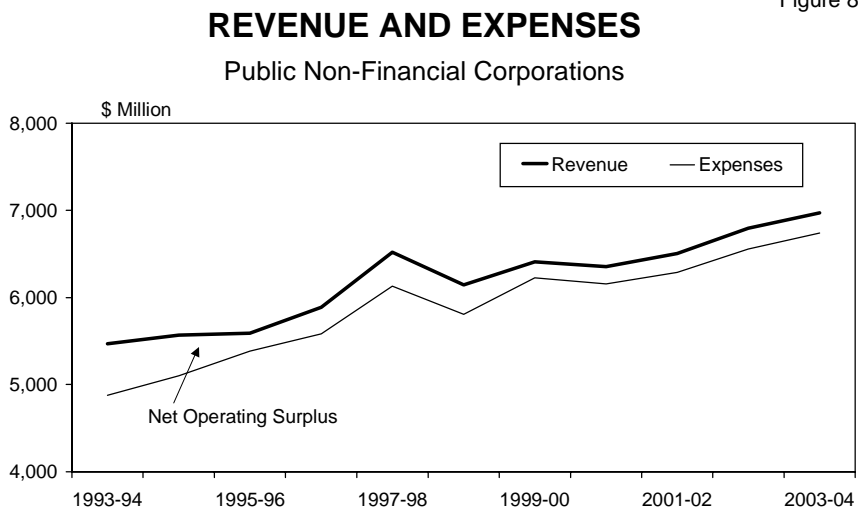
Figure 7



Public Non-Financial Corporations

The PNFC sector is expected to record a strong operating surplus throughout the projection period, with a surplus of \$196.7 million expected in 2000-01. While expenses are expected to fall by 1.1% or \$68.2 million in 2000-01, revenue is expected to fall by only \$53.3 million. Both of these declines result from the removal of the Dairy Industry Authority from 2000-01. PNFC sector outcomes are illustrated by the following chart, which also shows that the PNFC sector has maintained a healthy operating surplus.

Figure 8



2000-01 Economic and Fiscal Outlook

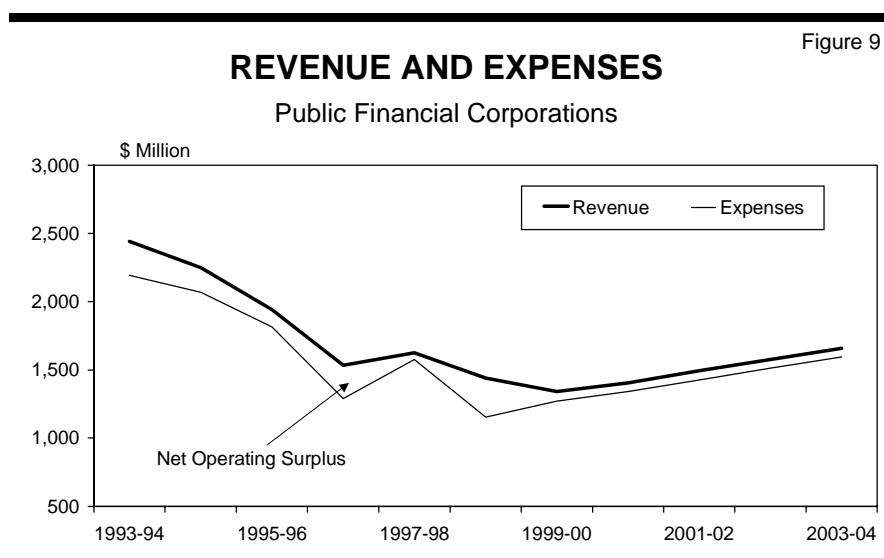
The sector's net worth is expected to record a healthy increase over the projection period, increasing by an average of \$450.0 million per annum from 1999-2000.

A decrease of \$192.2 million in cash held by the sector is projected for 2000-01, with cash balances building thereafter.

A cash deficit of \$215.4 million is expected for the PNFC sector in 2000-01, with a surplus expected for the following two years.

Public Financial Corporations

The public financial corporation sector is expected to remain in surplus throughout the forward estimates period as illustrated below.



Operating expenses and operating revenues are strongly related to interest payments and receipts for the PFC sector.

The sector's net worth is expected to increase after two years of negative net worth fuelled by a strong increase in borrowings in 1998-99 and 1999-2000.

Balance Sheet History

Historical tables on a GFS accrual basis going back to 1993-94 were published in a booklet accompanying these Budget Papers: *Accrual Budget Background Information*. Balance sheets are available for the total public sector over that period. Between 1993-94 and 1998-99 the net worth of the total public sector increased from \$15.5 billion to \$31.5 billion, more than doubling the tax payers' equity asset in their Government.

Over that period the total assets of the Government have increased from \$47.9 billion to \$52.2 billion. Financial assets have fallen in value from \$18.4 billion to \$8.8 billion representing the impact of the sale in 1995-96 of BankWest. More than offsetting this is a large growth in the value of land and fixed assets from \$29.5 billion to \$43.2 billion, resulting from increases in the market value of land and capital investment in power stations, dams, roads and other infrastructure.

A large influence on the growth of the State's net worth has been a reduction in gross borrowings from \$19.7 billion in 1993-94 to \$10.7 billion in 1998-99. This reduction in gross borrowings has been enabled by the sale of BankWest and the Dampier to Bunbury natural gas pipeline as well as surpluses earned throughout the period.

The above movements have enabled net debt, that is gross borrowings net of financial assets, to fall from \$8.7 billion in 1993-94 to \$4.7 billion in 1998-99.

In summary, the balance sheet of the total public sector of the state of Western Australia has strengthened substantially over the five year period.

Net Debt

The following table shows a breakdown of Western Australia's net debt levels by sector and the composition of that debt. Net debt equals gross borrowings net of financial assets.

Debt funding allows spreading of the cost of projects over their useful life. For investment in economic and social infrastructure, which yields benefits over many years, this practice can be consistent with sound financial management principles, as long as the burden of interest and principal repayments does not require future tax increases or reductions in services.

Table 5

NET DEBT OF THE PUBLIC SECTOR AT 30 JUNE

	1999 Actual \$m	2000 Estimated Actual \$m	2001 Budget Estimate \$m	2002 Forward Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m
GENERAL GOVERNMENT						
Gross Debt ^(a)	2,913.4	2,896.7	3,138.4	3,347.0	3,553.6	3,534.5
Cash, Deposits and Lending ^(b)	2,495.9	2,053.9	1,957.3	1,967.5	1,976.1	1,985.8
Net Debt	417.5	842.8	1,181.0	1,379.5	1,577.5	1,548.7
PUBLIC NON-FINANCIAL CORPORATIONS						
Gross Debt ^(a)	6,095.9	6,601.0	6,683.1	6,714.3	6,745.1	6,824.5
Cash, Deposits and Lending ^(b)	1,355.3	1,548.5	1,308.0	1,343.9	1,431.1	1,472.2
Net Debt	4,740.6	5,052.5	5,375.0	5,370.3	5,314.1	5,352.3
PUBLIC FINANCIAL CORPORATIONS						
Gross Debt ^(a)	10,982.5	12,135.6	12,862.4	13,387.2	13,870.8	14,164.3
Cash, Deposits and Lending ^(b)	11,477.4	12,627.1	13,419.5	14,012.5	14,568.0	14,942.5
Net Debt	-494.9	-491.5	-557.1	-625.2	-697.2	-778.2
TOTAL PUBLIC SECTOR ^(c)						
Gross Debt ^(a)	11,715.6	12,333.7	12,941.1	13,451.0	13,929.6	14,202.4
Cash, Deposits and Lending ^(b)	7,052.5	6,929.9	6,942.1	7,326.4	7,735.2	8,079.5
Net Debt	4,663.1	5,403.8	5,999.0	6,124.6	6,194.4	6,122.8

(a) Includes finance leases, loans and debt securities and derivatives in a net liability position. Excludes accounts payable and prepayments.

(b) Includes loans and debt securities and derivatives in a net asset position. Excludes accounts receivable, prepayments and equities.

(c) Individual items for the respective sectors may not add to the total public sector. Each sector holds financial assets which are liabilities of the other. These inter-sector holdings eliminate on consolidation.

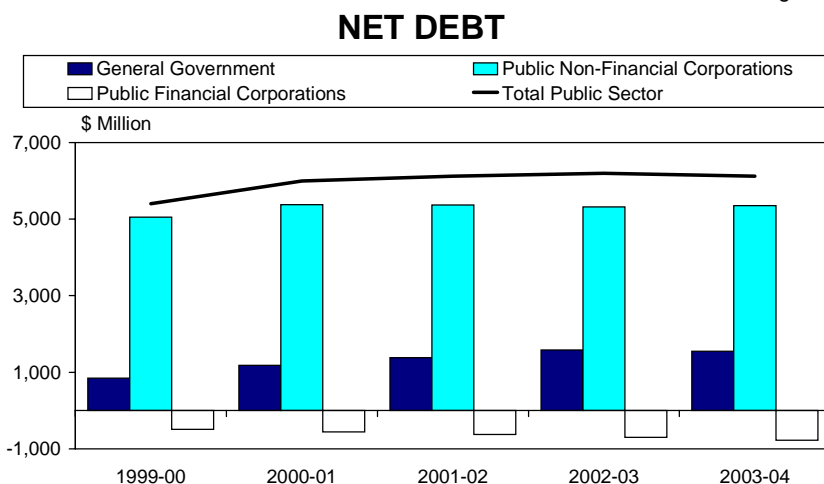
Note: Columns may not add due to rounding.

Following the sale of the Dampier to Bunbury natural gas pipeline in 1997-98, net debt fell to its lowest recorded level, as debt was repaid from the proceeds of the sale.

A substantial capital works program in 1998-99 and 1999-2000, which carries over into the budget year, has increased the State's net debt levels. This influence is expected to ease in the outyears as the capital program is progressed and major projects are completed.

As illustrated in the previous table, most of the State's stock of net debt resides in the PNFCs.

Figure 10



Overall, total public sector net debt is expected to increase by \$595.2 million in 2000-01 to around \$6.0 billion. As mentioned earlier, the AlintaGas distribution business and Westrail Freight are expected to be sold during the year and most of the proceeds will be used to further reduce debt.

General Government

General government net debt is expected to stand at around \$1,181.0 million at 30 June 2001, increasing from \$842.8 million at 30 June 2000. This increase is largely due to gross borrowings undertaken to fund capital works. Net debt is expected to rise to \$1.5 billion by the end of the projection period.

General government sector net debt is expected to comprise around 14% of total public sector net debt at 30 June 2000. Over the four year forward estimate period, general government sector net debt is expected to rise by \$705.9 million and its proportion of total net debt to 25%. This relatively small proportion has been increasing somewhat in the past two years as general government capital outlays have increased. In particular, expenditure on transport infrastructure has been partially funded by borrowings.

2000-01 Economic and Fiscal Outlook

The cost of servicing the debt, as represented by interest payments, is clearly manageable. Interest expenses of \$223.9 million in 2000-01 account for 2.3% of general government expenses compared with 6.1% of general government expenses in 1993-94.

On a real per capita basis, general government net debt will have fallen from \$1,615 in 1993-94 to an estimated \$755 by 2003-04.

Public Non-Financial Corporations

Most of the total public sector net debt is held by the PNFCs, which service that debt through normal commercial operations.

Net debt of the PNFC sector is expected to increase by \$322.5 million in 2000-01 to \$5.4 billion.

The PNFCs have in recent years undertaken major improvement in the sector's infrastructure, including rail rolling stock, a sewerage infill program and a new power station in Collie. Further additions are planned throughout the projection period with the sector's cash expenditures on physical assets projected to exceed \$8.1 million over the forward estimates period.

The sale of the Dampier to Bunbury natural gas pipeline and repayment of debt allowed the net debt for the PNFC sector to fall by around \$800 million in 1997-98. The forthcoming sale of AlintaGas and Westrail Freight will allow for further significant reductions in the sector's net debt.

Public Financial Corporations

The PFCs are in a net creditor position and are expected to remain so through the forward estimates period. PFCs are expected to achieve a credit of \$557.1 million in 2000-01, up from \$491.5 million in 1999-2000.

In the PFC sector large gross debt figures are more than offset by financial assets to make a negative contribution to net debt.

Asset Sales – Status and Approach

Processes are underway for the sale of AlintaGas' distribution and retail businesses and the freight operations of Westrail.

Legislation to enable the AlintaGas sale has received Royal Assent. A Bill to enable the Westrail sale is currently before Parliament.

The proceeds from the above sales will depend on commercial negotiations and are not known at this stage. Therefore, no account has been taken of the forthcoming sales in the budget projections.

It is expected that, following the extinguishment of debt held by these operations, proceeds from the sales will be applied to capital purposes.

Financial Targets

Framework

Since 1997-98 the budget has contained a statement of financial targets as one plank of the medium term financial planning framework. The targets provide a measure of how well the Government is adhering to its fiscal principles of:

- Reliance on the current generation for funding current services;
- Stability and predictability in relation to spending and taxing policies; and
- Prudent management of financial risks.

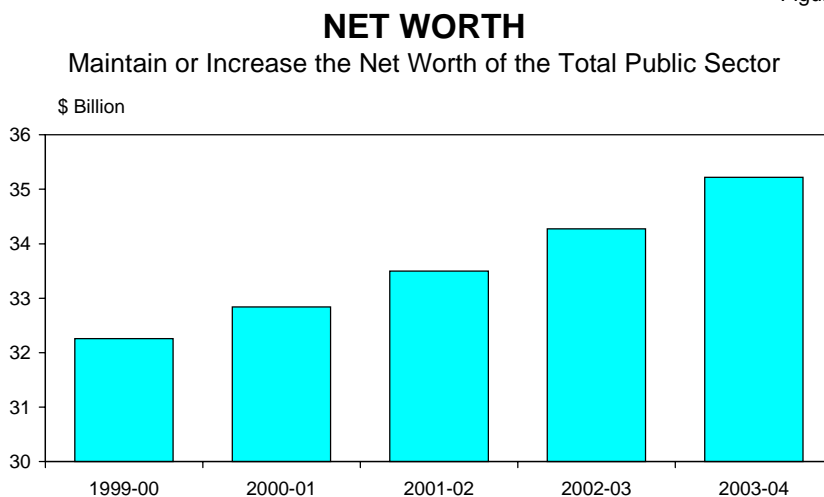
With the 2000-01 Budget Papers being presented on an accrual GFS basis and the changes to intergovernmental transactions relating to the introduction of the GST, it has been necessary to adjust the detail of definition of the financial targets slightly from the last budget to be consistent with the new framework. The following discussion relates to the revised targets.

Net Worth: net worth of the total public sector be maintained or increased

The concept of net worth under a GFS accrual framework is identical to net assets under the Consolidated Budget Statements as reported in the last budget. It is calculated as total assets (both financial and non-financial) less total liabilities, shares and other contributed capital.

As illustrated below, this target is expected to be achieved in the budget year and each of the forward estimates years.

Figure 11



Net Debt: a declining net interest cost as a proportion of total public sector revenue

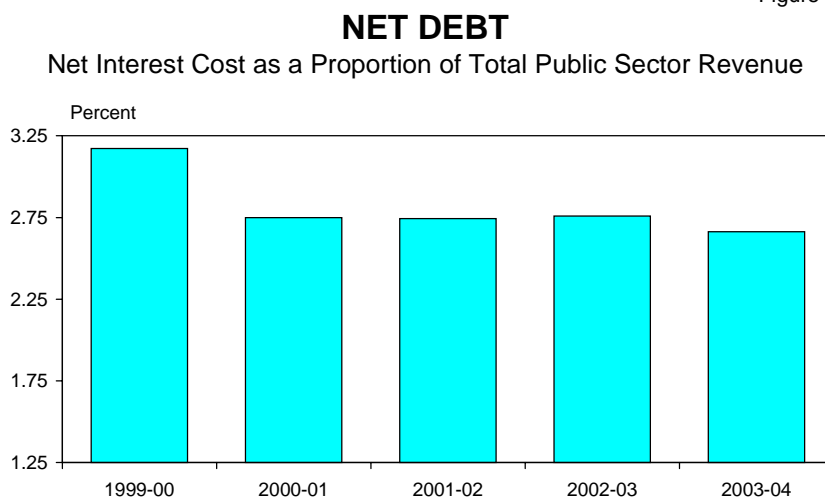
This target was previously defined in terms of ‘own source revenue’ but the new tax reform arrangements result in a fall in State’s own source revenue and a commensurate increase in grants from the Commonwealth. Overall, the impact on total revenue is not large. As such, the indicator is more sensibly defined in terms of ‘total revenue’ to ensure comparability across years.

This target highlights the drain on government revenue represented by interest costs and how effectively debt is being managed. The expression of the target means that additional debt can be contemplated as long as revenue also increases or interest rates fall.

While a fall in net interest costs as a proportion of revenue is expected in 2000-01, both slow revenue growth and a marginal rise in net interest costs in 2001-02 is expected to mean an increase in the interest to revenue ratio that year. The ratio falls again in 2003-04.

The expected ratio of 2.7% in 2000-01 compares favourably to the 3.7% experienced in 1993-94.

Figure 12



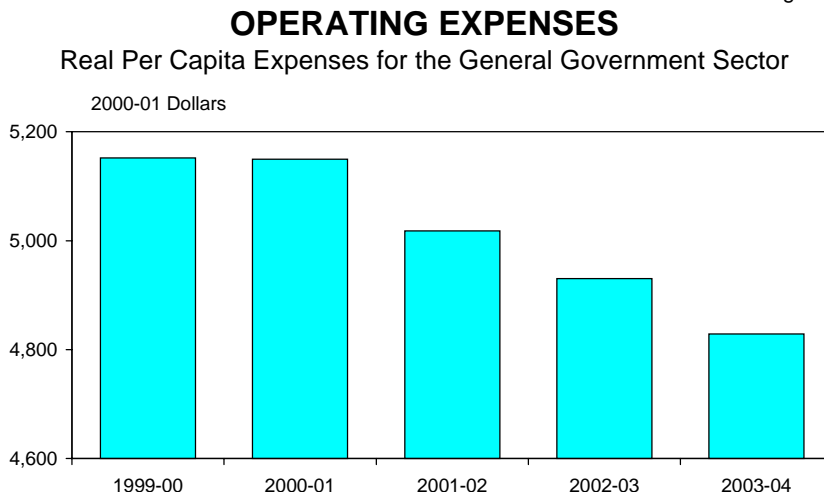
Operating Expenses: real per capita expenses for the general government sector be decreased

This target is aimed at promoting expenditure restraint and providing a focus for improving value for money in the public sector. It allows expenditure on agencies and their outputs to grow up to, but not exceeding, the combined growth in population and inflation. In this environment, improved service provision arises through improved efficiency and productivity.

Under the accrual GFS framework, the general government sector replaces the consolidated fund entity as the focus of discussion. This is the sector over which the Government has the most policy control and is therefore an appropriate policy assessment measure.

This target is expected to be achieved in 2000-01 and for the remainder of the projection period with falling operating expenses on a per capita basis.

Figure 13



Operating Balance: an accrual operating surplus for the general government and total public sectors

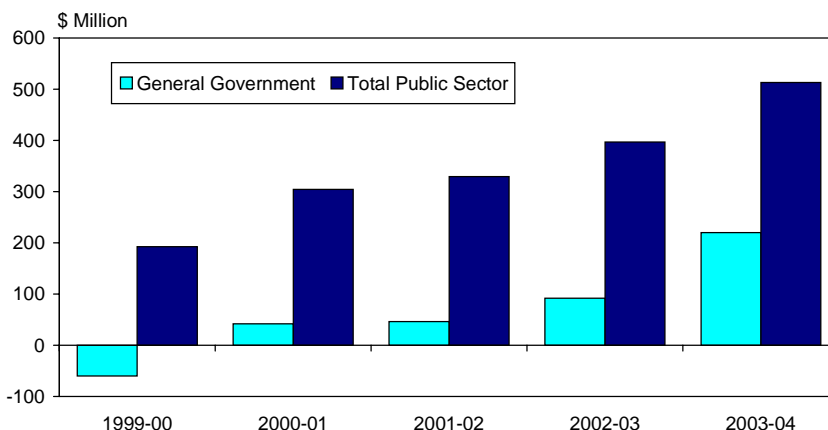
The net operating balance, or operating result, is the excess of revenue over expenses. It excludes expenditure on the acquisition of capital assets but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation).

By including all accruing costs, the net operating balance encompasses the full costs of providing government services. This makes it a good measure of the sustainability of the government's fiscal position over time and provides an indication of the sustainability of the existing level of government services.

This target is expected to be achieved in each year from 2000-01. A deficit for the general government sector is expected for 1999-2000.

Figure 14

NET OPERATING BALANCE



Statement of Risks

The Government's financial projections are based on a number of judgements and assumptions about the state of the economy in Western Australia, as well as the Government's finances both now and in the future. Changes in the judgements and/or economic assumptions will impact on the financial outlook. The uncertainty (or risk) associated with the financial projections increases as the forecasts extend into the forward estimates period.

The major risks surrounding the financial projections include:

- Economic performance and financial market conditions varying from forecasts;
- Changes in government policies (both State and Commonwealth);
- Specific assumptions about expenses, the balance sheet, and in particular tax revenue not being realised;
- Revaluations of assets and liabilities;
- The realisation of specific financial circumstances which have not been reflected in the financial forecasts because of their uncertainty; and
- The realisation of contingent liabilities.

2000-01 Economic and Fiscal Outlook

An important step in managing risk is comprehensive identification and timely reporting of financial risks which allows them to be managed in conjunction with Government's financial priorities and objectives. All accountable officers and authorities are required to ensure that there are procedures in place for the periodic assessment, identification, and treatment of risks inherent in the operations of the department or statutory authority, together with suitable risk management policies and practices.

Estimating Assumptions

The major economic parameters upon which the expenditure and revenue estimates have been based are detailed in the following table.

Table 6

MAJOR ECONOMIC AGGREGATES

	2000-01 Budget Estimate	2001-02 Forward Estimate	2002-03 Forward Estimate	2003-04 Forward Estimate
Real gross State product ^(a) (%)	4.0	4.5	5.0	5.0
Consumer price index (%)	3.0	2.75	2.75	2.75
Wages growth ^(b) (%)	3.5	3.5	3.5	3.5
Employment growth ^(b) (%)	2.5	2.5	2.75	2.75
GSP implicit price deflator ^(c) (%)	2.5	2.5	2.25	2.25
\$/A/\$US	0.605	0.605	0.605	0.605
Oil Price \$/US	22.00	19.00	19.00	19.00

- (a) Gross State product (GSP) is the broadest measure of economic activity at the State level. It is measured as the sum of all final expenditures in an economy in a given period. GSP includes private and public sector consumption and investment and the net result of exports minus imports. Growth in GSP is used in forecasting a number of State taxes, including stamp duties and financial transactions taxes and analysing movements in major budget aggregates
- (b) These labour market aggregates are used in forecasting payroll tax revenue.
- (c) The GSP implicit price deflator is a derived measure of price movement within GSP. It reflects movements in prices across a broad range of goods and services, unlike the consumer price index which measures movements in prices of consumer goods and services only. Therefore, the implicit price deflator provides a more representative measure of cost pressures on Government services.

Parameter Sensitivity of the Estimates

The estimated effects on revenue estimates of variations in wages and employment growth, the national consumer price index, the \$A/\$US exchange rate and oil prices are as follows:

- The annual payroll tax estimate varies by around \$8 million for each 1.0 percentage point variation in wages and/or employment growth;

- The total annual mining revenue estimate (including North-West Shelf petroleum royalties) varies by around \$11.0 million for each 1.0 cent variation in the \$A/\$US exchange rate;
- The annual petroleum royalty estimate (including North-West Shelf petroleum royalties) varies by around \$17 million (before Commonwealth Grants Commission effects) for each \$US1 variation in the price of a barrel of oil; and
- Commonwealth general purpose grants vary by around \$25 million for each 1.0 percentage point variation on the national consumer price index.

Expenditure

The forward estimates assume price increases consistent with the GSP implicit price deflator and include a provision of 6% for productivity based salary and wage increases over the 2 year period 1999-2000 to 2000-01.

Agencies are required to fund any wage increases in excess of 3% (and not more than 6%) over the 2 years 1999-2000 and 2000-01 through productivity increases. To the extent that there is any slippage in these savings, there is likely to be upward pressure on expenditure.

Demand for public sector expenditure is to a large extent driven by economic growth, which is not necessarily matched by comparable increases in Western Australia's budget revenue. This situation reflects the narrow base of some of Western Australia's taxes and low growth in grants from the Commonwealth. Growth in grants is low largely because of Western Australia's declining share of these grants (which redistribute the revenue benefits of Western Australia's relatively high economic growth and particularly from off-shore petroleum royalties, to other States).

The budget incorporates estimates of reduced input costs for State agencies as a result of national tax reform. Input costs are expected to fall as a result of the elimination of wholesale sales tax and reduction in fuel costs which are embedded in the cost of goods and services. The Commonwealth has recouped these savings through the tax reform guarantee arrangements. To the extent that savings are not realised (or are passed on in reduced charges to a greater extent than expected), there will be greater pressure on expenditure.

Financial Risks

Financial risks are either general developments or specific events that may have an effect on the fiscal outlook. Financial risks may affect both expenditure and revenue, and may be positive or negative.

2000-01 Economic and Fiscal Outlook

Details of known financial risks that may have an impact on the Government's financial projections but are not reflected in the forward estimates are briefly discussed in the following paragraphs.

Capital Works

The projected capital works budget assumes that a number of projects will be progressed by private sector involvement. A number of projects are also predicated on the continuance of Commonwealth funding in accordance with existing agreements (eg. Jervoise Bay).

The capital works budget also assumes that a number of projects will be funded from the proceeds of asset sales. If these asset sales do not eventuate either the new works will not proceed, or funding will be required from elsewhere.

Commonwealth Grants

General Purpose Grants

The State budget is protected from lower than expected GST revenue growth by the tax reform guarantee arrangements, which act to ensure that the State budget is no worse off than if current arrangements had continued (so the guarantee payments will rise to offset any GST revenue shortfall). While the State is on the guarantee (as is currently expected for the forward estimates period), total general purpose grants to the State will depend upon parameters such as the Consumer Price Index and population growth (reflecting the pre-tax reform arrangements), rather than actual GST collections.

On the other hand, if GST revenue growth is higher than projected, the guarantee payment may no longer be required, in which case the State's revenue would be higher than forecast. This is more likely to occur later in the forward estimates period.

Western Australia's share of general purpose grants is forecast to decline steadily over the forward estimates period. This decline reflects the impact of the Commonwealth Grants Commission's assessment of the State's fiscal position relative to other States. These assessments are updated each year and consequently there is considerable scope for variations in the State's expected share.

Competition payments (\$46 million in 2000-01) are conditional on the State satisfying the Commonwealth on its progress in implementing National Competition Policy and related reforms. If the National Competition Council considers that our obligations have not been met, and the Commonwealth accepts that assessment, funding from this source would be reduced.

Specific Purpose Payments (SPPs)

The Commonwealth has made a commitment not to cut aggregate SPPs as a result of tax reform, reflecting the intention that the States should be better off under the new tax arrangements. However, should GST revenues grow substantially in future years, there is a risk the Commonwealth may allow SPPs to erode over time.

SPP forward estimates have a margin of uncertainty (particularly in later years) reflecting the potential for Commonwealth policy changes, the reliance of funding in some cases on State submissions, future negotiations on detailed funding arrangements and parameter uncertainties.

State Taxes

As noted above, the forward estimates are based on projected growth in key economic parameters such as employment, wages and State final demand. Risk factors in these projections include international developments and the outlook for business investment.

Some of the tax estimates are subject to uncertainty over the impact of tax reform, particularly the impact on some stamp duty bases and the behavioural response of taxpayers. The major areas affected are stamp duty collections on motor vehicle sales (where the GST will replace a much higher rate of wholesale sales tax), property purchases (residential property prices are generally expected to increase in response to the GST) and insurance.

Stamp duties linked to the historically volatile property and share markets are difficult to forecast, although stamp duty on listed securities will be abolished in 2001-02 under national tax reform.

The estimates for financial transactions are subject to the uncertain impact of further developments in banking and payments technologies. Although this risk will be less important after the abolition of financial institutions duty in 2001-02, the remaining bank accounts debits tax base may be eroded by more widespread use of alternatives to cheque facilities.

Mining Royalties

As noted above, the mining royalty estimates are sensitive to relatively small movements in oil prices and the \$A/\$US exchange rate. The future direction of these parameters is difficult to predict.

The forward estimates of the gold royalty assume that an average gold price of over \$US450/oz will trigger the full royalty rate of 2.5% for the whole of 2000-01 and the forward estimates period.

Contingent Liabilities

Contingent liabilities are costs, which the Government of Western Australia will have to meet if a particular event occurs. Typically, contingent liabilities consist of guarantees, indemnities and sureties, as well as legal and contractual claims. Contingent liabilities constitute an important component of risk around the financial position. As at 30 June 1999, the latest date at which published figures are available, quantified contingent liabilities of the Treasurer¹ were in the order of \$1,734.5 million comprising:

- Contingent liabilities under guarantees, indemnities and sureties (\$422.5 million); and
- Guaranteed obligations of the Bank of Western Australia Ltd (\$1,312 million at credit risk equivalent)²

In addition, there are unquantified contingent liabilities for warranties given on the sale of BankWest and the Dampier to Bunbury Natural Gas Pipeline.

With the sale of BankWest, the State gave warranties in respect of taxation and BankWest's previous land development activities. The taxation warranties apply for seven years from privatisation to 2002 for jurisdictions outside Western Australia. The warranties in respect of the bank's land development activities were provided to BankWest and to LandCorp (the land development activities were transferred to LandCorp) to ensure both were guaranteed for past and future liabilities arising from land development activities.

Under the Asset Sale Agreement relating to the sale of the Dampier to Bunbury Natural Gas Pipeline, the State issued the following indemnities:

- An indemnity in favour of Epic Energy in relation to certain aspects of the Alcoa Agreement covering the period from the sale to 30 June 2005.
- An indemnity in favour of the six AlintaGas directors against any liability incurred as a consequence of acting in accordance with the Ministerial Direction to execute the Asset Sale Agreement.

¹ Excluding guaranteed borrowings and unfunded superannuation liabilities which are identified as part of the calculation of net worth in the balance sheet of the total public sector. For the purposes of identifying contingent liabilities in the *Treasurer's Annual Statements*, guaranteed borrowings and unfunded superannuation liabilities are included in the aggregate. However, for the purposes of identifying additional risk, the balance sheet explicitly accounts for all borrowings (guaranteed or not) and unfunded superannuation as public sector liabilities.

² It should be noted that the value of these obligations has declined rapidly from the \$9,680 million at the time the bank was privatised on 1 December 1995.

The warranties provided by AlintaGas under the Asset Sale Agreement expired at the end of March 1999. The liability under the warranty is limited in aggregate to \$50 million. Epic has raised five items under the warranty; these claims have yet to be resolved.

CHAPTER 3

Forward Estimates of Revenue, Expenses and Capital

Summary

This chapter discusses in detail the estimates of general government revenue and expenses for the budget year and the forward estimates period. It also details the general government's capital program.

Revenue is expected to increase by \$468.4 million, partly reflecting additional Commonwealth grants to meet increased expenditures resulting from tax reform, but also including revenue growth in royalties and (after adjusting for tax reform impacts) taxes, grants and revenue from public corporations.

Overall expenses are projected to increase by 3.9% or \$366.4 million in 2000-01 with the bulk of the increase being related to the health, education and justice sectors, and new expenses associated with tax reform.

“Expenses” differ from “appropriations” in that while appropriations provide agencies with capacity to pay for their activity, expenses recognise the cost on an accounting basis in providing the activity. Principal differences occur year to year due to the depreciation of capital, the provisioning for future liabilities and movements in cash reserves.

In 2000-01 the State's capital program is expected to total \$3.3 billion, which is an increase of \$68 million on the estimated outturn for 1999-2000 and a record level.

REVENUE

Overview

Revenue growth has exceeded expectations in 1999-2000, with major contributions coming from petroleum royalties and stamp duty on property purchases. However, oil prices are expected to return towards their long term level during 2000-01 and over the budget period. A dip in property transactions is also expected in 2000-01.

Tax revenues will fall in 2000-01 due mainly to the abolition of franchise fee safety net revenues, and in 2001-02 due to the abolition of financial institutions duty and stamp duty on listed marketable securities. Abolished and reduced State taxes will be replaced by GST revenue grants and guarantee assistance from the Commonwealth.

Nevertheless, total revenue is expected to grow by around 5.0% in nominal terms in 2000-01, similar to growth in 1999-2000. This partly reflects additional Commonwealth funding, of \$158.0 million, provided to meet increased expenditures resulting from tax reform. As well, a reduction in property taxes is expected to be offset by solid growth in most mining royalties and (after adjusting for the impact of tax reform) growth in other State taxes, revenue from public corporations, and Commonwealth grants. However, a continuing decline in Western Australia's share of Commonwealth grants, and lower mining royalties, are expected to result in slower growth over the forward estimates period.

Table 1

GENERAL GOVERNMENT REVENUE

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
Taxation revenue	3,270.2	3,401.1	2,706.2	2,662.2	2,814.6	2,982.3
Mining royalties	419.4	441.4	520.5	514.6	504.6	505.6
Public corporations	574.9	649.8	676.5	731.4	793.5	825.2
Commonwealth grants	3,488.6	3,831.7	4,880.5	5,036.5	5,096.5	5,168.9
Sales of goods and services	884.5	764.6	762.9	752.6	739.5	744.5
Interest income	106.5	83.9	85.6	87.6	78.7	84.4
Other	200.6	197.7	206.6	180.5	175.5	176.4
TOTAL REVENUE	8,944.5	9,370.3	9,838.7	9,965.3	10,202.9	10,487.2

The remainder of this section outlines the revenue estimates through to 2003-04 in each of the major revenue categories. Information on major exemptions and concessions is included in the *Tax and Royalty Expenditure Statement* in Appendix 6.

There are no new taxes or tax increases in 2000-01, notwithstanding the cost and demand pressures on core government services and another substantial \$56 million reduction in Western Australia's share of Commonwealth grants as a result of Grants Commission recommendations. The outlook for the various revenue categories is affected by the expected pace and composition of economic activity and the impact of tax reform.

The following discussion of revenue aggregates and trends is based on the uniform public finance reporting agreement of all Australian Governments.

Components of Revenue Estimates

Taxes

The following table summarises the budget projections for State taxes.

Table 2

TAXATION REVENUE						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE						
Payroll taxes	753.5	755.4	809.3	859.3	921.5	980.7
TAXES ON PROPERTY						
Land taxes	178.4	205.0	209.5	224.2	239.9	256.6
Stamp duties on financial and capital transactions	569.5	629.5	584.4	610.5	655.7	700.3
Financial institutions transaction taxes	234.6	236.3	240.8	116.7	105.0	106.0
Other	40.5	36.4	38.6	40.9	43.5	46.2
Total	1,023.0	1,107.2	1,073.3	992.3	1,044.1	1,109.1
TAXES ON PROVISION OF GOODS AND SERVICES						
Taxes on gambling	172.1	170.2	115.9	113.3	116.1	121.6
Taxes on insurance	166.7	193.3	211.0	219.2	227.8	236.5
Other	2.2	3.6	3.0	1.1	1.5	1.8
Total	340.9	367.1	329.9	333.7	345.4	359.9
TAXES ON USE OF GOODS AND PERFORMANCES OF ACTIVITIES						
Motor vehicle taxes	414.1	422.0	459.6	476.9	503.5	532.6
Franchise fees	738.8	749.4	34.0	0.0	0.0	0.0
Total	1,152.8	1,171.4	493.6	476.9	503.5	532.6
TOTAL TAXES	3,270.2	3,401.1	2,706.2	2,662.2	2,814.6	2,982.3

2000-01 Economic and Fiscal Outlook

Most taxes are collected by the State Revenue Department or other State regulatory authorities. However, in the case of franchise fee safety net revenues, the Commonwealth government collects revenues through its excises (on tobacco and fuel) and wholesale sales tax (on liquor) on behalf of the States.

The estimated falls in total tax revenue in 2000-01 and 2001-02 are mainly due to the abolition of franchise fee safety net revenues in 2000-01 (together with the payment of GST reimbursements to gambling operators), followed by financial institutions duty and stamp duties on listed marketable securities in 2001-02, as part of national tax reform.

Under the Commonwealth's guarantee that State budgets will be no worse off under national tax reform, the revenue losses from abolished and reduced taxes will be offset by GST revenue grants and guarantee assistance from the Commonwealth. Details of these arrangements are outlined in the section below on Commonwealth grants and in Chapter 5: *Intergovernmental Relations and Tax Reform*.

Abstracting from the tax reform arrangements, the growth in tax revenues is expected to be only around 3.1% in nominal terms in 2000-01, largely reflecting an expected fall in stamp duty from property transactions. After adjusting for the abolition of financial institutions duty and stamp duties on listed marketable securities, stronger growth in tax revenues is expected in the forward estimates period.

Table 3 compares Western Australia's tax rates (revenue raising effort) with each State and Territory using both the latest Commonwealth Grants Commission data and data on taxes as a proportion of GSP. Under the Grants Commission measures, an index of over 100.0 means above average revenue raising effort (ie. higher taxes than the national average).

Table 3

REVENUE RAISING EFFORT, 1998-99

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Grants Commission's Data								
- Total Taxation	109.8	99.8	84.5	88.0	105.9	92.8	97.2	92.7
- Own Source Revenue	105.7	95.6	96.3	92.3	112.4	94.9	95.6	86.9
Taxation as a % of GSP	6.7%	6.1%	4.8%	5.1%	6.1%	6.0%	5.2%	5.2%

Western Australia has the second lowest taxation (behind Queensland) and own source revenue (behind the Northern Territory) raising efforts of the States and Territories. Specific taxes which are below average in Western Australia include payroll tax, gambling taxes and motor vehicle licence fees.

Additional information on the assumptions underlying the estimates for each of the major GFS tax revenue categories are set out below.

Taxes on employers' payroll and labour force

This category is comprised exclusively of payroll tax collections and is expected to account for around 29.9% of total taxation in 2000-01.

Growth in payroll tax collections in 1999-2000 is significantly below last year's budget expectations, which assumed growth in line with overall wages and employment. However, the sectoral composition of employment growth has a significant impact on payroll tax revenue. Activity in 1999-2000 has been strong in areas which are outside the payroll tax base (such as small businesses in the home building industry). On the other hand, downsizing has occurred in a number of large enterprises which are major payroll tax contributors.

Notwithstanding developments in 1999-2000, the growth in payroll tax collections is expected to mirror the increases in wages and total employment for the period 2000-01 to 2003-04. This outlook is consistent with expected broader based employment growth. This growth should also be supported by the increase in the Superannuation Guarantee Charge (from 7% to 8% on 1 July 2000, and to 9% on 1 July 2002) and the State Revenue Department's compliance programs.

Nevertheless, the base reduction experienced this year is reflected in significantly lower estimates of payroll tax across the budget and forward years than was forecast in the 1999-2000 Budget. For example, the estimate for 2002-03 is now about \$100 million less than was previously forecast.

Taxes on property

This category comprises land taxes, stamp duties on financial and other capital transactions and financial institutions transaction taxes. These taxes are estimated to account for around 39.7% of total taxation in 2000-01.

The low growth in land taxes in 2000-01 is largely due to 1999-2000 collections being inflated by some payments which were deferred from 1998-99. The underlying growth in land values is estimated to be around 4.4% in 2000-01. Port authorities will become liable for land tax from 1 July 2000, adding around \$3.2 million per annum to taxation revenue.

Stamp duties on financial and other capital market transactions include stamp duties on property conveyances, mortgages and marketable securities. Estimated 1999-2000 collections are significantly higher than expected in last year's budget, mainly due to strong activity in the residential property market. This activity would be partly attributable to the pull forward of housing purchases into 1999-2000, ahead of the introduction of the GST on 1 July 2000.

2000-01 Economic and Fiscal Outlook

A temporary unwinding of the strong level of property activity after 1 July 2000 is expected to reduce collections from this source in 2000-01. The abolition of stamp duties on listed marketable securities will further reduce collections from stamp duties on financial and other capital market transactions in 2001-02.

Financial institutions transactions taxes comprise financial institutions duty (FID) and bank accounts debit tax. The 2000-01 estimates reflect past experience of these revenues growing more slowly than the general economy, due in part to the narrow bases of the taxes. The estimated fall in financial institutions transactions taxes in 2001-02 is due to the abolition of FID. Under the national tax reform program, bank accounts debit tax is earmarked for abolition in 2005-06, subject to how much revenue the GST raises for the States.

Taxes on the provision of services

This category includes taxes on gambling and insurance, and some minor levies and excises. These tax revenues are expected to account for around 12.2% of total taxation revenue in 2000-01.

Taxes on gambling comprise taxes on lotteries, casino tax, TAB betting tax and taxes on video lottery terminals (a very small item). The reduction in revenues from gambling after 1999-2000 is due to the reimbursement of GST on gambling margins under the national tax reform program, to ensure that the net tax impost on gambling does not increase.

The Lotteries Commission is projecting low growth in their revenues across the forward estimates period, but no provision has been made for new games which would boost turnover. Casino tax revenue is also assumed to grow slowly – high roller activity has not responded quickly to the stabilisation of Asian economies and Burswood continues to face intense competitive pressures from other casinos. TAB betting turnover is expected to grow by around 3% in 2000-01 and the forward estimates period. This outlook includes the expected benefit of expansion of the TAB's telephone and Internet betting facilities.

Taxes on insurance comprise stamp duties on insurance policies and the fire brigade levy paid by insurance companies. The estimate for 1999-2000 has increased by around \$17.6 million since last year's budget. This reflects the late decision not to proceed with the proposal to transfer the fire brigade levy from insurance companies to local governments, and strong growth in premiums (particularly workers' compensation premiums).

In the forward estimates period, underlying growth in the above stamp duties is expected to be around three quarters of the nominal rate of growth in the State economy.

Taxes on use of goods and performance of activities

This category comprises motor vehicle taxes and franchise fee safety net revenues and is expected to account for around 18.2% of total taxation revenue in 2000-01.

Motor vehicle taxes comprise stamp duty on the registration and transfer of vehicle licences and revenues from annual vehicle registration fees.

Estimated stamp duty collections in 1999-2000 have been revised down since last year's budget, due to price discounting and lower motor vehicle sales in the lead up to the abolition of wholesale sales tax (WST) on 1 July 2000. The estimates assume a reversal of the deferred purchases in 2000-01, offsetting (in that year only) the impact of lower prices from the abolition of WST. The replacement of WST by the lower GST is estimated to reduce stamp duty collections by at least \$10 million per annum.

Revenue from annual motor vehicle licence fees is projected by the Department of Transport to increase by around 7.0% per annum (including the CPI indexation factor). This revenue is earmarked for road construction and maintenance.

Under the tax reform program, franchise fee safety net revenues will be abolished in 2000-01. The final amounts to be received by the States in 2000-01 reflect a lag in collections with respect to transactions in the final weeks of 1999-2000.

Estimated impact on stamp duty of GST inclusive prices

The abolition of WST and the introduction of the GST will change the prices on which certain stamp duties are based. Apart from motor vehicles, the prices of most household electrical goods (which are generally covered by household insurance) are likely to fall when the 10% GST replaces the existing WST rate of at least 22%. Property values and business insurance premiums are likely to increase following the introduction of the GST, but in most cases the increases are expected to be less than 10%.

A neutral net impact is expected from applying stamp duty to GST-inclusive prices in 2000-01, due to lower motor vehicle stamp duties offsetting some increases in stamp duties on business insurance and property transactions. By the end of the forward estimates period, higher stamp duties on property conveyances (and business insurance) is expected to outweigh lower motor vehicle stamp duties, resulting in higher total revenues of around \$16 million per annum.

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The only gradual increase in the additional stamp duty revenue from property transactions reflects the fact that the GST won't actually apply to most such transactions, but the impact of the GST on the cost of building a new house is expected to flow through to the value of established houses over a period of time. It should also be noted that the estimates are subject to a high degree of uncertainty.

Hypothecated revenues

This category includes a number of taxes which are initially credited to the Consolidated Fund but subsequently applied to a trust fund for expenditure on a specific purpose. A summary of these hypothecated revenues in 1999-2000 and 2000-01 is shown in Table 4 below.

Table 4

HYPOTHECATED REVENUES^(a)

	1999-00 Estimated Actual \$m	2000-01 Budget Estimate \$m
MAIN ROADS TRUST FUND		
Permit Fees	1.6	1.6
Motor Vehicle Licences	232.0	249.7
METROPOLITAN REGION IMPROVEMENT FUND		
Metropolitan Region Improvement Tax	31.5	33.7
LOTTERIES COMMISSION		
Sports Lotteries Account	8.3	8.4
Arts Lotteries Account	8.3	8.4
Hospital Fund	66.1	66.8
TOTAL	347.8	368.7

(a) Under the GFS classifications, permit fees and annual motor vehicle licence fees are classified as taxes on use of goods and services, the Metropolitan Region Improvement Tax is classified as a tax on property, and taxes on lotteries are classified as taxes on the provision of goods and services.

Other Own Source Revenue

Mining royalties

Mining royalties represent the price paid to the community by mining companies for the right to extract resources which are owned by the community. The royalties are collected by the Department of Minerals and Energy.

The largest contribution to mining royalties comes from iron ore producers. Although petroleum royalties from the North West Shelf project are currently higher than iron ore royalties, these revenues are included in Commonwealth grants rather than own source revenue, reflecting the Commonwealth's constitutional jurisdiction over off-shore areas.

Table 5

MINING ROYALTIES						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
Iron Ore	219.7	203.0	224.5	227.5	229.0	235.5
Petroleum – excluding North West Shelf	17.4	44.7	46.4	36.3	32.8	30.5
Alumina	38.0	38.5	45.5	46.0	46.0	46.0
Diamonds	51.5	50.5	36.0	28.0	28.0	30.5
Mineral Sands	21.3	20.0	24.0	24.0	25.0	26.0
Nickel	17.3	29.0	47.0	60.5	55.0	49.5
Gold	36.6	33.5	68.5	59.5	57.5	55.5
Other ^(a)	17.6	22.2	28.6	32.8	31.3	32.1
TOTAL ROYALTIES	419.4	441.4	520.5	514.6	504.6	505.6
Petroleum – North West Shelf	150.6	392.8	321.2	274.2	249.7	232.0
TOTAL ROYALTIES – INCLUDING NORTH WEST SHELF PETROLEUM	570.0	834.2	841.7	788.8	754.3	737.6
Lease Rentals ^(b)	40.1	36.5	37.0	37.0	37.0	37.0
TOTAL ROYALTIES – INCLUDING LEASE RENTALS	610.0	870.7	878.7	825.8	791.3	774.6

(a) Net amount which includes petroleum related payments to the Commonwealth and miscellaneous refunds.

(b) These revenues are classified as land rent under GFS classifications but were included in territorial revenues (along with royalties) in previous Budgets prepared on a Consolidated Fund basis.

Mining royalties in 1999-2000 are higher than estimated in last year's budget (substantially so if off shore petroleum royalties are included), with an increase in petroleum and diamond royalties more than offsetting lower than expected iron ore royalties. In 2000-01, an increase in nickel production and the assumed application of the full gold royalty rate are expected to contribute to a significant increase in mining royalties.

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The general basis for the mining estimates includes:

- Individual mining company projections of sales and prices supplied to, and modelled by, the Department of Minerals and Energy;
- An exchange rate across the forecast period of \$A1 = \$US0.605 (the average rate in the lead up to the estimates being finalised). All major minerals (except mineral sands) are sold under \$US contracts, but royalties apply to the \$A value; and
- No provision for any planned new mining projects, unless they have already been formally approved and committed to.

Iron Ore

Iron ore royalties are forecast to remain relatively subdued. Price increases arising out of recent negotiations between major producers and Japanese buyers are partly offset by volume reductions.

Petroleum

Western Australia's petroleum royalties are largely received as a specific purpose payment from the Commonwealth in relation to the North West Shelf project. This reflects the Commonwealth's constitutional jurisdiction over off shore areas. In 1999-2000, petroleum revenues have been dramatically boosted by the increase in world oil prices and resumption of production from the Wanaea/Cossack oil fields.

This year's budget estimates assume an easing in oil prices from current levels to around \$US22/bbl in 2000-01 (offset by significantly lower cost deductions for the North West Shelf project) and \$US19/bbl thereafter. Together with industry forecasts of lower production, this contributes to a pattern of declining petroleum royalties across the forward estimates period. The only exception in this regard is that in 1999-2000 the Commonwealth Government has agreed to settle its obligations under Section 130 of the *Commonwealth (Submerged Lands) Act 1976*. This will result in a payment of \$79.1 million in 1999-2000 instead of a payment stream which would otherwise have continued to 2005-06. These payments are exempt from the Commonwealth Grants Commission arrangements.

The strong increase in petroleum royalties in 1999-2000 (flowing through to 2000-01) will be reflected largely in a lower share of GST revenue grants for Western Australia in future years, as a result of the Commonwealth Grants Commission process.

Alumina

Expanded production capacity is expected to be substantially offset by lower prices across the forward estimates period.

Diamonds

Diamond royalties have been much stronger than expected in 1999-2000, as increased demand flowed through to sales and prices, and a significant profit based royalty was triggered. The increased demand was met from existing stockpiles, with production falling due to stabilisation work undertaken in the open pit operation at the Argyle mine. Reduced production and an easing in demand are expected to lead to a fall in diamond royalties across the forward estimates period.

Mineral Sands

Production and prices were relatively flat in 1999-2000. While some increases in royalties are expected in 2000-01, primarily reflecting increased ilmenite sales and stronger zircon prices, the outlook across the forward estimates period is for little further improvement in production and prices.

Nickel

Increased production, including from the new laterite projects, and continuing very strong prices are expected to boost nickel royalties in 2000-01. A fall in nickel royalties is expected in the latter part of the forward estimates period, due to an anticipated easing in prices.

Gold

For gold produced after 1 July 2000, the royalty rate will increase from the current concessional rate of 1.25% to 2.5%, if the average gold price in each quarter is at least \$A450/oz. The budget and forward estimates assume that the price threshold is exceeded in 2000-01 and each of the forward estimate years. The price condition lasts until 30 June 2005, after which the royalty rate will be 2.5% irrespective of the gold price.

Lease Rentals

These mining related charges are essentially for exploration and production licences. Revenues from these charges are expected to be flat across the forward estimates period, reflecting native title issues and the generally subdued outlook for commodity prices.

Public Corporations

The State's major public corporations are liable for dividend and income and wholesale sales tax equivalent payments to the Consolidated Fund. A number of public corporations are also liable for local government rates equivalent payments.

Tax and local government rates equivalents are levied by the State to ensure competitive neutrality (ie. a level playing field) between significant government business activities and private sector businesses. Competitive neutrality is a major part of National Competition Policy and aims to ensure an efficient allocation of resources within the economy.

Table 6

PUBLIC CORPORATIONS

	1998-99 Actual \$m	1999-00 Estimated Actual \$m	2000-01 Budget Estimate \$m	2001-02 Forward Estimate \$m	2002-03 Forward Estimate \$m	2003-04 Forward Estimate \$m
GTE REVENUE						
Income Tax Equivalent	208.9	231.5	253.6	255.4	280.9	295.3
Sales Tax Equivalent	17.9	18.0	-	-	-	-
Local Government Rate Equivalent	7.8	1.8	6.3	4.7	4.8	4.8
Dividends	340.3	398.6	416.5	471.3	507.8	525.1
TOTAL REVENUE	574.9	649.8	676.5	731.4	793.5	825.2

Revenue from public corporations comes mainly from dividends and income tax equivalents. Wholesale sales tax (WST) equivalent payments will cease from 1 July 2000 due to the abolition of WST as part of national tax reform. In addition, there are several changes to company tax arrangements arising from the Ralph Review of Business Taxation, including a reduction in the company tax rate to 34% from 1 July 2000 and then to 30% from 1 July 2001, and changes to depreciation provisions.

Estimated revenue from public corporations in 2000-01 will rise by 4.1% to \$676.5 million compared with the estimated 1999-2000 outturn of \$649.8 million. This is due to a 9.5% increase in income tax equivalents and a 4.5% increase in dividend payments, partly offset by the abolition of WST equivalents.

As a result of improving profitability, strong revenue growth from public corporations is expected in the outyears. This is shown in the above table through increases in income tax equivalent and dividend payments.

Commonwealth Grants

Commonwealth grants to the State take two forms:

- General purpose grants – which provide funding with no restrictions as to their application; and

- Specific purpose payments – which usually must be applied to a specified activity and have conditions attached.

General Purpose Grants

In 2000-01, general purpose grants will consist of GST revenue grants, associated guarantee payments and the competition payments.

The Commonwealth's national GST collections will be distributed between the States according to the Commonwealth Grants Commission's recommendations. In addition, States will receive guarantee payments as necessary to ensure that no State budget is worse off under tax reform.

GST revenue grants and guarantee payments will replace financial assistance grants, which were the main general purpose grant in 1999-2000 and earlier years. However, the level of general purpose grants in 2000-01 shows a large increase on the previous year, to cover reductions in State revenues (including the abolition of safety net revenues) and increases in State expenditures resulting from national tax reform.

In underlying terms (ie. excluding the effects of tax reform, which are essentially neutral for the budget as a whole), general purpose grants to Western Australia are estimated to increase only \$14.7 million in 2000-01, a decrease of 3.0% in real per capita terms, primarily due to the \$56 million reduction in the State's grant share recommended by the Commonwealth Grants Commission. This decline is largely due to Western Australia's growing capacity to raise its own revenue compared to other States.

Forecasts of GST revenue grants and guarantee payments beyond 2000-01 reflect expectations of a continuing decline in the State's share of grants through the Commonwealth Grants Commission process, and increased grants in 2001-02 to cover further reductions in State revenues associated with national tax reform (ie. abolition of financial institutions duty and stamp duty on listed marketable securities from 1 July 2001).

The forecasts also include a boost from the introduction of the third tranche of competition payments in 2001-02.

As the guarantee payments are expected to continue during the forward estimates period, the net impact of tax reform on the State's budget during this period will be relatively small. However, in the longer term the State should receive increased net revenues as a result of tax reform, as GST revenues are forecast to grow faster than the grants and other State revenues they have replaced.

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Specific Purpose Payments

Specific purpose payments (SPPs) to Western Australia are expected to increase by 7.4% in 2000-01, excluding payments through the State (ie. payments on passed to local government and private schools) and North West Shelf royalties received through the Commonwealth. In real per capita terms specific purpose payments are expected to increase by 3.3% in 2000-01.

As a result of tax reform, the State is receiving an additional \$8.5 million per annum in Commonwealth-State Housing Agreement funding.

Forward estimates of SPPs are provided by the responsible State agencies based on advice received from Commonwealth agencies.

Table 7

COMMONWEALTH GRANTS

	1998-99 Actual \$m	1999-00 Estimated Actual \$m	2000-01 Budget Estimate \$m	2001-02 Forward Estimate \$m	2002-03 Forward Estimate \$m	2003-04 Forward Estimate \$m
GENERAL PURPOSE GRANTS^(a)						
Financial assistance grants	1,588.4	1,592.4	-	-	-	-
GST revenue						
- grant	-	-	2,352.9	2,684.0	2,720.0	2,846.0
- guarantee payment	-	-	227.1	84.0	121.0	27.0
Competition payments	21.3	43.2	45.6	70.0	73.0	75.0
Total General Purpose Grants	1,609.6	1,635.6	2,625.6	2,838.0	2,914.0	2,948.0
SPECIFIC PURPOSE PAYMENTS						
SPPs "to" the State ^(b)	1,374.8	1,384.7	1,487.5	1,461.8	1,449.3	1,485.5
SPPs "through" the State ^(c)	353.6	418.7	446.2	462.5	483.5	503.3
North West Shelf royalties	150.6	392.8	321.2	274.2	249.7	232.0
Total SPPs	1,879.0	2,196.1	2,254.9	2,198.5	2,182.5	2,220.9
TOTAL GRANTS	3,488.6	3,831.7	4,880.5	5,036.5	5,096.5	5,168.9

(a) Safety net revenues received in 1998-99 and 1999-00 are treated as taxes.

(b) Payments in areas of State responsibility. Includes all SPPs other than payments on passed through the State to local government and private schools, and North West Shelf royalty payments received from the Commonwealth.

(c) Payments on passed to local government and private schools.

Sales of Goods and Services

This category represents the amounts that general government agencies charge the public for their goods and services, and includes recoupable works in the case of some agencies.

Estimated revenues from the sale of goods and services are expected to decline marginally from an expected outturn of \$764.6 million in 1999-2000 to an estimate of \$762.9 million in 2000-01. This represents a decrease of \$1.7 million and is largely due to a higher level of recoupable road works being undertaken by Main Roads and CALM during 1999-2000.

Departmental revenues from the sale of goods and services are detailed in the Net Appropriation Determinations Table in Chapter 2 of Budget Paper No. 2.

Interest Income

Interest income is generated from cash holdings and investment of moneys in the public bank account and other governmental trust accounts.

The amount of these cash holdings and investments is expected to decline marginally in 2000-01, but the recent rises in interest rates result in interest income rising by \$1.7 million in 2000-01.

EXPENSES

Basis of Expense Estimates

The budget estimates of expenses for 2000-01 and the later years have been prepared on an accrual basis.

“Expenses” differ from “appropriations” in that while appropriations provide agencies with capacity to pay for their activity, expenses recognise the cost on an accounting basis in providing the activity. Principal differences occur year to year due to the depreciation of capital, the provisioning for future liabilities and movements in cash reserves.

Agency expenses have been adjusted for savings arising from the reforms in the Australian Taxation System (*A New Tax System*) which take effect from 1 July 2000. These reforms are expected to reduce general government expenses and cash payments by approximately \$261 million over the forward estimates period, including \$42 million in 2000-01. The reductions largely consist of savings resulting from the abolition of Wholesale Sales Tax (WST) and lower government fuel prices under the GST arrangements. Details of the estimated savings in expenses across the forward estimates period are at Appendix 7. These amounts have been subtracted from agency appropriations. Commonwealth grants to the State under guarantee arrangements have also been reduced to reflect such savings but in somewhat different amounts. (This is discussed in Chapter 5.)

Estimates for 2001-02 to 2003-04 assume a continuation of the current policies reflected in the outputs budgeted to be delivered in 2000-01. These estimates provide for the expected impact of unavoidable demand factors but make no provision for future new initiatives. These are considered in the annual budget process.

The following table details general government expenses by type. Funding for government agencies by way of appropriation is discussed later in this chapter and in the Budget Statements (Budget Paper No. 2). Expenses by statistical sector are shown in Appendix 2.

Table 8

OPERATING EXPENSES						
General Government						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
		Actual	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
EXPENSES						
Gross operating expenses						
Salaries	3,568.3	3,744.2	3,848.0	3,924.7	4,007.7	4,103.8
Depreciation and amortisation	419.9	422.0	415.7	439.5	445.0	454.4
Superannuation	322.7	369.6	343.3	342.9	353.0	342.7
Other	2,362.3	2,415.3	2,430.5	2,432.0	2,458.7	2,514.4
Nominal superannuation interest	275.9	296.6	302.8	305.6	307.2	307.5
Other interest	224.2	207.6	223.9	225.9	235.6	245.4
Current transfers	1,653.4	1,716.3	1,987.5	2,034.1	2,089.8	2,116.5
Capital transfers	253.9	258.7	245.0	214.5	213.9	182.8
Total	9,080.6	9,430.3	9,796.7	9,919.2	10,110.8	10,267.5

Note: Columns may not add due to rounding.

Total expenses of the general government sector are expected to be \$9.80 billion in 2000-01. This is an increase of \$366.4 million (3.9%) over the expected outturn for 1999-2000 and follows similar growth in expenses in the previous year. Net of tax reform effects general government expenses are expected to increase by \$196.5 million or 2.1% (a real decline of 0.3%), showing an underlying decline in expected growth in expenses.

By far the largest component of operating expenses for the general government sector is salaries paid to employees. This accounts for 39.3% of total expenses in 2000-01.

The total salary expense for the general government sector is expected to increase by \$103.8 million (2.8%) in 2000-01, and reflects changes in both salary levels and in employee numbers across the spectrum of government agencies.

Public sector salary levels are governed by public sector wages policy, which provides for increases of up to 6.0% over the 2 year period 1999-2000 and 2000-01 with half this increase to be achieved by productivity improvements.

The second largest component of expenses, other gross operating expenses, primarily comprises purchase of goods and services by government agencies. This is expected to remain relatively stable over the forward estimates period, increasing by only 0.1% (\$15.2 million) in 2000-01 and on average by 1.0% per annum over the forward estimates period. The introduction of the GST is not expected to impact on this expense because the accounting treatment takes GST through the cash flow statement and balance sheets only.

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General government superannuation expenses experienced a one off increase in 1999-2000 because the sector assumed certain superannuation liabilities of the public non-financial corporations sector (formerly the public trading enterprise sector). These liabilities were previously paid to that sector on an emerging basis. Over the projection period, superannuation expenses are expected to remain relatively stable.

Depreciation costs are expected to increase marginally across the forward estimates period as the stock of capital increases.

Increased interest payments reflect a moderate increase in the stock of debt resulting, in turn, from capital investments. These interest payments remain at a historically low level, notwithstanding recent interest rate increases.

General government expenses are primarily facilitated by appropriations to agencies from the Consolidated Fund. Government policy decisions are generally effected by increases or decreases in appropriations to fund agency outputs.

The introduction of national tax reform has added \$169.9 million to expenses. These increases result from the new First Home Owner's Scheme, payments to the Commonwealth for administration of the GST and increased expenditures on public housing, which are partly offset by reduced input costs for agencies.

CAPITAL

Capital Investment

Capital investment is an integral component of the Government's budget strategy. Investment expenditure is essential to make facilities such as schools, hospitals, roads, power, water, and parks available to the community and is necessary to maintain the State's asset base and promote economic development.

The capital investment information reflects the total investment undertaken by the Western Australian public sector and encompasses both the general government sector and public corporations such as AlintaGas, Port Authorities, Western Power, and the Water Corporation. Agency works programs and project information are presented in Chapter 3 of Budget Paper No. 2.

The capital information provided in Budget Paper No. 2 excludes the funding support provided by the State to local government for infrastructure. This funding is reported in a separate table listing details of controlled grants, subsidies and transfer payments within each agency's information in Chapter 3 of that Budget Paper. Such funding is utilised in the provision of services to the community, such as local roads, sporting and recreational facilities through funding to Main Roads Western Australia and the Community Sporting and Recreation Facilities Fund.

2000-01 Capital Works Program

The State's total planned 2000-01 Capital Works Program, including public corporations, is \$3.3 billion, \$68 million higher than the expected 1999-2000 outturn of \$3.2 billion.

The Capital Works Program for 2000-01 is compared to 1999-00 in Table 9 below. The Program is predicated on works in progress and new works as set out for each agency in Budget Paper No 2.

Table 9

PUBLIC SECTOR CAPITAL WORKS PROGRAM

POLICY AREA ^(a)	1998-99	1999-00	2000-01
	Actual \$m	Estimated Outturn \$m	Estimate \$m
Health	95.9	65.4 ^(b)	95.4 ^(b)
Education	113.0	176.3 ^(c)	145.5 ^(c)
Social Security & Welfare	8.8	9.4	9.3
Public Order & Safety	88.4	167.8	150.7
Transport & Communications	629.0	814.1	744.2
Mining, Manufacturing & Construction	10.8	9.0	24.1
Agriculture, Forestry & Fishing	16.4	29.8	29.6
Housing & Community Services	1,244.4	1,380.7	1,461.1
Recreation & Culture	22.0	44.7	20.0
Fuel & Energy	395.5	269.6	304.8
General Public Services	102.3	175.4	228.1
Other Economic Affairs	34.7	49.2	46.3
GRAND TOTAL	2,761.1	3,191.4	3,259.0

(a) Policy Areas reflect the Government Purpose Classification categories under Government Finance Statistics.

(b) The reduction of expenditure in 1999-00 is primarily due to a delay in project cashflows to 2000-01.

(c) The higher expenditure in 1999-00 and 2000-01 can be attributed in amounts of \$63 million and \$30 million respectively for works associated with the Local Area Education Planning Process.

Note: Columns may not add due to rounding.

At \$3.3 billion, the 2000-01 capital works program shows a continuing high level of investment by Government. This has grown from \$1.65 billion in 1993-94, with the implementation of a number of significant projects. These include completed projects such as the Collie power station and the Graham Farmer Freeway, and a number of works in progress, as summarised below.

This growth reflects significant investment across social and economic infrastructure as illustrated in Table 9. Key expenditures include:

- Health: \$94 million for metropolitan and regional projects including major hospital redevelopments/upgrades at Armadale, Geraldton, Halls Creek, Kalamunda, Kalgoorlie, Margaret River, Moora and Narrogin; and \$1.4 million for sobering up centres under the Drug Abuse Strategy;

- Education: a total of \$145.5 million involving \$131 million for government school infrastructure; nearly \$10 million for country high school hostels; and \$5 million for computers in non government schools;
- Social Security & Welfare: a total of \$9.3 million including \$8.3 million by Family & Children Services involving community centres, child care facilities, the upgrade of the department's four metropolitan community support hostels and service delivery offices; and \$1 million by the Disability Services Commission;
- Public Order & Safety: \$150 million involving \$65 million for Justice including \$21 million for completion of the \$79 million Acacia Prison, \$12.9 million for completion of facilities at Bandyup, Pyrton, Rangeview and Canning Vale; \$76 million for Police Services including construction of the new \$45 million police academy at Joondalup, \$10.5 million to commence the construction of a new \$42 million Operations Support Facility at Midland and completion of new police stations at Bunbury, Busselton, Geraldton, Kellerberrin and Kiara;
- Transport & Communications: expenditure of \$64 million by the Department of Transport including \$35 million for the acquisition of new buses and \$6 million for preliminary works for the Kenwick to Jandakot Railway; \$416 million by Main Roads for new roads, upgrades and major improvements (excluding maintenance and grants to local authorities) including \$61.3 million as part of a \$160 million project for the Kwinana freeway extension to Safety Bay Rd and \$14.3 million to complete the duplication of the Narrows Bridge; \$184 million by Westrail including \$87 million for track improvements and \$36.8 million for locomotives and rolling stock; and \$80 million by the eight port authorities to meet specific customer needs to facilitate trade; meet growth in new services, replace or upgrade existing assets and to improve operating efficiency and productivity;
- Mining, Manufacturing and Construction: \$2.2 million by the Department of Minerals and Energy; \$16 million by Gold Corp including \$12 million for construction of a new building adjacent to the Perth Mint; and over \$5 million by the Department of Resources Development;
- Agriculture, Forestry and Fishing: \$10.7 million by the Department of Agriculture for continuation of the agency's regionalisation program will result in new or extensively refurbished premises including Bunbury, Geraldton, Manjimup, and Katanning; and establishment of Community Agricultural Centres across the State; \$5 million by the Perth Market Authority; and \$5.2 million by the Fisheries Department including regional aquaculture and vessel replacement;

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- **Housing & Community Services:** planned expenditure of \$727 million by Homeswest to enhance the provision of public housing; and \$473 million by the Water Corporation including \$116 million for major improvements in wastewater treatment in the metropolitan area;
- **Recreation and Culture:** \$20 million with \$6.2 million by the Botanic Gardens & Parks Authority for facility and infrastructure upgrades at Kings Park, environmental and cultural heritage restoration works along the Mt Eliza scarp, and environmental management of Bold Park; \$3.3 million for completion of the International Motor Sport Facility; and \$4.7 million by the Ministry of Culture and the Arts for the upgrade and maintenance of the State's cultural facilities;
- **Fuel & Energy:** Planned expenditure of \$28 million by AlintaGas including the laying of over 150 km of mains across the network and in new subdivisions and the replacement of approximately 25 km of cast iron, galvanised iron and steel mains with PVC; and \$276 million by Western Power involving \$87 million for new customer connections, \$13.4 million for the Underground Power Program, and over \$150 million for expansion and improvements to the transmission and non interconnected systems;
- **General Public Services:** \$228 million includes \$2.9 million for upgrades at Parliament House; \$23.6 million by the Government Projects Office overseeing the construction of a world class museum on the Fremantle Waterfront; \$81.5 million by the Department of Commerce and Trade for various projects including \$19.6 million for completion of the CSIRO facility at Bentley, \$47.6 million to progress the Jervoise Bay southern precinct harbour infrastructure to provide for the future needs of the shipbuilding and offshore oil and gas industries; and \$5 million for various regional development projects; and
- **Other Economic Affairs;** \$46.3 million including \$23.9 million for vocational education and training facilities; \$4.5 million by the Tourism Commission; and \$12.9 million by the Lotteries Commission.

Funding Sources

The State's total 2000-01 Capital Works Program is financed from appropriations (21%), asset sales (8%), borrowings by authorities (19%), Commonwealth grants (8%), specific contributions (3%), and other funds generated by agencies (41%).

The total public sector Capital Works Program is summarised in the following table:

Table 10

FUNDING – PUBLIC SECTOR CAPITAL WORKS PROGRAM

Sources	1998-99 Actual ^(a) \$m	1999-00 Estimated Outturn ^(a) \$m	2000-01 Estimated \$m
Appropriations	441.5	484.8	680.1 ^(b)
Asset Sales	301.3	218.0	263.4
Borrowings	170.9	603.9	625.9
Commonwealth	180.7	195.9	266.4
Specific Contributions	70.5	96.7	77.0
Other	1,596.2	1,592.1	1,346.3
GRAND TOTAL ^(b)	2,761.1	3,191.4	3,259.0

(a) Classification of figures for 1998-99 and 1999-00 adjusted for comparison purposes.

(b) Increase in appropriations due to transfer of portion of Main Roads funding from Other category.

Note: Columns may not add due to rounding.

Financing arrangements for individual agencies during 2000-01 and the three outyears, along with details of capital expenditure and other funding sources are summarised in Appendices 9 and 10.

The contribution from the appropriations to capital works over the forward estimates essentially remains in the range \$640 to \$730 million and represents the annual contribution from general revenue sources available for capital purposes, primarily to the general government sector agencies such as Health, Education, Police, Transport, etc.

Capital expenditure by agencies sourced otherwise was at historically high levels in 1999-2000 and remains high in 2000-01. This is primarily due to major expenditure by public corporations such as Western Power (for expansion and improvements to the transmission and non interconnected systems and other generation), Westrail (on track improvements and new rolling stock) and the Water Corporation (on the infill sewerage program) on a number of strategic projects. These agencies use internal sources of funds and borrowings.

Total capital expenditures in 2001-02, 2002-03 and 2003-04 are expected to decrease when compared to the previous year. The reductions are due mainly to a progressive decline in the capital programs of the public corporations.

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Asset sales in 2000-01 of \$263.4 million will be used to fund the construction of new infrastructure and represent 8% of capital funding sources. The criterion for identifying which properties are suitable for disposal is whether or not a property contributes adequately to the delivery of agency outputs.

A significant proportion of assets are either acquired or disposed of by the public corporations in the normal course of their business. In 2000-01 Homeswest proposes to finance capital investment by selling land estimated at \$147 million, while Landcorp seeks to spend over \$74 million acquiring properties prior to resale for industrial and urban development.

Other agencies that are utilising asset sales to finance their capital works in 2000-01 include, the Police Service (\$31.0 million), Education (\$17.1 million), the Subiaco Redevelopment Authority (\$6.4 million) and Health (\$5.0 million).

Proceeds from the sale of existing assets are commonly used to fund the construction of new infrastructure. For example, under the local area education planning process, the proceeds of disposal of under utilised schools are being directed to construct new schools such as Shenton College and the Peel Senior Campus. The aim of this process is to provide suitable facilities that support improved student access to curriculum and widen curriculum choice.

Borrowings, shown in Table 10, represent new borrowings raised to fund the required capital works. As this does not take into account repayment of capital, it will not necessarily reconcile with the movement in net debt across the sector. The borrowings are primarily undertaken by the public corporations such as the Water Corporation and Westrail, but also include general government agencies such as Main Roads, the Fire and Emergency Services Authority and the Disability Services Commission which have the authority to borrow. The increase in borrowings from 1998-99 to 1999-00 is primarily attributable to increased expenditure by the Water Corporation and Main Roads, with an increase of \$210 million and \$151 million respectively. These increases were used to fund projects such as the Infill Sewerage Program, various major water and wastewater projects by the Corporation and the Main Roads Transform WA program.

Total sector net debt will increase by \$595.2 million to \$5,999 million in 2000-01. Thereafter, debt across the forward estimates will remain around \$6,100 million. These estimates do not include any provision for debt reductions from the sale of AlintaGas or the freight operations of Westrail.

In addition to the above, the Commonwealth contributes funding to agencies such as Education, Health, Homeswest, Main Roads and Training and Employment under specific programs, usually involving a dollar for dollar matching funding arrangements. A decline in Commonwealth funding after 2001-02 can be attributed to one off contributions such as the \$80 million contribution to the \$159 million Jervoise Bay infrastructure project through the Commonwealth's Federation Fund.

Specific contributions are primarily funds forwarded by developers to agencies such as Western Power and the Water Corporation, as their contribution to the capital cost of headworks and services.

The “Other” category generally refers to funds accumulated by agencies such as cash surpluses and the carry over of funds not expended on projects in the prior year. However this category may also include minor asset sales or agency revenue set aside for expenditure of a capital nature.

The following table summarises the total public sector capital works program on the basis of the agency’s classification (See Appendix 1) as either general government sector or public corporations.

Table 11

PUBLIC SECTOR CAPITAL WORKS PROGRAM

Sector	1998-99	1999-00	2000-01
	Actual \$m	Estimated Actual \$m	Estimated Actual \$m
General Government Sector	976.7	1,372.5	1,168.1
Public Corporations	1,784.4	1,818.9	2,090.9
GRAND TOTAL	2,761.1	3,191.4	3,259.0

Note: Columns may not add due to rounding.

The proportion that the general government sector forms of the total public sector program has increased significantly in 1999-2000, partly due to an increase in the expenditure on roads, schools, Acacia prison and police facilities.

The forward estimates for capital projects are subject to revisions from year to year and adjustments may be necessary to the outyears in order to accommodate changed circumstances and priorities. This would include changes associated with projects currently under consideration but for which reliable cost estimates are not currently available.

Major features of the appropriations and forward estimates

The following discussion highlights major features of the appropriations proposed for 2000-01. Appropriations are provided for recurrent and capital purposes and reflect the cash requirements of agencies to provide their outputs. Total appropriations will increase by 5.2% in 2000-01, following an increase of 5.7% in 1999-2000.

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In a limited number of cases capital expenditure mentioned below is funded by means other than appropriations. The amount of such funding is shown in Appendix 10 in aggregate and in agency capital works tables in Budget Paper No. 2.

Health

Health

The recurrent allocation for 2000-01 of \$1.8 billion exceeds the 1999-2000 estimated outturn by \$62.2 million. This represents a 3.6% nominal increase or 1.2% in real terms. The additional recurrent funding primarily represents:

- An additional \$40 million has been provided to meet increased public demand for quality health services;
- \$7.6 million towards additional oral health commitments;
- \$2 million to support the Western Australian Institute of Medical Research which specialises in research into adult diseases, and
- \$10 million for the purchase of major medical equipment including imaging, diagnostic and laboratory equipment for patient care.

The capital works appropriation for Health is \$89 million, which represents a \$23.9 million increase on the 1999-2000 expected outturn. The major components of the capital works planned for 2000-01 are:

- \$2.8 million (as part of a \$25.9 million project) for various metropolitan Health Services developments including an upgrade of the Royal Perth Hospital Emergency Unit and roofing work at Rockingham;
- \$10.0 million for the continuation of Mental Health Statewide Initiatives as part of a \$42.6 million program;
- \$12 million for the commencement of the construction of five Multi Purpose Services at Goomalling, Jurien, Katanning, Lancelin and Pemberton at a total cost of \$16.7 million;
- \$1.4 million for the Nannup Redevelopment at a total cost of \$1.7 million;
- \$25 million for the continuation of the construction at the Armadale/Kelmscott Hospital at a total cost of \$48.0 million;
- \$3 million for the commencement of the construction of the Narrogin Hospital Redevelopment at a total cost of \$4.5 million;

- A contribution of \$10.0 million towards the construction of a purpose built Oral Health Centre, adjacent to Sir Charles Gardner Hospital; and
- \$8.8 million on minor works.

Drug Abuse Strategy Office

The Western Australian Drug Abuse Strategy Office has been established as a separate division in the 2000-01 Budget. The funding for the Office was previously part of the budget of Family and Children's Services.

Recurrent funding has been provided in 2000-01 and in the forward estimates for the Drug Abuse Strategy Office to continue to reduce the extent and impact of drug abuse through the provision of strategy coordination and treatment and prevention services.

Education

Education

The Education Department will receive a recurrent budget allocation of \$1,378.1 million in 2000-01. This is an additional \$75.9 million in nominal terms, or 5.8%, on the \$1,302.2 million estimated outturn in 1999-2000. This equates to a 3.4% increase in real terms.

The additional funding mainly provides for salary increases for teachers and growth in students. Student numbers are increasing due to a number of factors including the extension of the kindergarten programs and improving participation rates of Aboriginal students. The duration of kindergarten programs in government schools will be increased from two to four half day sessions per week. System wide strategies are being developed for improving the outcomes for Aboriginal students and encouraging and assisting Aboriginal people to enter the teaching profession.

The Education Department's planned capital works expenditure for 2000-01 is \$130.7 million and relates primarily to the provision of additional or improved schools and a continued focus on technological change for government schools throughout the state.

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The program includes:

New Primary Schools

- \$16.4 million for the completion of four new primary schools at Carey Park (opening February 2001), East Eaton (opening July 2000), Florida, North Quinns (both opening in February 2001), and a replacement school in Swanbourne (opening May 2001); and
- \$1.9 million to commence the construction of new primary schools to open in 2002. This funding will include a new primary school for Busselton.

New Middle School

- Construction of Kinross Middle School at a total cost of \$15 million and a cash flow of \$3 million in 2000-01. The school will open in February 2002.

Major Additions and Extensions

- \$13 million to complete the additions and improvements to Ballajura Community College, Denmark Agricultural College and Eastern Goldfields Senior High School (SHS);
- New works include commencement of stage 2 additions to Halls Head High School (\$1.2 million), a sports hall at Tom Price SHS (\$2 million), a performing arts and sports hall at Mount Lawley Senior High School (\$2 million), additions to Kununurra District High School (DHS) (\$0.3 million), improvements to Cunderdin DHS (\$1 million) and Serpentine Primary School (\$1.6 million); and
- Commencement of additional stages at Beeliar (\$2 million) and Marri Grove (\$1 million) primary schools.

Local Area Education Planning (LAEP) Projects

- More than \$30 million will be expended in 2000-01 on school projects which are partly funded from the proceeds of the disposal of under utilised schools through the Local Area Education Planning Process announced in June 1998. The aim of the Local Area Education Planning Process is to improve student access to curriculum and widen curriculum choice, develop patterns of work organisation that meet changing needs and enhance the management of resources and assets. Projects for 2000-01 include Cannington Senior Campus and Middle School (\$8.9 million), Halls Head Middle School (\$4.8 million), Peel Senior Campus (Mandurah Senior College) (\$7 million) and Shenton College (\$10.1 million);

- The construction of a replacement Albany Primary School including an oval (January 2001), on a site now occupied by the Albany High School oval to open on October 2001 at an estimated total cost of \$7 million; and
- Major additions at North Albany Senior High School (\$3 million) and Albany Senior High School (\$4 million) scheduled for completion by February 2001 and mid 2001 respectively.

Computers in Schools

- \$20 million provided as part of the \$80 million four year program to purchase computers for government schools, which will lead to significant improvement in the computer to student ratios and facilitate student access to the latest learning technology; and
- The estimates include an additional \$1.5 million over the next four years to fund the purchase of lap-top computers for 250 teachers in rural areas of the State.

Other School Facilities

- \$1.3 million commitment to replace the Kimberly School of the Air;
- \$10 million to provide additional early childhood education facilities;
- \$4 million provided in 2000-01 as part of the \$20 million five year program to accelerate the replacement of all asbestos cement roofs in schools by 2002; and
- \$4.4 million new works commitment to provide library resource centres, upgrade administration and staff facilities and replace or upgrade toilet facilities in schools.

Education Services

Additional low interest loans amounting to \$20 million will be made available to non government schools over 2000-01 and 2001-02 to enable these schools to undertake capital works primarily to provide new student places at non government schools.

The Government has also made available funding of \$1.0 million over four years to meet growing student demand for boarding away from home allowances, and \$1.6 million over four years to maintain school psychology services in non government schools.

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Stage 3 of the non government schools computer purchase program will commence in 2000-01. An amount of \$20.0 million was provided over four years, commencing in 1998-99 (\$5.0 million per annum).

Country High School Hostels Authority

The Government has continued its commitment to people living in isolated communities with the provision of an additional \$138,000 in 2000-01 to meet accommodation costs for students boarding at country high school hostels.

The Authority's capital works program includes \$3.4 million in 2000-01 for Stage 1 of improvements to the Narrogin Residential College and \$4.5 million in 2000-01 for redevelopment of the girls' campus at Geraldton as a coeducational campus.

Social Security and Welfare

Disability Services Commission

The Commission's 2000-01 recurrent funding allocation will increase by \$11.2 million to \$166.5 million, which represents an increase of 7.2% in nominal terms or 4.7% in real terms. The additional funding is primarily for implementation of proposed initiatives under the Second Five Year Business Plan.

The Government has continued its commitment to people with disabilities by providing total additional funding of \$34.5 million over five years (\$6.1 million in 2000-01) towards the Commission's Second Five Year Business Plan.

The second Five Year Business Plan seeks to build on the achievements and continue the success of the preventative strategies implemented under the first Five Year Business Plan.

The plan is primarily a mix of preventative strategies aimed at strengthening the caring capacity of families and communities and, therefore, reducing the need for more expensive out of home accommodation. It will also deliver a range of service delivery strategies, which will help contain the growth in demand for high cost accommodation services.

Through funding the second Five Year Business Plan, the Commission will be able to contain the current demand levels for its services and deliver services and facilities to approximately an additional 6,700 people with disabilities and their carers, over the next five years.

These services and facilities include:

- Accommodation;

- Respite and family care;
- Post school and day options;
- Expanded local area coordination;
- Therapy; and
- Community aids and equipment.

Family and Children's Services

The Department's total budget in 2000-01 will increase by \$8.3 million to \$145.3 million. This represents a nominal increase of 6.1% or 3.6% in real terms.

An additional \$500,000 per annum has been provided to continue the domestic violence community education strategy known as the Freedom from Fear Campaign that commenced in 1998. Supporting programs including expenditure on Perpetrator Programs across the State will enhance this strategy.

The Department is committed to meeting its obligations to care for children placed in its care and providing family support. Additional funding of \$2.5 million in 2000-01 and \$3.0 million per annum in the outyears has been provided to meet the expected increase in demand for these services.

The Department's capital works program for 2000-01 totals \$8.3 million and includes the expansion/replacement of community houses, child care facilities and service delivery offices.

Public Order and Safety

Police

The 2000-01 recurrent budget allocation of \$395.6 million for the Western Australia Police Service represents an increase of \$12.1 million, compared with the estimated outturn for 1999-2000. This represents a nominal increase of 3.2% or 0.7% in real terms. Of this increase, approximately \$7.5 million has been made available to meet salary increases for police officers and unsworn officers. This additional funding will assist the Western Australia Police Service to maintain police officer numbers at 1999-2000 levels.

The balance of the additional funding has been made available for Aboriginal Wardens and to meet infrastructure costs to assist the Western Australia Police Service to deliver policing services more effectively, such as by expanding the use of DNA testing to investigate offences. A total of \$20.3 million has been made available over four years for these and related initiatives.

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Government has demonstrated its commitment to enhancing the quality of Police Service training by constructing a new state of the art Police Academy at Joondalup. Capital works funding of \$33 million has been provided in 2000-01 to advance its construction with a further \$2.2 million being made available in the following year to complete the complex. The project will cost a total of \$45 million, consist of 500 staff and students and have a number of facilities suitable for Police Service training and other training needs.

Other major capital works are also occurring in the regions in 2000-01, including the development of the Bunbury District Police Complex (\$7.3 million).

Government is also committed to taking advantage of technology where this results in a better outcome for law and order in the State, with \$14.3 million being made available for Release 2 of the Delta Communications and Information Technology Plan (DCAT).

The continued focus on increasing overall police effectiveness through transforming the existing computer network and information management systems remains a high priority. The DCAT project, including the Computer Aided Dispatch and Related Communications (CADCOM) project, the upgrading of the Statewide computer network, communications system, and incident mapping systems will allow all members of the Police Service to work more effectively through providing greater access to operational and management information.

Fire and Emergency Services Authority

The Authority is an amalgamation, effective from 1 January 1999, of the Bush Fires Board, the Fire and Emergency Services (incorporating the Western Australian State Emergency Service) and the Western Australian Fires Brigades Board. The resultant benefits associated with the new Authority are:

- Improvement in the delivery of emergency services to the community and to emergency services volunteers;
- Improvement in the effectiveness and coherence of policy development and implementation; and
- A coordinated approach to planning and management matters across emergency services agencies.

The Authority has been provided with funding for the following initiatives:

- \$1.7 million in 2000-01 and the outyears to establish a permanent fire brigade at Mandurah;

- \$1.3 million in 2000-01 and the outyears to increase firefighter numbers in the permanent fire districts of Albany, Bunbury and Geraldton; and
- \$500,000 in 2000-01 to support the International Year of the Volunteer, by provide funding for specialised equipment for rescue and firefighting and to improve their technology equipment.

Planned capital works expenditure for Fire and Emergency Services in 2000-01 is a total of \$9.6 million. Of this, approximately \$2.5 million is for the completion of works in progress including \$1.2 million for new fire stations in the South West and North East Corridors and \$0.9 million for equipment replacement.

New works of \$7.0 million planned for 2000-01 include:

- The Firefighting Appliance Program (\$1.0 million);
- New fire stations at Malaga and Osborne Park (\$1.6 million);
- Commencement of a 5 year, \$12 million Light Pumper Replacement Program (\$2.0 million);
- Replacement of regional headquarters at Broome (\$0.9 million); and
- Asset replacement (\$1.5 million).

Justice

The 2000-01 recurrent allocation of \$359 million for the Ministry of Justice represents an increase of \$34.4 million on the estimated outturn for 1999-2000. This represents a nominal increase of 10.6% or 8.0% in real terms. The 2000-01 recurrent allocation reflects the following major initiatives:

- Funding of \$5.5 million in 2000-01 and the forward estimates has been provided for the establishment of a pilot Drug Court regime in the Perth Children's Court, the Perth Court of Petty Sessions and the District Court at Perth. The Drug Court regime provides an integrated package of intervention strategies aimed at facilitating diversion of offenders to treatment for addiction or substance abuse problems;
- Provision of \$14.6 million for criminal injury compensation payments. This provision has also been increased by a further \$14.1 million over the forward estimates period;
- Funding of \$2.2 million in 2000-01 and the forward estimates period has been provided to maximise criminal sitting times in the District Court. This will see a 15% increase in the number of scheduled trial sitting days;

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- Provision of \$1.7 million per annum for official prosecutions defendants costs, to facilitate a determination by the Legal Costs Committee resulting in a 300% increase in cost payable to successful defendants in official prosecutions; and
- A provision of \$5.8 million over four years has been provided to the Crown Solicitor's Office to fund native title and other litigation issues.

Capital works funding in 2000-01 includes \$6 million to continue upgrade of facilities at Bandyup Prison in recognition of the need to provide enhanced female offender management facilities. Funding of \$3.3 million has also been allocated to extend juvenile offender management facilities at the Rangeview Detention Centre. A further \$21.4 million in capital works funding is allocated to complete the construction of Acacia Prison in 2000-01. This prison, with an estimated total cost of \$79 million, is expected to provide an increased quantity of service at significantly reduced cost.

Transport and Communications

Transport

The Department of Transport's total budget appropriation for 2000-01 will increase by \$27.8 million to \$328.1 million, after adjusting for the transfer of the roads funding component (\$482.3 million in 1999-2000) to the Main Roads Division of the estimates in 2000-01. This represents a nominal increase in funding of 9.3% or 6.7% in real terms. This funding will be directed towards the following programs and initiatives:

Metropolitan Public Transport

- \$5.3 million has been provided in 2000-01 for the continued implementation of the 10 Year Better Public Transport Plan and the Public Transport Enhancement Program. The Better Public Transport Plan is aimed at promoting the use of public transport bus services over private cars, while the Public Transport Enhancement Program will expand services such as the Fremantle Central Area Transit System and the Circle Route;
- The Bus Acquisition Program will continue in 2000-01, with the purchase of 123 new buses at a cost of \$35 million. This Program will eventually see over 800 new buses purchased over a 10 year period and significantly improve the average fleet age, as well as passenger safety and comfort;
- Additional railcars will be introduced to allow for increased patronage on the northern suburbs transit system;
- Free travel for Seniors on Sundays and public holidays will continue in 2000-01, at an annual cost of \$1.8 million; and

- Allocations of \$90 million and \$113 million respectively have been provided to support metropolitan rail and bus services in 2000-01. In addition, the Government will continue to support subsidised taxi journeys for people with disabilities, with an allocation of \$8.9 million, and school bus services with an allocation of \$50.8 million.

Maritime

- Maritime projects in 2000-01 will continue the emphasis on providing services and facilities to allow safe access and use of the State's marine resources. Major project funding includes:
 - \$1.4 million for construction of a jetty at Cervantes Quay;
 - \$1 million for the provision of new pens at Port Denison;
 - \$820,000 for a new wharf at the depot site in the Fremantle Fishing Boat Harbour;
 - \$750,000 for the upgrading of the Batavia Coast Marina;
 - \$600,000 for a Kalbarri maintenance facility;
 - \$520,000 for replacement pens at Hillarys Boat Harbour; and
 - \$584,000 for Kimberley Port maintenance.
- There will also be continued upgrading and maintenance of navigational aids and the vessel patrol fleet. The patrol fleet plays an essential role in monitoring and enforcing the State's marine legislation and regulations, as well as combating marine oil pollution emergencies and marine transport emergencies.

Aviation

- The Regional Airports Development Scheme, which is targetted at the improvement of airports in regional areas of the State, will continue to be funded in 2000-01. Regional airport grants of \$2 million per annum will be provided for infrastructure projects; and
- The Department of Transport will manage the distribution of grants from the Aviation Development Program, which is funded by Westralia Airports Corporation. The purpose of the grants is to assist ventures which will contribute to the development of the State's aviation industry. A total of \$5 million is available under the Program.

Road Safety and Licensing

- A number of major road safety initiatives will be introduced in 2000-01. These include:
 - community education programs across the State;
 - the introduction of new uniform Australian road rules to ensure that a consistent traffic code applies in all States and Territories;
 - the introduction of regulations to prohibit persons from travelling in unprotected load spaces of vehicles; and
 - improved training of learner drivers through the implementation of the Graduated Driver Training and Licensing Scheme.
- The Transport Executive and Licensing Information System (TRELIS) will continue to be developed and implemented in 2000-01 and is supported by a budget allocation of \$3.7 million. TRELIS will provide an integrated database of licensing information that will be more accurate, reliable and accessible than existing systems. It will also readily interface with the National Exchange of Vehicle and Driver Information Systems and will be accessible from a variety of operating platforms.

Regulation and Reform

- Government will continue to facilitate the sale of the Westrail freight business. The implementation of a rail access regime is recognised by Government as being complementary to the sale. This is an essential step towards fostering competition and choice in the provision of rail freight services. In 2000-01 this is supported by \$750,000 of additional funding for an independent Office of the Rail Access Regulator; and
- Reforms to the taxi industry will be implemented. These are aimed at improving performance standards and will also help define the roles of industry and government, the latter being in line with National Competition Policy review recommendations.

Main Roads

Total expenditure by Main Roads on capital works, maintenance works and grants to local authorities in 2000-01 is estimated at around \$700 million. The capital works expenditure in 2000-01 totals \$415.7 million and major projects include:

- Goldfields Highway - Mt Keith to Wiluna, \$4.3 million on a \$30.2 million program;

- Perth to Bunbury Highway - \$11.5 million on a \$67.4 million program which includes the Dawesville deviation at \$8.8 million on a \$12.7 million program;
- Roe Highway - \$23.9 million of a \$144.9 million program;
- Great Eastern Highway - construction of Northam bypass, \$20 million on a \$41.6 million program;
- Bussell Highway - Busselton Bypass, \$6.8 million on a \$20 million program;
- South Western Highway - Pinjarra to Waroona, \$7.2 million on a \$11.8 million program;
- Albany Highway - North Banister to Arthur River, \$3.6 million on a \$10 million program;
- Brookton Highway - Brookton to Karragullen, \$4.1 million on a \$11.7 million program;
- Marble Bar Road - Marble Bar to Shaw River, \$5 million on a \$51.2 million program;
- Ripon Hills; \$5.5 million on a \$58.6 million program;
- Great Northern Highway, Ord River Bridge, \$1.5 million commencing an \$11.5 million construction program;
- Kwinana Freeway, \$85.1 million on a \$240.8 million program which includes the Narrows Bridge duplication, and extension of the Freeway to Safety Bay Road including works associated with railway extension;
- Mitchell Freeway; Ocean Reef Road to Hodges Drive, \$6.3 million on a \$24.9 million program;
- City Access Roads - \$5.5 million on a \$22.9 program ;and
- Reid Highway - extension to Marmion Avenue, \$12.8 million on a \$15.5 million program.

Mining, Manufacturing and Construction

Minerals and Energy

The Government recognises the importance of geoscientific information in attracting exploration to Western Australia. Total funding for development of the geological information framework for the State will be maintained at \$15 million in 2000-01 which includes funding for on shore petroleum exploration initiatives which will be maintained at \$3.5 million per annum for the next four years.

In recognition of the additional workload for mineral title applications associated with Native Title legislation, the Government has made available an additional \$1 million in 2000-01 and \$500,000 in the forward years to reduce the time taken to process native title issues.

The construction of a drillcore storage facility at Kalgoorlie at an estimated total cost of \$4.0 million will be finalised with \$1.0 million being provided in 2000-01.

Agriculture, Forestry and Fishing

Agriculture

The Department of Agriculture's total 2000-01 budget allocation will increase by \$7.9 million to \$102.2 million. This represents an increase of 8.3% nominal or 5.8% in real terms over the previous year. In its efforts to identify new market opportunities for Western Australian producers, the Department will develop a customer focused Internet online system to promote the industry, its products, investment opportunities and enable easy access to contacts such as suppliers and exporters of products as a first step in the strategic integration of e-commerce and online trading platforms for the WA agricultural and food industries. Particular focus will be on export markets in South East Asia, the Middle East and Europe.

The Department will continue its activities in salinity management by establishing project teams to provide advice to landholders on risk of salinity and management options. Catchments totalling two million hectares of agricultural land will be covered in 2000-01. A project team will also be established to advise landholders on the benefits and management of native vegetation.

Interstate quarantine services will be reviewed and recommendations made regarding further improvements to the efficiency and effectiveness of service provision to keep the State free from a range of serious animal and plant pests and diseases.

The Department has also been provided with \$12.4 million in 2000-01, and a total of \$27.0 million over the forward estimates period to assist in the restructuring of the Dairy Industry.

Capital works projects in support of the Government's regionalisation policy are being progressed at Bunbury, Geraldton, Manjimup and Katanning, and will result in new or extensively refurbished premises. These buildings will provide improved research laboratory facilities to help make greater use of technologically based research. They will also improve client focus through decentralised delivery of services and the use of advanced communication systems.

Major projects planned for completion in 2000-01 are the:

- \$3.6 million Geraldton Regional Office, (expenditure in 2000-01 \$3.1 million);
- \$6.0 million Katanning Agricultural Centre (\$2.1 million in 2000-01); and,
- \$2.7 million Manjimup Agricultural Centre (\$0.6 million in 2000-01).

In addition, approximately \$2.8 million will be spent on other regional works as part of the ongoing regional accommodation program.

New capital works projects to be undertaken during 2000-01 include a capital equipment replacement program of \$1.2 million.

Fisheries

The Government has continued its commitment to the protection of the Western Australian fisheries and its fish stock. The Fisheries Western Australia budget estimates include an amount of \$2.0 million for the continued Aquaculture project. The estimates also include \$1.0 million per year for the continuation of the Fisheries Adjustment Scheme and meet general cost increases to ensure sustainability of the fishstock. The capital works program for 2000-01 totals \$5.2 million and provides for regional aquaculture, vessel replacement and computing and office equipment replacement.

Housing and Community Amenities

Housing

An additional \$20.5 million has been provided over the forward estimates period as a contribution to Western Australia's matching funds under the Commonwealth/State Housing Agreement. Included in this figure are:

- \$4.4 million for the Remote Areas Health Package to include roads, greening and pool provision in Aboriginal communities; and

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- \$3.8 million for Town Reserves Normalisation to assess the infrastructure needs of Aboriginal communities and their subsequent upgrading to enable residents to access the same level of services as the general community under user pays arrangements.

Additional funding of \$3.5 million per annum has been provided to avoid rental increases for pensioners in public housing, as a result of the introduction of GST.

Water Regulation

Funding for the Farm Water Grants Scheme has been maintained at \$2.0 million per annum to provide incentives for farmers in dryland agricultural regions to develop self sufficiency in farm water supply and enable the implementation of the Pastoral Water Grants Scheme. Under this new scheme, assistance will be provided to reduce degradation of pastoral areas and assist sustainable pastoral development.

Swan River Trust

Funding of \$2.8 million per annum for the Swan Canning Cleanup Program has been provided in 1999-2000 and continued in the forward estimates.

Waters and Rivers Commission

The Commission will receive a recurrent budget allocation of \$36.2 million in 2000-01. This compares to an allocation of \$34.2 million in 1999-2000 and represents a nominal increase of 5.8%, or 3.3% in real terms.

An amount of \$2.1 million over 4 years (\$1 million in 2000-01) has been provided to fund a management strategy for future development in the Lower Gascoyne Region. This should ensure that future growth in the region is in the best interests of local community and industry groups.

In accordance with the COAG Water Reform Framework Agreement \$2.1 million (\$550,000 in 2000-01) over 4 years has been allocated to overhaul the Commission's allocation and licensing procedures and systems, and water resource management plans to protect water based ecosystems.

To implement the recommendations of the Flood Plain Taskforce, which will reduce the potential for loss of life and property from flooding, increase the awareness of flood risks and improve flood information, \$1.4 million (\$450,000 in 2000-01) over four years has been provided to the Commission.

A total of \$1.3 million (\$446,000 in 2000-01) over four years has been provided to establish the Cockburn Sound Management Council. The Council will ensure the effective collaboration and coordination of environmental planning and management of the Sound.

Recreation and Culture

Sport and Recreation

Total expenditure by Sport and Recreation in 2000-01 includes:

- State Sports Facilities - Planning (\$150,000); and
- Computing and Office equipment replacement (\$300,000).

Sports Centre Trust

A total of \$16.0 million (\$1.2 million in Sport and Recreation) in funding has been provided in 1999-2000 and 2000-01 for the establishment of an International Motor Sport Facility at Kwinana (expected to be completed by November 2000). Funding of \$3.3 million has been provided in 2000-01 for the final development and construction stage of the facility.

Zoological Gardens Board

Additional recurrent funding of approximately \$2 million per annum will enable the Perth Zoo to continue to provide and improve its existing service levels to the community.

The forward estimates allocations will enable the Zoo to develop and extend its key community service obligations of research and education, both of which are essential elements of the Zoo's mission. In addition to meeting community service obligations, the Zoo will be able to further develop its commercial business operations and maintain a diverse and interesting wildlife collection that meets visitor expectations and conservation demands.

The Zoo's capital works program of \$1.6 million for 2000-01 will include the complete redevelopment of the Orang-utan exhibit incorporating an elevated walkway for greatly improved public viewing, upgrade of the existing Elephant exhibit and a major refurbishment to the Nocturnal House.

Botanic Gardens and Parks Authority

The Authority's total budget in 2000-01 will increase by \$7.2 million to \$13.0 million. The additional resources will enable the Authority to maintain and improve existing services and operations, and also allow maintenance of recent capital works projects and existing ageing assets and infrastructure.

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Bold Park is Perth's second major urban bushland park and is now managed by the Authority. The public review phase of the Bold Park Environmental Plan has recently been completed with the final Plan expected to be released in August 2000. Bushland restoration will be the key focus of the Plan which includes weed control, restoring native vegetation and protecting fragile ecosystems.

Major improvements in Bold Park include new directional signage, a tourist viewing area on Reabold Hill, enhanced pedestrian access and the establishment of an ecology centre. Major improvements in Kings Park include Fraser Avenue entrance, additional lighting and seating along Fraser Avenue, and the planting of over 130,000 plants on the Mount Eliza scarp as part of the restoration program.

Culture and the Arts

The 2000-01 recurrent allocation of \$62.4 million for the Ministry for Culture and the Arts represents an increase of \$2.04 million on the estimated outturn for 1999-2000. This represents a nominal increase of 3.4% or 1% in real terms.

Funding of \$23.6 million has been provided to the Government Projects Office in 2000-01 for the construction of the new \$36 million Maritime Museum within the Fremantle Maritime Precinct. The Museum precinct will house the "Australia II", the Oberon class submarine "Ovens", and other maritime history collections.

Funding of \$300,000 has been provided in 2000-01 for the completion and opening of the new Geraldton Regional Museum, an \$8 million project supported by the Mid-West Development Authority.

In addition, funding of \$1.5 million has been provided in 2000-01 for the completion and opening of "Western Australia: Land and People", an interactive exhibition to be displayed in the restored Hackett Hall.

Planned capital works expenditure for Culture and the Arts in 2000-01 is \$4.7 million. Of this, approximately \$1.8 million is for the continuation of works in progress including:

- \$400,000 for the Geraldton Museum Fit Out,
- \$500,000 for improved computer access at the Alexander Library, and
- \$300,000 on building maintenance.

In addition, Culture and the Arts have an approved new works program of \$2.9 million per annum for capital maintenance and minor works commencing in 2000-01 for the period of the forward estimates.

Fuel and Energy

Energy

The 1999-2000 recurrent budget and forward estimates provide for the following:

- \$6.0 million ongoing for the State's contribution towards the Underground Power Project Program, an increase of \$2.0 million from 1998-99. The State has already contributed \$4.0 million in each year from 1996-97 to 1998-99;
- \$400,000 to continue the Financing Efficient Energy Use Scheme to encourage the implementation of cost effective projects for the reduction of energy consumption and cost within Western Australian State Government Agencies;
- \$400,000 to continue the Remote Area Power Systems Scheme which provides rebates to remote households to encourage the installation of renewable sources of electricity generation in their power systems; and
- \$250,000 to continue the development and advantageous management of energy use in Western Australia by encouraging renewable energy, energy efficiency and energy conservation technologies and strategies.

The Government made a once off contribution of \$846,000 in 1998-99 towards the establishment of the Office of Gas Access Regulation. In 1999-2000 and the forward years, the Office will operate on a "fee for service" basis with payments from the pipeline industry offsetting the cost of operations.

Funding of \$4.15 million has been provided for the continuation of the Green Power Policy Program in 2000-01 and the forward estimates.

General Public Services

Premier and Cabinet

The Ministry's recurrent allocation for 2000-01 and the outyears includes funding for the following purposes:

- An additional \$4.8 million per year for the establishment of the Native Title Commission; and
- Continuation of a \$1.0 million annual allocation for Safer WA, an initiative involved with the coordination of the community, local government, the Police Service and other government agencies to reduce the incidence of crime in the community.

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Included in the Ministry's capital works program of \$6.7 million for 2000-01 is \$3.9 million for completion of Barrack Square Redevelopment, \$0.6 million for Native Title Agreement Infrastructure, a total of \$0.4 million for ongoing fitout and equipment upgrades at Electorate Offices and \$0.9 million for Capital City Development projects.

Anti-Corruption Commission

The Anti-Corruption Commission has been established as a separate division in the 2000-01 Budget, reflecting the growth in funding in recent years. The funding for the Commission was previously shown as an administered item under the Ministry of the Premier and Cabinet.

Recurrent funding totalling \$39.0 million has been provided over the forward estimates period for the Anti-Corruption Commission to continue to address allegations of corruption and criminal or serious improper conduct in Western Australian public administration.

Government Projects Office

The Office was established in 1999-2000 to manage the planning and delivery of major capital works projects on behalf of Government. This function was previously included within the estimates of the Treasury Department.

The Government Projects Office will continue to manage planning and development of significant capital projects on behalf of the government in order to maximise benefits to the public through improved use of government land facilities. For this purpose approximately \$25 million has been committed in capital expenditure on projects for 2000-01 to progress construction of the maritime museum at Fremantle (\$23.6 million), further develop the Heathcote and Sunset hospital sites and finalisation of the agreement for development of the Old Treasury Building as a hotel.

Commerce and Trade

The Department of Commerce and Trade's total budget for 2000-01 has increased by \$15.4 million to \$101.6 million. This represents a nominal increase of 17.9% or 15.2% in real terms, when compared with the estimated outturn for 1999-2000.

The following major initiatives will be undertaken over the forward estimates period:

- An additional \$6.1 million to expand the number of telecentres from 76 to 100. Telecentres are community owned and operated facilities available for creative, educational and work related use by local people and businesses in country localities;

- Funding of \$5.2 million has been made available to Centres of Excellence for Industry Focused Research and Development Programs to provide funding to science and technology research centres with a significant base in Western Australia and which are involved in industry focused research and development;
- The Government has made available \$12.7 million to provide further assistance to individuals and businesses affected by the Regional Forest Agreement (RFA) to enable them to develop business plans, undertake market analysis and marketing strategies;
- Funding of \$7.0 million has been made available to establish a strategic research fund for the marine environment in Western Australia in conjunction with the CSIRO;
- \$3 million has been allocated in 2000-01 for the 'Single Doorway' project of the OIC 2000 Online Services strategy. This project will provide easy access to government services and information without the user having to understand how government is structured. The project includes FastPay and LifeEvents. FastPay will enable customers to pay for government services online while LifeEvents will enable a member of the public to register changes to personal details once and, in the process, inform relevant government agencies of these changes.
- Funding of \$8.2 million to implement the Regional Development Policy;
- To provide for the future needs of the shipbuilding and offshore oil and gas industries, the \$159 million Jervoise Bay southern precinct infrastructure redevelopment will continue with planned expenditure of \$47.6 million in 2000-01, with expected completion in 2002-03;
- The \$23.2 million Marine Industry Technology Park at Jervoise Bay (Henderson) will continue with expected expenditure of \$8.4 million in 2000-01 for land acquisition and construction of infrastructure;
- An allocation of \$19.6 million in 2000-01 will complete the \$34 million purpose built facilities at Technology Park in Bentley, to house the relocation of the CSIRO to Western Australia; and
- An allocation of \$7.3 million over four years will see the commencement of the Community Resource Centres Collocation Assistance Program.

Development Commissions

The Development Commissions promote sustainable economic development that will enhance career opportunities and the quality of life for the people in regional Western Australia. The following major initiatives are included in the forward estimates:

- Planning for construction of a \$4.7 million Aboriginal and Heritage Cultural Centre by the Gascoyne Development Commission will continue with an allocation of \$100,000 in 2000-01. The new centre will promote Aboriginal cultural heritage, develop appropriate use of cultural resources for tourism, provide culturally based education opportunities and facilitate the coordination of Aboriginal groups and agencies. The Commission will also receive an allocation of \$500,000 in 2000-01 for improvements to the Carnarvon Storm Surge Barrier, with an estimated total cost of over \$1.1 million over two years, to improve the protection for the community from flooding in the area;
- An allocation of \$300,000 has been provided in 2000-01 to the Goldfields Esperance Development Commission towards the funding of the Ngaanyatjarra Cultural and Civic Centre;
- The Great Southern Development Commission will receive an allocation of \$1.4 million over four years and will commence the Vancouver Waterways Project for improved facilities at Whaleworld, Middleton Beach, Mt Martin Botanical Park and Camp Quaranup. The Commission will also contribute a total of \$950,000 over four years to the Albany University Centre commencing with \$250,000 in 2000-01;
- The Mid-West Development Commission's planned capital works expenditure includes an allocation in 2000-01 of \$3.0 million for completing the construction of the \$6.8 million Batavia Coast Marina Redevelopment, and \$300,000 for completing the construction of the \$6.7 million Geraldton Regional Museum;
- The Peel Development Commission will receive an allocation of \$2.2 million over four years, with \$540,000 in 2000-01, to progress the construction of the Rail Heritage Centre in Pinjarra to establish an operational base for the Hotham Valley Tourist Railway. The Centre will have strong links to existing heritage precincts and tourism related activities;
- The Pilbara Development Commission's planned capital works expenditure includes an allocation of \$2.9 million in 2000-01 to complete the construction of the \$3.9 million Karinjini Interpretive Centre; and \$30,000 for the replacement of information technology assets and other office equipment;

- The South West Development Commission will expend \$4.1 million in 2000-01 to continue the \$7.4 million Bunbury Back Beach Coastal Enhancement project, to restore and protect the shoreline from ongoing erosion by the ocean; and
- An amount of \$5.4 million has been provided over the forward estimates period for the operations of the Wheatbelt Development Commission. The economic development vision and strategy "Shaping the Future" will continue to guide the activities of the Wheatbelt Development Commission. Areas of specific focus will include continuing to promote the importance of modern telecommunications in the development of the region, the completion of a Southern Cross to Esperance Regional Minerals Study, in partnership with industry, the Commonwealth Government, the Department of Resources Development and the Goldfields-Esperance Development Commission, the coordination of the establishment of a road builders and contractors database and the provision of information to assist industries and communities in decision making.

Conservation

The establishment of the Conservation Commission of Western Australia, the Department of Conservation and the Forest Products Commission, provides the basis for sustainable natural resource management.

The Department of Conservation's total budget in 2000-01 will increase by \$5.8 million to \$71.7 million relative to comparable outlays in 1999-2000. This represents a nominal increase of 8.7% or 6.2% in real terms.

An additional \$1.5 million per annum has been provided for the new Conservation Commission and the Forest Products Commission which will allow for the separation of functions and responsibilities of forest management, and provide enhanced accountability to the community.

Government has also provided an additional \$1.4 million in 2000-01, \$1.8 million in 2001-02 and \$2.1 million per annum from 2002-03 onwards to progress:

- Implementation of environmental commitments in the expansion and management of marine parks on the West Australian coast;
- Conservation of environmentally important wetlands including, possible RAMSAR wetlands, in the South-West;
- Maintenance of fencing and eradication of vermin on former pastoral leases that have been acquired under the Gascoyne Murchison Strategy and added to the conservation estate; and

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- Management of the expanded national park estate created as part of the Regional Forest Agreement process.

Additional funding of \$2.0 million per annum has been provided to implement the recommendations of the Ferguson Committee Report into forest management practices. Specific recommendations to be funded include increased community consultation processes and fire management in the South West.

Capital expenditure programs, totalling approximately \$53.4 million, are planned over the next four years for long term management of the forest ecosystem, provision of sustainable wood production, salinity control, improved tourism facilities, and nature conservation and wildlife management.

Environmental Protection

The preparation and development of the Perth Air Quality Management Plan will be completed in 2000-01. An additional \$3.5 million has been provided over the forward estimate period to allow for the implementation of the plan.

Government's continued commitment to address contaminated sites is demonstrated by the provision of \$1.2 million for clean up of the Gidgegannup site in 2000-01. This is in addition to \$6.9 million previously provided by the Government for remediation of the contaminated OMEX petroleum site.

Total funding of \$1 million has been allocated to the North West Shelf Marine Study over a three year period commencing in 2000-01. This has secured additional CSIRO funding of \$3.4 million for the study, over the same period.

Land Administration

Funding for the Department of Land Administration has been increased by \$16.8 million over the forward estimates period. This substantive increase in funding is to ensure that Government land and land information continues to be managed and used effectively to support the economic, social and cultural objectives of the State through a land information base that provides certainty of ownership and other interests in land.

The funds are to be applied in maintaining high levels of service delivery in:

- Land registration services, including spatial upgrade work relating to digitally adjusting the accuracy of coordinates of property boundaries to ensure that the State has a reliable and accurate digital cadastral framework;
- Administration services, such as weed vermin control and fire management on vacant Crown land, maintenance of heritage building and survey services for easements and the transfer of land vestings;

- Continued development of government owned land in rural and metropolitan regions; and
- Providing high levels of service delivery and advice to ensure that land transaction registrations are processed in a timely and accurate manner.

The Department of Land Administration has a capital budget of \$11.2 million in 2000-01. This includes expenditure of \$5.3 million for land subdivision/management, \$2.7 million for asset replacement programs and \$2.5 million of asset sales to partially fund its \$6.5 million Electronic Land Titles project.

The Electronic Land Titles project will result in the replacement of paper based certificates of titles with digitised titles capable of supporting electronic transactions. This will enable the Department to achieve efficiency savings, provide a more accessible product and be aligned to world best practice standards. The project has an estimated total cost of \$6.5 million over 2000-01 and 2001-02.

Planning Commission

The Planning Commission has been allocated Consolidated Fund capital funding of \$20 million over 4 years commencing with \$5.0 million in 2000-01 associated with the Fremantle Rockingham Industrial Area Regional Strategy.

The Commission will spend a further \$24 million to continue its metropolitan land acquisition program, \$14 million for regional land acquisitions and \$9 million has been allocated for the bush plan program. There are also allocations of \$1.4 million for the transfer of regional parks to CALM and \$1 million for the Area Assistance Scheme associated with recreation reserves.

Aboriginal Affairs Department

The objectives of the Aboriginal Communities Strategic Investment Plan are to provide remote communities with essential services to the same standard as provided to mainstream towns of the same size and location. Given the obvious synergies between Homeswest and these objectives, HomesWest has been allocated \$19 million over the forward estimates period to coordinate the implementation of the plan. This will enable access to administrative and operational efficiencies with processes that have evolved from experience over a significant period of time. In addition, \$23.5 million is provided over the forward estimates period for the ongoing maintenance of the communities' assets, mainly in the provision of water and electricity supplies;

A provision of \$1.2 million has been made in 2000-01 to complete the \$2 million program of providing Aboriginal school hostel accommodation in remote areas;

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An additional \$500,000 per annum has been provided in the forward estimates which will be utilised as follows:

- Completing the expansion of the regional offices network that commenced in 1999-2000;
- Ongoing operational costs of the regional offices network;
- Expansion of the Community Patrols initiative; and
- Promotion and protection of sites and culture through anthropological services.

It is proposed to transfer responsibility for the Wardens Scheme to the Western Australian Police Service (WAPS) from 1 July 2000. To support the transfer of responsibility, an additional \$250,000 has been provided to the WAPS to ensure that the service provided will be comparable to the Police Service standards.

Local Government

This is the third year that the department has assisted Local Governments to develop pilot projects for private security services in the suburbs with annual funding of \$1.0 million over four years being provided.

Additionally, the department will distribute a further \$1.0 million through the fourth funding round of the \$4.0 million Community Facilities Grants Program (which commenced in 1997-98) to provide and enhance facilities and amenities for local communities visitors and tourists.

Provision has also been made in 2000-01 for a grant of \$480,000 to the Royal Society for the Prevention of Cruelty to Animals' (W.A.), Animal Welfare Centre, Malaga.

Other Economic Affairs

Training and Employment

The Western Australian Department of Training and Employment's total 2000-01 budget allocation of \$243.0 million will enable the training sector to address priority training and employment requirements of the State. 24 million student contact hours will be delivered in 2000. The number of apprentices and trainees in training will be approximately 20,000, including 13,000 apprentice and trainee commencements comprising 4,200 apprentices and 8,800 trainees.

Specific allocations include \$1.0 million to the Science and Technology Innovation Strategy to enhance the science and technology capacity of the Vocational Education and Training Sector.

The forward estimates also provide for the following initiatives:

- The development and accreditation of a new curriculum to provide literacy and numeracy support services to students enrolled in vocational courses;
- Further develop the Get Access Initiative - a 'website' which provides information about training requirements for specific occupations and related medium term employment opportunities. The number of occupational profiles available online will be increased from 88 to 150;
- TAFE TV will continue to deliver free to air training and employment related television programs to both metropolitan and rural areas;
- A new free to air television program will showcase projects which highlight TAFE's involvement in science and technology at an industry level. A further free to air television program will deliver labour market related information to job seekers and people in employment and training transition;
- The Lifelong Learning project will develop initiatives to promote participation in VET and other aspects of learning to all sections in the community;
- The Access All Areas strategy for young people will expand to deliver state wide services, with a greater emphasis placed upon internet based communication strategies;
- Profit from Experience will implement strategies to assist 4,800 mature age job seekers gain access to employment, education and training;
- The development and launch of the State Youth Strategy;
- Continued development of the Youth Showcase Awards in conjunction with the Federal Government for National Awards;
- Establishment of Statewide Skate Championship; and
- Implementation of Youth Rally Project.

Planned capital works expenditure for the Department of Employment and Training in 2000-01 is \$23.9 million. Of this, \$8.8 million is for new works including:

- Disability Services Program (\$0.7 million);

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- Minor Works Program (\$1.5 million);
- Plant & Equipment Replacement (\$2.8 million);
- Skills Centres Developments (\$2.0 million);
- Roofing and Plant Upgrades (\$1.0 million); and
- WA Academy of Performing Arts – Stage 1 (\$1.2 million).

Tourism Commission

During 1999, the Commission developed a new five year plan known as “Partnership 21 Tourism Industry Plan 2001-2005” following comprehensive and thorough consultation with the tourism industry, other tourism stakeholders and the general public. Partnership 21, when finalised, will clearly define the directions for the State as a whole, including the Tourism Commission, tourism businesses, tourism associations and other associated bodies in order to ensure the future growth of the tourism industry in Western Australia.

The Partnership 21 plan includes ambitious targets for the State in terms of visitor numbers, economic value and employment outcomes. In order to achieve these targets the plan involves the refocussing of resources and reprioritisation of activities as well as the implementation of a range of new initiatives. Additional funding of almost \$5 million has been provided over the budget year and forward estimates in addition to the existing funding of \$111.7 million for the delivery of outputs in 2000-01 and the forward estimates.

As part of an ongoing program, the Western Australian Tourism Commission will contribute a \$2 million capital grant to the Rottnest Island Authority in 2000-01. In addition, it is planned to spend \$2.5 million in each of the years 2000-01 and 2001-02, as part of the Convention Centre Project – major expenditure on this project of approximately \$95 million is planned for 2002-03.

Racing, Gaming and Liquor

The Office of Racing, Gaming and Liquor will receive a recurrent budget allocation of \$66.3 million in 2000-01, including an allocation for reimbursement of GST to gambling operators of \$54.3 million.

The *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* requires States and Territories to adjust their gambling tax arrangements to take account of the impact of the GST on gambling operators.

In this regard, Western Australia will be implementing a reimbursement scheme from 1 July 2000 for the Burswood Casino, the Lotteries Commission, TAB, bookmakers and racing clubs, which will be administered by the Office of Racing, Gaming and Liquor. Under this scheme, gambling operators will continue to pay the full (preGST) amount of State gambling tax and subsequently receive a reimbursement of the GST paid on their gambling margins.

As an alternative to the reimbursement scheme, the tax rate for continuing lotteries and video lottery terminals will be reduced from 6% to 3.25% to accommodate the impact of the GST.

The estimated cost of reimbursing Western Australia's gambling operators for the impact of the GST is \$54.3 million in 2000-01.

Fair Trading

Recurrent funding has been provided in 2000-01 and in the forward estimates for the Ministry of Fair Trading to continue to promote a commercial environment, which maximises competitive opportunity and safeguards the public interest.

Funding of \$738,000 has been provided in 2000-01 for the continuation of the appointment of supervisors to two finance brokers, Global Finance and Grubb Finance. This is in addition to \$2.2 million provided in 1999-2000 for this purpose.

Funding of \$600,000 has been provided for the Gunning Inquiry into Fair Trading Boards and Committees, comprising \$420,000 in 1999-2000 and \$180,000 in 2000-01.

Capital funding of \$300,000 has been provided in 2000-01 for the purpose of replacing/upgrading the agency's computers.

Cross Agency Initiatives

The Budget Papers include for the first time, information on a number of high priority cross-agency initiatives. The purpose is to highlight the various cross-agency undertakings and publicise the strategies, actions and roles being undertaken by a number of contributing agencies towards achieving desired outcomes in several priority areas of Government. These include:

- State Salinity Strategy;
- WA Strategy Against Drug Abuse; and
- Building Blocks.

Information on the outcomes, key result areas and the major activities undertaken by agencies which contribute to the cross-agency outcomes in these areas is outlined below.

In addition, Regional Development and Online Services Strategy are two further cross-agency initiatives currently being progressed by Government. The broad policy aims and background to these initiatives are also outlined below.

State Salinity Strategy

Introduction

Dryland salinity has been a problem for water supplies, farmland and nature conservation in Western Australia for over a hundred years. However it is only in recent years that the full scale and impact of the problem has been appreciated.

The Government introduced clearing control legislation in the late 1970s to protect the quality of water on some current and potential water catchments. In 1988 a Parliamentary Select Committee on salinity was told that about 2.4 million hectares of land was at risk, the first time that the true size of the problem was reported. This estimate was increased to 6.1 million hectares in 1996.

In November 1996 the Government released the Salinity Action Plan compiled by the four key natural resource management agencies (Agriculture Western Australia, Department of Conservation and Land Management, Department of Environmental Protection and the Waters and Rivers Commission) detailing its response to salinity. An additional \$10 million per annum was allocated to address key strategies. The Plan included the establishment of a community based Salinity Council, with Council advising the Cabinet Standing Committee on Salinity Management chaired by the Deputy Premier.

Following extensive community consultation, the Premier launched an updated Salinity Strategy on 2 April 2000.

The new Strategy has been developed with community input, and refers to many of the groups committed to addressing the issue. Its development has been guided by the Salinity Council and agencies working in partnership.

The key agencies involved are Agriculture Western Australia, the Department of Conservation, the Department of Environmental Protection and the Water and Rivers Commission. Other agencies are contributing through specific projects.

Aim

The Strategy aims to reduce the impact of salinity in the South-West agricultural area of Western Australia.

Table 12

OUTCOMES & KEY RESULTS AREAS

Outcome 1	Outcome 2	Outcome 3	Outcome 4	Outcome 5
A reduction in the rate of degradation of agricultural and public land, and where practical, recovery, rehabilitation and management of salt-affected land.	The protection and restoration of key water resources for water supply purposes.	The protection and restoration of high value wetlands and natural vegetation, and maintenance of natural diversity.	Communities have the capacity to address salinity issues and are able to manage changes brought by salinity.	The protection of infrastructure from salinity damage.
Key Result Areas				
A decrease in the rate of degradation of agricultural and public land.	A decrease in the salinity levels of five water resource catchments and rivers viz. Mundaring Weir (Helena River), Wellington Reservoir (Collie River), and the Warren, Kent and Denmark Rivers.	An improvement in the condition of high-value wetlands and other waterways. An increase in area of native vegetation protected and managed. The maintenance of natural diversity (flora and fauna).	An improvement in the ability of community members to facilitate, lead and manage salinity projects and change. Appropriate support for individuals and community groups. The provision and availability of relevant information and knowledge.	The protection of rural towns from salinity damage. The protection of public infrastructure in the south west agricultural area.

Key Activities Contributing to the Outcomes

In the order of \$40 million in 2000-01 will be spent on the State Salinity Strategy. This includes \$10 million allocated for new salinity management initiatives under the 1996 Salinity Action Plan, plus additional expenditure by the four key government agencies on salinity. Major areas of expenditure against the outcomes are identified below. Federal, industry and landholder funding for salinity is not included in these estimates. In addition a further \$3.6 million has been identified for 2000-01 and has yet to be allocated to activities.

Outcome 1: A reduction in the rate of degradation of agricultural and public land, and where practical, the recovery, rehabilitation and management of salt-affected land.

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The key activities and expenditure being undertaken by agencies to effect this outcome are as follows:

Agriculture Western Australia

- \$6.1 million in 2000-01 and subsequent years to develop the catchment appraisal methodology to assess the level of risk of salinity in priority catchments, and develop catchment plans for priority catchments at risk.
- \$0.7 million in 2000-01 and subsequent years to develop an information package on revegetation techniques to enhance productivity and diversification options for farmers.
- \$0.9 million in 2000-01 and subsequent years to research and promote profitable farming systems which minimise water recharge.
- \$0.5 million in 2000-01 and subsequent years for salinity monitoring (Saltwatch).

Department of Environmental Protection

- Development of a Monitoring & Evaluation strategy for the new Salinity Council as part of the "State of the Environment" reporting.

Department of Conservation

- \$1.3 million in 2000-01 for revegetation with woody perennials, including the Oil Mallee project.

Forest Products Commission

- \$7.5 million in 2000-01 for maritime pine planting.

Water and Rivers Commission

- \$33,000 in 2000-01 for assessing the impacts of salinity on the Ord Irrigation System.

Outcome 2: The protection and restoration of key water resources.

Water and Rivers Commission

- \$0.7 million funding in 2000-01 and subsequent years to develop strategic and on ground action plans to address stream and land salinity working with community representatives and other state agencies.
- \$2.1 million in 2000-01 and subsequent years for water resource recovery catchment implementation.

- \$260,000 in 2000-01 and subsequent years for groundwater investigations to identify where strategic works can best have effect in reducing stream and land salinity.
- \$325,000 in 2000-01 and subsequent years for surface water monitoring by measuring run off quantities and qualities to assess the effectiveness of treatments.
- \$73,000 in 2000-01 for acquisition and planning to maintain land uses that protect the quality of water resources.
- \$510,000 in 2000-01 towards hydrological advice and monitoring the condition of the State's water resources.

Outcome 3: The protection and restoration of high value wetlands and natural vegetation, and maintenance of natural diversity in the region.

Department of Conservation

- \$4.9 million in 2000-01 and subsequent years to protect and manage native vegetation and wetlands on Crown lands by revegetation of degraded reserves, improved reserve management and acquisition of land where necessary.
- \$3.3 million in 2000-01 and subsequent years to develop and implement management plans which protect areas of high biodiversity.
- \$1.0 million in 2000-01 and subsequent years to complete a biological survey of areas at risk from salinity and advise on priorities for action.
- \$325,000 in 2000-01 and subsequent years to establish a base line for monitoring the effects of dryland salinity on biodiversity.
- \$195,000 in 2000-01 and subsequent years to provide advice and support to landowners to improve the management of remnant vegetation on private lands.

Department of Environmental Protection

- \$65,000 in 2000-01 and subsequent years for protecting priority environmental assets in catchments in consultation with community catchment groups.
- \$65,000 in 2000-01 and subsequent years for protection of waterways and significant local wetlands through criteria based drainage assessment.
- \$130,000 in 2000-01 and subsequent years for remnant vegetation protection in consultation with agencies, local government, community groups and landholders.

2000-01 Economic and Fiscal Outlook

Water and Rivers Commission

- \$330,000 in 2000-01 to protect waterways quality and manage the Waterways WA Program.
- \$360,000 in 2000-01 towards regional strategy development and waterways protection concerning salinity issues.

Outcome 4: Communities provided with capacity to address salinity issues and the ability to manage changes brought about by salinity.

Agriculture Western Australia

- \$225,000 in 2000-01 and subsequent years to develop drainage best practice and techniques for evaluating the need for drainage.
- \$4.3 million in 2000-01 and subsequent years to develop salinity information systems (in conjunction with CSIRO) for access by landholders, including geographic information (through the Land Monitor project), geophysical information, catchment water balance models and groundwater monitoring.

Water and Rivers Commission

- \$65,000 in 2000-01 for the Land Monitor project.
- \$325,000 in 2000-01 and subsequent years for provision of groundwater advice.
- \$260,000 in 2000-01 and subsequent years for assessment of airborne geophysics.

Department of Environmental Protection

- Regional level analysis of vegetation status to incorporate spatial analysis of vegetation, biodiversity and options for landscape protection into regional and catchment strategies.
- \$40,000 in 2000-01 to resource the cross-agency Land Monitor project

Outcome 5: The protection of infrastructure from salinity damage.

Agriculture Western Australia

- \$1.5 million will be spent in 2000-01 and subsequent years to assist Shires to develop a salinity management strategy for rural towns at risk from rising groundwater.

Water and Rivers Commission

- \$65,000 in 2000-01 and subsequent years to provide groundwater information and salinity management advice for rural towns.

WA Strategy Against Drug Abuse

Introduction

The WA Strategy Against Drug Abuse began in 1997 with its first two year action plan, following the Premier's Task Force on Drug Abuse. The second action plan for 1999-2001 is currently underway.

The strategy is necessarily comprehensive and tackles the abuse of legal and illicit drugs in Western Australia. It includes education and community action to prevent drug abuse, health and community support services to assist individuals and families through recovery from drug problems, law enforcement to reduce supply of drugs, a range of specific population and drug initiatives, and monitoring and research to inform the strategy, all supported by coordination and structural arrangements to involve activity by the whole of government and throughout the community.

The major participating government agencies, in addition to the WA Drug Abuse Strategy Office which coordinates the strategy, are the Health Department, Police Services, Education Department, Aboriginal Affairs Department, Family and Children's Services and the Ministry of Justice. The strategy also involves specific partnerships with the Office of Road Safety, Office of Racing, Gaming and Liquor, the Office of Youth Affairs and Healthway.

Aim

To reduce the extent of drug abuse and its impact, through an integrated whole of government and whole of community strategy.

Table 13

OUTCOMES AND KEY RESULTS AREAS

Outcome 1	Outcome 2	Outcome 3
Reduction in the demand for drugs.	Reduction in the supply of illicit drugs and the unsanctioned supply of legal drugs and substances.	Reduction in the harm associated with the abuse of drugs.
Key Result Areas		
Ensure that all schools provide effective drug education.	Increase apprehension of those engaged in serious drug crime.	Reduce accidental heroin overdoses and consequent deaths.
Increase awareness and impact of public education messages.	Prevent the development of street level drug markets.	Reduce the spread of blood borne viruses among injecting drug users.
Increase community action to address drug problems at a local level.	Reduce the supply of tobacco to minors.	Reduce the incidence of alcohol related diseases and illnesses and accidents.
Ensure access to health and community support services providing early intervention and treatment for drug problems.	Reduce the supply of other legal substances with potential for abuse.	
Address the needs of specific populations and respond to specific drug issues.		

Key Activities Contributing to the Outcomes

A total of \$50.2 million will be spent by various agencies on the WA Strategy Against Drug Abuse in 2000-01.

The strategy includes over 100 specific initiatives, some of which are new and others development or expansion of existing activities.

Highlights of the new and expanded strategies against each of the outcomes are as follows.

Outcome 1 - Reduction in the demand for drugs

- School Drug Education Project expansion with regional networks and a school grants program (\$1.1 million).
- Parent drug education opportunities expansion through a partnership between the Health Department, the Community Drug Service Teams and Local Drug Action Groups (\$40,000).
- Community partnerships extending to include TAFEs and universities, and expanding with businesses and local governments (\$20,000).
- Health Department building further capacity in the general health sector with general practitioners and hospitals to provide pharmacotherapies, detoxification and brief intervention services (\$2.1 million).
- Clinical trials and expanding the availability of naltrexone and other pharmacotherapies for heroin addiction through the Health Department's *Next Step – Specialist Drug and Alcohol Services* (\$2.0 million).
- A new Community Drug Service Team in the inner city area of Perth (\$130,000).
- A comprehensive diversion strategy for adults and juveniles, and corresponding expansion of services, involving police diversion for first offenders and court diversion including a drug court for more serious offenders, implemented through a partnership between the Police Service, Ministry of Justice, Health Department and the WA Drug Abuse Strategy Office (\$1.35 million).

Outcome 2 - Reduction in the supply of illicit drugs and the unsanctioned supply of legal drugs and substances

- As well as maintaining a focus on high level drug supply and street level drug dealing, and enforcement of liquor licensing requirements, further development of community action to promote the responsible service of alcohol and the curtailment of the supply of solvents through local partnerships involving police and Local Drug Action Groups (\$5.7 million).
- A range of regulatory amendments is proposed to curtail further supply of tobacco to minors.

Outcome 3 - Reduction in the harm associated with abuse of drugs

- Comprehensive opiate overdose prevention strategies including emergency management, education and outreach services continuing to be developed, expanded and renewed (\$460,000).

- Needle exchange services developing their capacity to engage clients into treatment and providing well targeted harm reduction education (\$950,000).

Building Blocks

Introduction

Research in recent years has confirmed the value of programs that provide assistance to families before serious problems develop.

A child's early years are critical in the formation of intelligence, personality and social behaviour, and the effects of early neglect can be cumulative. Research shows that significant social and economic benefits can flow from investment in antenatal, early childhood development and family support programs.

The evidence shows that individuals facing difficulties also experience ill health, increased crime rates, lower educational levels and social welfare dependency. For some children, antisocial behaviour which manifests early in life persists. In adulthood, those same children often will be involved in alcohol and substance abuse, suffer psychiatric disorder, have marital and occupational difficulties, experience social isolation and may end up in the justice system.

Utilising this research, the Health Department of WA and Family and Children's Services have collaborated to develop the Building Blocks program, which provides support to families with children in the zero to two year age group.

Families who may need assistance will be identified during the home visit by child health nurses visiting a newborn baby.

An intensive program will be introduced that helps families make sure their children have the essential building blocks in place when they start out in life and also helps parents build stronger and healthier families.

Aim

The Building Blocks initiative aims to improve the physical and social wellbeing of children, parents and families by adopting an integrated, intra governmental solution to prevent child behaviour problems.

This will be achieved by integrating the current range of child health services provided by the Health Department of WA with the family focussed support programs offered by Family and Children Services.

Table 14

OUTCOMES & KEY RESULTS AREAS

Outcome

An improvement in the physical and social wellbeing of children, parents and families

Key Result Area

Increased access to child health services in children aged between 0 and 2 years and their families.

Improved access to support services/agencies relevant to child development and associated parenting skills.

Increased support for parents and families who need assistance to:

- improve child and parent health
- improve parenting skills
- increase parents' confidence
- link families into existing services and resources

Early childhood services.

Enhanced Aboriginal specific early childhood services.

Key Activities Contributing to the Outcome

A total of \$9.0 million has been allocated over the forward estimates period towards this initiative as follows.

Health Department

- \$720,000 has been allocated over the forward estimates period to ensure every mother in the State with a newborn baby is offered an initial home visit by a child health nurse.

Family and Children's Services

- \$3.3 million has been provided over the next four years to implement an intensive visiting program aimed at providing support and advice on a regular basis through home visiting to families in high need.

Health Department and Family and Children's Services

- \$1.9 million has been allocated over the next four years for expansion of services for families. This will be undertaken by the Health Department's Community Mothers Program and the Parenting Information Centres operated by Family and Children's Services. These programs will target young/single or isolated parents and provide education and skills development in parenting.

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- \$2.8 million has been allocated over the next four years for enhanced Aboriginal specific early childhood services delivered in a culturally appropriate manner, aimed at reducing aboriginal infant mortality, improving ante natal care and building strong families through parenting programs.
- \$230,000 has been allocated for implementation and evaluation of the building blocks initiatives.

Regional Development Policy

Regional Western Australia contributes more than \$20 billion to the State economy, underpinning the wealth of the State and national economies. Regional Western Australia, with just over 27 percent of the population, plays a major part in more than two thirds of the State's exports. The State's ability to develop its potential in economic and social terms is dependent on regional development.

The Regional Development Policy has been developed to ensure a whole-of-government approach to regional development. Extensive work occurs across government that contributes to regional development outcomes.

The purpose or focus of government agency efforts are diverse and varied. Some agencies are major drivers of regional economic development; some, as part of their broader role are centred on service delivery critical to the maintenance of a high quality of life; some are focussed on the provision of infrastructure important to regional development; and some include a specific regulatory role.

The Regional Development Policy adds value to the existing set of policies and service delivery mechanisms by identifying common goals, offering new coordination opportunities and ultimately achieving a whole-of-government approach to servicing the needs of regional people.

There are six regional development policy goal areas, describing outcomes for regional Western Australia. These are: Adaptive Communities, Enriched Lifestyles and Livelihoods; Developing Wealth and Employment; Developing Infrastructure; Environment and Natural Resource Management; and Responsive Government.

Online Strategy

The Information Age is presenting new and exciting challenges for communities around the world – new and better jobs, increased access to information and services, innovative forms of community building, better communication, and new business opportunities.

The Government announced on 6 January 2000 that it would implement a strategy to ensure that all Western Australians share and embrace the digital revolution. The four phases are:

- Technology in schools and teacher training;
- Educating parents and other groups to utilise the technology;
- Connecting homes to the Internet and providing tuition; and providing
- Government and private sector services online.

Further work will be undertaken to provide a range of costed options and approaches to implement the strategy. Cross agency coordination of programs and services delivered or planned under this strategy will be undertaken by the Office of Information and Communications to ensure that the services delivered online complement and support each other.

\$3 million has been allocated for the 'Single Doorway' project to improve government service delivery. It will provide easy online access to government services and information, including access to a range of educational services.

The project will also enable customers to pay for government services online (FastPay) and for the public to register changes to their personal details once, and in the process, inform relevant government agencies of those changes (LifeEvents).

CHAPTER 4

The Western Australian Economy

Summary

The Western Australian economy is forecast to grow by 4.0% in both 1999-2000 and 2000-01. Growth has been concentrated in dwelling investment, public investment and household consumption in 1999-2000, but is expected to be broader based over the next few years.

Business investment is forecast to strengthen in 2000-01, and accelerate in 2001-02. This reflects commitments to a number of large projects which have undergone detailed planning in recent years.

The external sector is forecast to make a strong contribution to growth in the latter half of 1999-2000 and in 2000-01, as recently commissioned projects move into full production and conditions in Western Australia's major trading partners improve.

Strong employment growth is projected over the medium term. Although this will encourage a further lift in labour force participation, a gradual decline in the unemployment rate to 6.0% by 2003-04 is forecast.

The Western Australian economy is expected to grow by 5.0% in 2002-03 and 2003-04, reestablishing the State as one of the fastest growing States in the nation.

Overview

Budget Framework

The economic forecasts are important parameters underpinning estimates of revenues and expenditures in the budget and the forward estimates period.

The revenue estimates are linked to the economic forecasts. In particular, the payroll tax estimates are related to employment and wages growth, while growth in a number of other State taxes is loosely linked to growth in domestic economic activity.

The expenditure estimates are closely related to projections of population growth and the cost of goods and services provided by the State Government. Forecasts of economy wide price increases, as measured by the gross State product implicit price deflator, are used in estimating growth in these costs.

At the same time, projections of private investment activity have an important impact on the demand for public infrastructure and therefore the Government's capital works program.

Recent Developments

Economic activity in Western Australia is now estimated to grow by 4.0% in 1999-2000 (down from the 4.5% expected previously), following growth of 2.1% in 1998-99. The expected lift in growth in 1999-2000 is underpinned by a pick up in both domestic activity and more recently net exports.

Stronger domestic activity reflects strong growth in dwelling investment, public investment and household consumption expenditure. The contribution from these components is partially offset by a fall in business investment, evidenced by new data released since the 1999-2000 Mid-year Review.

Net exports are expected to contribute to growth in 1999-2000, after detracting from growth in 1998-99.

Employment is expected to grow by 3.0% over 1999-2000, compared to the original estimate of 2.0%. This could be considered surprising in the context of moderate growth in overall domestic demand, but reflects the fact that growth has been strongest in dwelling investment and retail trade, which are relatively labour intensive.

The main differences in the current estimates and the forecasts presented in the 1999-2000 Budget Papers relate to the domestic economy. In particular, business investment is taking longer to pick up than anticipated. Partly offsetting this, dwelling investment and public investment are estimated to have grown significantly faster than projected in the 1999-2000 Budget.

Outlook

The rate of growth in the Western Australian economy as a whole is forecast to remain steady at 4.0% in 2000-01, before strengthening over the forecast period.

Employment growth is expected to ease in 2000-01 as dwelling investment slows, then stabilise at around 2.75% per annum in the out years. This growth should underpin a gradual reduction in the unemployment rate to 6.0% in annual average terms by 2003-04. Growth in wages and prices is expected to pick up over 2000-01 before stabilising over the medium term.

Table 1

MAJOR ECONOMIC AGGREGATES						
Western Australia						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimate	Budget	Forward	Forward	Forward
	%	%	Estimate	Estimate	Estimate	Estimate
			%	%	%	%
Real Gross State						
Product Growth	2.1	4.0	4.0	4.5	5.0	5.0
Employment Growth	2.5	3.0	2.5	2.5	2.75	2.75
Unemployment Rate	7.0	6.5	6.5	6.25	6.25	6.0
Wages Growth	1.1	2.5	3.5	3.5	3.5	3.5
Consumer Price Index						
Growth ^(a)	1.8	2.5	3.0	2.75	2.75	2.75
Implicit Price Deflator						
Growth	0.0	2.0	2.5	2.5	2.25	2.25
Population Growth ^(b)	1.8	1.6	1.5	1.4	1.4	1.4

(a) Does not incorporate any impact of the Tax Reform package.
 (b) Based on ABS projections.

The pace of growth in the domestic economy is forecast to moderate slightly over 2000-01, reflecting an easing in growth in dwelling investment and public investment. This should be partly offset by a modest pick up in business investment.

The moderation in domestic activity should be accompanied by a stronger contribution from net exports, as production at several large projects (eg the new laterite nickel mines) approaches full capacity and economic conditions in key Asian export markets continue to improve.

2000-01 Economic and Fiscal Outlook

In 2001-02, growth in gross State product is expected to increase to around 4.5%, with a strong lift in business investment being partly offset by a fall in activity in the public sector and in dwelling investment. The strong lift in business investment is expected to lead to strong growth in plant and equipment imports, dampening the contribution of net exports to growth.

Growth is forecast to increase to 5.0% in 2002-03 and remain strong in 2003-04. This reflects a strengthening in domestic activity, driven by a recovery in dwelling investment and high levels of business investment. This should be accompanied by a resurgence in the contribution from net exports as production commences at projects completed in 2001-02 and 2002-03.

OUTPUT AND DOMESTIC DEMAND

Figure 1

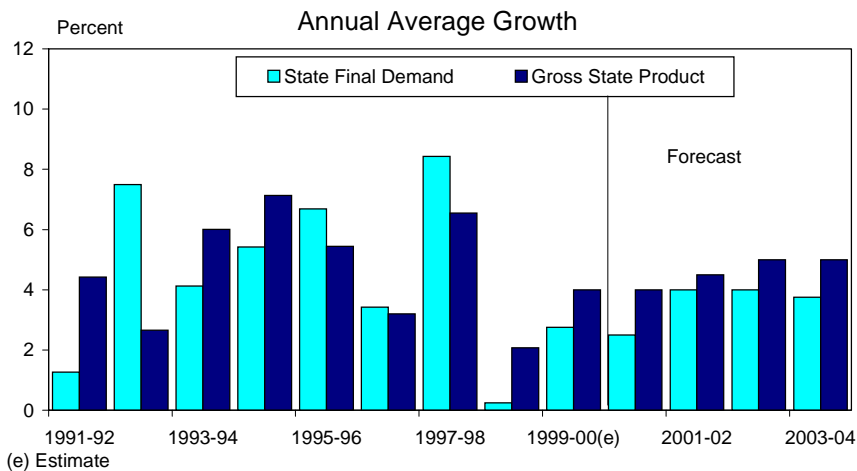


Table 2

COMPONENTS OF GROSS STATE PRODUCT^(a)

Western Australia

	Actual	Estimate	Forecast	
	1998-99	1999-00	2000-01	2001-02
	%	%	%	%
Annual Average Growth				
Private				
- Household Consumption	3.2	3.5	3.5	3.25
- Dwelling Investment	5.7	12.5	0.25	-1.75
- Business Investment	-9.9	-11.0	4.0	15.0
Public				
- Consumption	0.0	4.0	1.25	1.0
- Investment	6.2	26.0	-6.0	-6.75
STATE FINAL DEMAND	0.2	2.75	2.5	4.0
External Sector				
- Exports	-1.1	5.25	6.75	7.0
- Imports	4.1	4.75	7.0	13.5
Net Exports	-4.1	5.75	6.75	2.75
GROSS STATE PRODUCT	2.1	4.0	4.0	4.5
Contribution to Gross State Product Growth^(a)				
	% points	% points	% points	% points
Private				
- Household Consumption	1.6	1.75	1.75	1.75
- Dwelling Investment	0.4	0.75	0.0	0.0
- Business Investment	-2.0	-2.0	0.75	2.25
Public				
- Consumption	0.0	0.75	0.25	0.25
- Investment	0.3	1.25	-0.25	-0.25
STATE FINAL DEMAND	0.2	2.5	2.5	3.75
External Sector				
- Exports	-0.4	2.0	2.5	2.5
- Imports	0.6	0.75	1.0	2.0
Net Exports	-1.0	1.25	1.5	0.75
Balancing Item	3.0	0.0	0.0	0.0
GROSS STATE PRODUCT	2.1	4.0	4.0	4.5

(a) Totals may not add due to rounding

Treasury's forecasts for 1999-2000 and beyond are within the latest available range predicted by other forecasters, with most forecasters predicting strong growth in Western Australia.

The Commonwealth Treasury is forecasting that growth in Australia will moderate from the 4.0% per annum achieved over much of the 1990s. The forecast pick up in growth in Western Australia means that the State is set to again out-perform the rest of the nation.

Table 3

**MAJOR ECONOMIC FORECASTERS
FORECASTS OF GSP GROWTH
Western Australia**

	Estimate 1999-00 %	Forecast 2000-01 %	Forecast 2001-02 %	Forecast 2002-03 %	Forecast 2003-04 %
Access Economics	7.0	5.8	5.9	4.2	3.5
ANZ Banking Corporation	4.1	4.7	5.9	5.7	n.a.
BankWest	3.0	4.0	5.0	3.5	n.a.
BIS Shrapnel	4.9	3.7	2.5	3.8	n.a.
Centre of Policy Studies	3.4	3.1	5.0	5.3	n.a.
NEIR	4.1	2.4	2.4	n.a.	n.a.
CCIWA	3.25	3.5	n.a.	n.a.	n.a.
Treasury	4.0	4.0	4.5	5.0	5.0
Average for Western Australia	4.2	3.9	4.5	4.6	4.3
Forecast for Australia^(a)	3.5	3.75	3.5	3.5	n.a.

n.a. not available

(a) Forecast by Commonwealth Treasury as published in the Mid-year Economic and Fiscal Outlook 1999-2000.

Source: Access Economics, April 2000

External Developments

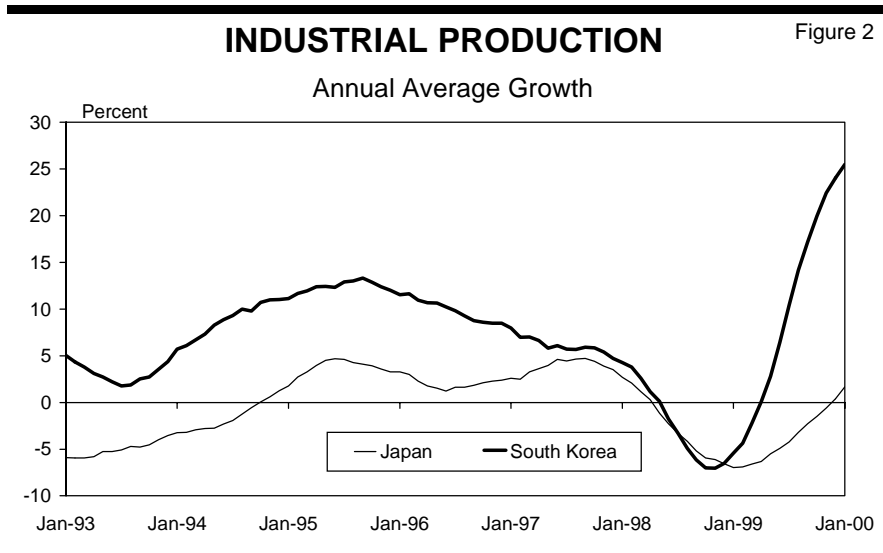
Encouragingly, conditions in the world economy, and Western Australia's Asian and European trading partners in particular, are expected to improve over 2000 and remain strong in 2001. Most of Asia has recovered or is showing definite signs of recovery, Europe appears to be strengthening and conditions in the United States remain buoyant.

The Consensus Economics¹ March 2000 survey forecasts growth in the world economy to increase from an estimated 2.5% in 1999 to 3.3% in 2000. Growth is then forecast to ease slightly to 3.1% in 2001.

¹ Average forecast from Consensus Economics' survey of key forecasters.

Activity in most Asian economies has rebounded strongly, with Consensus forecasts pointing to a further strengthening in activity in 2000 and 2001. In Japan, where growth has been particularly sluggish, the outcome is for a more moderate strengthening.

Importantly for Western Australia, industrial production in Japan (which consumes exports from Western Australia) has picked up recently and growth is now positive. In South Korea, Western Australia's second largest trading partner, industrial production has accelerated beyond all expectations.



The United States economy has continued to defy expectations with Consensus Economics' March 2000¹ survey forecasting growth of 4.3% over 2000. This has been upgraded substantially over recent months from forecast growth of just 2.9% in October 1999. This revision is underpinned by several favourable trends including the continuing boom in the "new economy" industries.

The anticipated slow down in the US economy has been pushed out to 2001, when economic growth is forecast to slow to 3.1%. This level of growth would still be impressive by international standards.

Growth in Europe appears to be strengthening with activity in key economies - in particular the United Kingdom and Germany - picking up. Importantly for Western Australia's exports, industrial production in both countries is also forecast to accelerate over 2000 and remain strong in 2001.

Table 4

**GDP GROWTH FORECASTS FOR
WESTERN AUSTRALIA'S MAJOR TRADING PARTNERS**

	Actual 1998 %	Estimate 1999 %	Forecast 2000 %	Forecast 2001 %
Japan	-2.5	0.3	0.9	1.6
South Korea	-5.8	10.2	7.7	6.0
Singapore	0.3	5.4	5.7	5.8
United States	4.3	4.2	4.3	3.1
China	7.8	7.1	7.3	7.5
Taiwan	4.6	5.7	6.5	6.1
United Kingdom	2.2	2.0	3.2	2.7
Indonesia	-13.7	0.2	4.2	4.9
Hong Kong	-5.1	2.0	5.2	4.4
Malaysia	-7.5	5.4	6.4	6.2

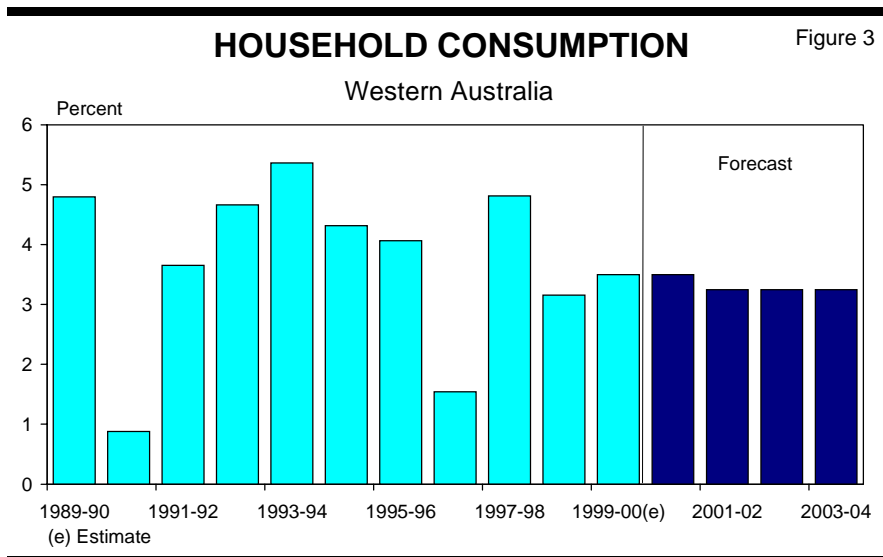
Source: Consensus Economics (forecasts are for Calendar years).

State Final Demand

Consumption Spending

Household Consumption

Household consumption is forecast to grow by 3.5% in 2000-01, the same as is estimated for 1999-2000. Beyond 2000-01, growth is expected to moderate to just over 3% per annum.



Spending in 2000-01 is expected to be underpinned by an increase in disposable income, driven by solid growth in employment and wages, and the income tax cuts (as well as increases in welfare payments) to be introduced on 1 July 2000 as part of the national tax reforms. In this regard, the tax reform package constitutes a significant net fiscal stimulus to the economy.

The replacement of the current wholesales sales tax by the goods and services tax (GST) is expected to impact on the timing of purchases. Spending on those goods and services that will increase in price (eg. clothes and most services), will be (or is already being) brought forward. Partly offsetting this will be deferrals of expenditure on items that will become less expensive (eg. cars, jewellery and electronic equipment). Overall, it is anticipated that there will be a small pull forward effect on household consumption in 1999-2000, with a corresponding decline in spending in 2000-01.

2000-01 Economic and Fiscal Outlook

Household consumption is also expected to be sustained by spending on items such as fittings, furniture and whitegoods which tend to be associated with investment in dwellings. In this regard, housing activity is expected to remain strong into the first half of 2000-01 (see *Dwelling Investment* below), as there is a lag between construction and outfitting/furnishing a home. Furthermore, first home buyers (whose share of the market should increase in 2000-01 due to the First Home Owners Scheme) would typically need to spend more on electrical goods and whitegoods than other home buyers.

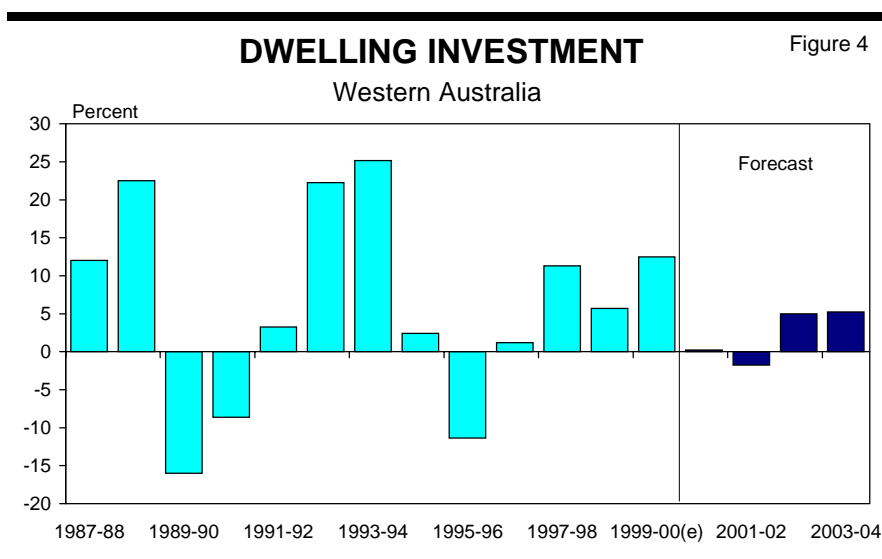
Partly offsetting the positive factors will be higher interest rates, which have the dual effect of reducing income left over after servicing loans and increasing the cost of credit. Interest rate rises also dampen consumer confidence.

Public Consumption

Public consumption growth is forecast to slow to 1.25% in 2000-01 after increasing by an estimated 4.0% in 1999-2000. It should be noted that this includes the impact of changes in spending by the Commonwealth and local governments, as well as the State Government. For a detailed analysis of the State component of public expenditure, see Chapter 3: *Forward Estimates of Revenue Expenses, and Capital*.

Dwelling Investment

Growth in dwelling investment is expected to moderate significantly in 2000-01, following strong growth in 1999-2000.

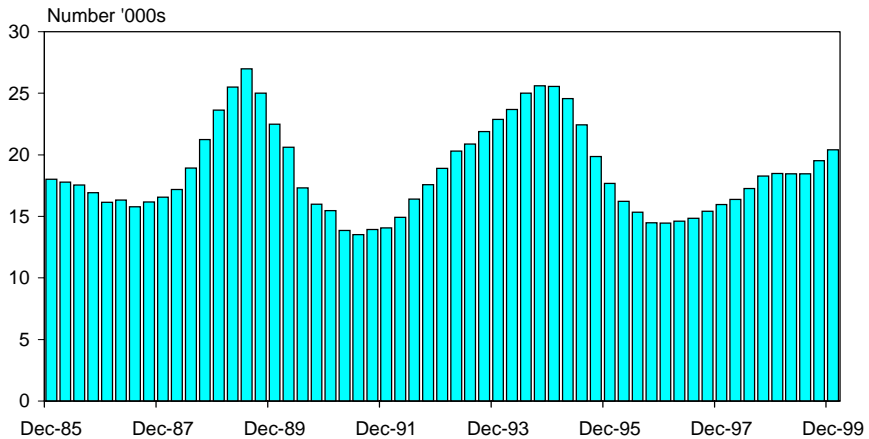


The strong expansion in 1999-2000 (estimated growth of 12.5%) and expected moderation in growth to 0.25% in 2000-01 is partly the result of home buyers bringing forward construction ahead of the introduction of the GST, in order to avoid increases in construction costs.

However, in the rush to beat the implementation of the GST, there has been a significant build up of work still to be completed. Due to shortages in labour, construction materials and equipment, many contracts are running behind schedule. As a result, it is expected that the high level of dwelling investment activity in 1999-2000 will continue into the first half of 2000-01.

DWELLING COMMENCEMENTS
Four Quarters Cumulative

Figure 5



Activity levels in the first half of 2000-01 should also be supported by the introduction of the First Home Owners Scheme (FHOS). The FHOS comprises a \$7,000 grant to first home buyers purchasing or building a home after 1 July 2000. First home buyers typically make up 20-30% of the new housing market.

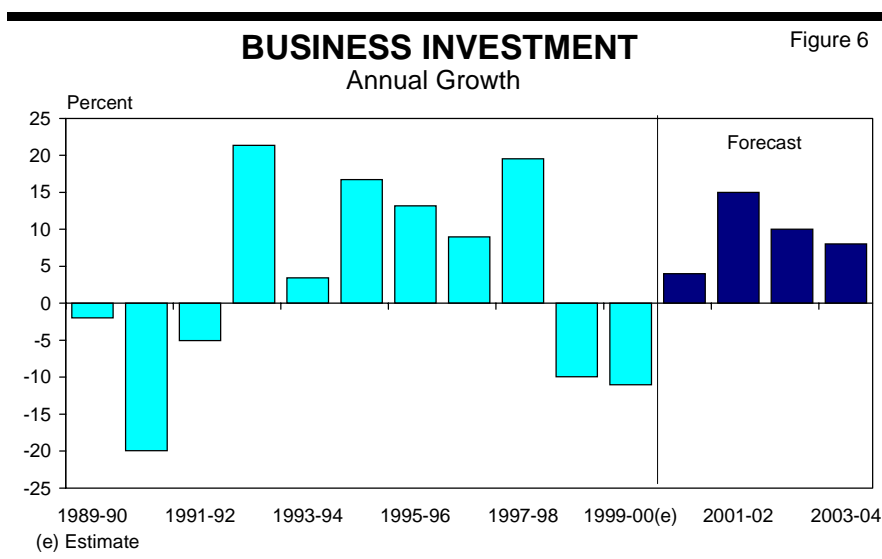
Western Australian home buyers and builders may fare better than those in the more populous States from the FHOS grants, due to lower house prices in this State. Furthermore, income tax cuts to be implemented after 1 July 2000 as part of the taxation reform package will increase household disposable income and also help to offset the impact of the GST on building costs.

Beyond 2001-02, dwelling investment is forecast to grow by around 5.0% per annum. This is consistent with historical growth in underlying demand.

Business Investment

After six consecutive years of strong growth, which culminated in a record level of investment in 1997-98, business investment fell significantly over 1998-99 and 1999-2000. Investment has now returned to a level at which it can be sustained without being boosted by large high profile projects.

Growth in investment is forecast to resume in 2000-01, and to be sustained over the medium term. Although investment is expected to increase by 4.0% in 2000-01 and 15.0% in 2001-02, growth in general is anticipated to be more moderate in comparison to the previous expansionary period.

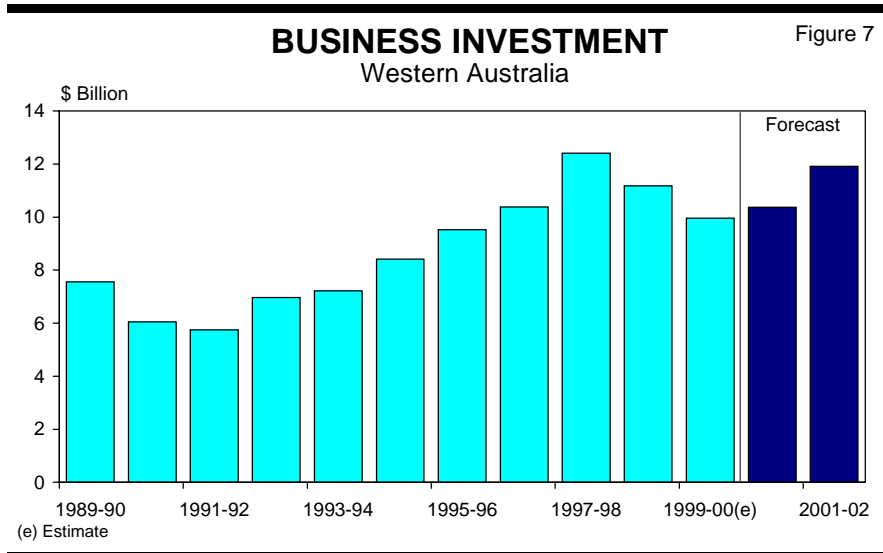


Investment spending in Western Australia in 1999-2000 is likely to be weaker than forecast in the 1999-2000 Budget, a forecast which was based on companies' own assessments of capital spending plans at the time as reported in the Australian Bureau of Statistics' (ABS) private new capital expenditure expectations (Capex) survey.

The estimated fall in investment in 1999-2000 is based on details of capital spending up to the December quarter as well as information contained in the ABS Capex survey. Estimates of investment are also based on the value of work yet to be done and trends in imports of business inputs.

Projects that have contributed to investment in 1999-2000 include the Worsley Alumina refinery expansion, the Lambert/Hermes and Legendre oil fields, the Windimurra vanadium project, the Cosmos nickel project, the Carosue Dam gold project, the expansion of the Huntley bauxite mine and the Onslow salt production facility.

Construction on other buildings and structures which contributed to investment over the year includes the expansion of the Carousel and Booragoon shopping centres, the Mandurah Marina Ocean Dolphin Pool and the Subiaco Square retail centre.



Growth in investment is forecast to recover in 2000-01, with investment forecast to increase by 4.0%. This forecast is based on the ABS Capex survey, supplemented by information on the value of projects under consideration, conditions in commodity markets and business confidence more generally. This approach does not rely on individually identifying projects that will proceed, but allows for the possibility that a number of projects that are under consideration will move into the construction phase.

Projects that may contribute to the forecast growth in business investment in 2000-01 include the \$1.0 billion development of the West Angelas iron ore deposit, Syntroleum’s gas to liquids project and the Ravensthorpe nickel project. Spending on larger projects should be supplemented by construction on smaller projects, possibly including the expansion of the Sunrise Dam gold mine, the Emily Ann nickel project, the Balla Balla vanadium project, BHP’s mining area C (iron ore) and the Albany wood chipping plant.

Construction is expected to continue during 2000-01 on the Majestic Quay resort in East Perth, the Holiday Inn in Mandurah and the Clarkson shopping centre. Construction may also commence on a number of other buildings and structures including the Ramada Riverfront Hotel (in Fremantle), the expansion of the Burswood convention centre, the refurbishment of the Hay Street Mall Aherns store into a David Jones outlet, the Bunker Bay Rural Resort and possibly Woodside’s new headquarters.

2000-01 Economic and Fiscal Outlook

The abolition of wholesale sales tax (with the GST being an input tax credit) may help to bolster both non residential building and plant and equipment investment.

Growth in investment is forecast to increase strongly in 2001-02, as a number of projects which have been the subject of detailed planning are expected to proceed. Although it is difficult to determine specifically which will proceed, possible projects include:

- A \$3.25 billion expansion of the North West Shelf Project (adding a fourth LNG train);
- A \$3.0 billion Pilbara Petrochemical plant;
- A number of iron and steel plants in the Pilbara, including Austeel (\$5.0 billion), AUSI (\$1.8 billion) and Mineralogy (\$1.8 billion);
- The Plenty River \$800 million ammonia urea plant;
- A third \$700 million train on Alcoa's Wagerup alumina refinery; and
- An iron ore project by Hope Downs in the Pilbara (\$450 million).

The likelihood of these projects proceeding will depend on a number of factors including international demand conditions as well as some new challenges such as greenhouse gas abatement. The *Risks to the Outlook* section at the end of this chapter includes more details on these risk factors.

Public Investment

Public investment is forecast to ease significantly in 2000-01, with a contraction of 6.0%. This follows expected very strong growth of 26.0% in 1999-2000, reflecting contributions from all three levels of government. A detailed analysis of the State component of public investment is provided in Chapter 3: *Forward Estimates of Revenue Expenses, and Capital*.

Net Exports

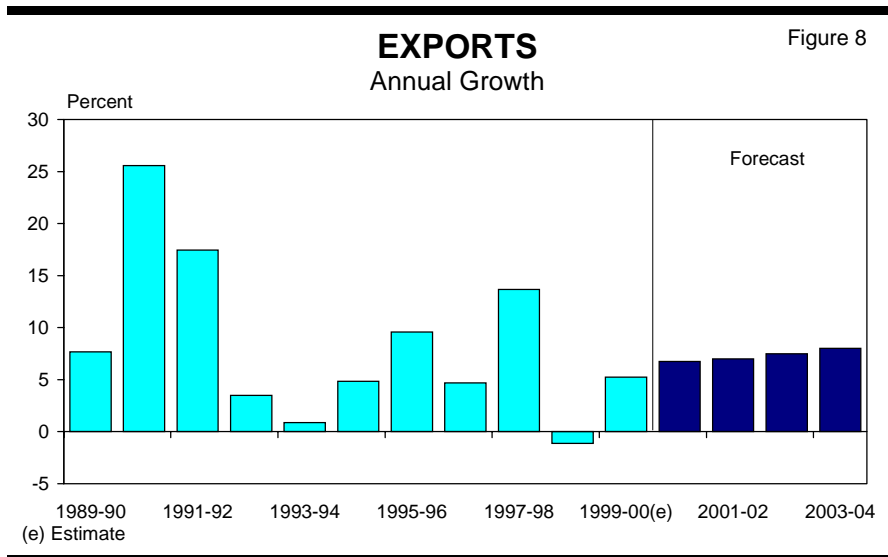
The external sector is forecast to strengthen in 2000-01, with growth of 6.75% expected. This follows an anticipated strong rebound in growth in the second half of 1999-2000, with net exports estimated to increase by 5.75% over the year.

Growth in net exports is forecast to moderate to 2.75% in 2001-02, reflecting a pick up in imports of plant and equipment associated with high levels of business investment.

Exports

Exports are forecast to continue to grow strongly in 2000-01 and beyond, following a recovery in the latter half of 1999-2000.

After falling by 1.1% in 1998-99, exports are estimated to grow by 5.25% in 1999-2000, and by 6.75% and 7.0% in 2000-01 and 2001-02 respectively. A strong improvement in international demand conditions and increased production at recently commissioned and other new projects contribute to the positive outlook.



Technical difficulties at a number of recently commissioned projects, including the new nickel laterite projects and BHP's hot briquetted iron plant, have delayed the anticipated ramp up in production. As a result, exports are forecast to grow more moderately over 1999-2000 than estimated in the 1999-2000 Budget.

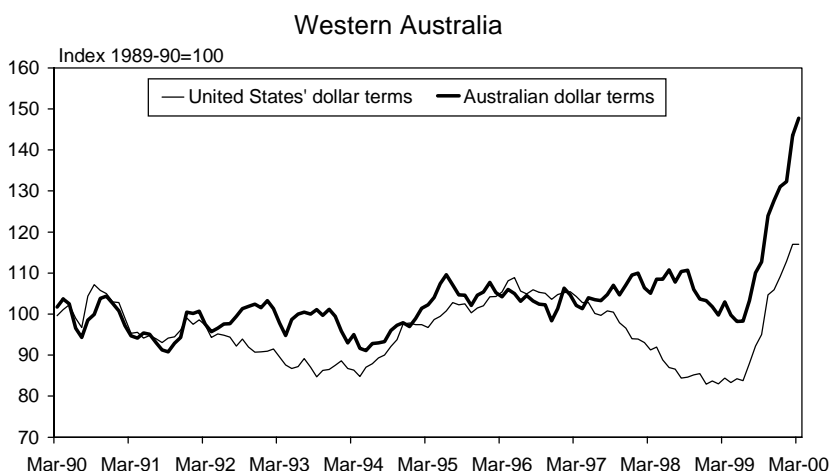
Apart from the new nickel laterite projects, increased production is expected from the Yandicoogina iron ore mine, the Worsley and Wagerup alumina expansions and the Windimurra vanadium plant, in 2000-01.

Over the medium term, new resources projects are expected to sustain growth in exports at around the long run average rate of growth of 8% per annum.

Stronger international demand conditions (together with supply constraints in some cases) are already leading to positive outcomes for both commodity prices and export volumes. Reflecting this, the prices of alumina, petroleum and nickel have all doubled since early 1999. Stronger demand conditions have also facilitated price increases of between 4.5% and 5.8% in recently concluded iron ore contract negotiations.

COMMODITY PRICE INDEX²

Figure 9



While commodity prices do not have a direct impact on growth in real exports (real growth abstracts from price changes), they nonetheless influence export volumes significantly in an indirect way.

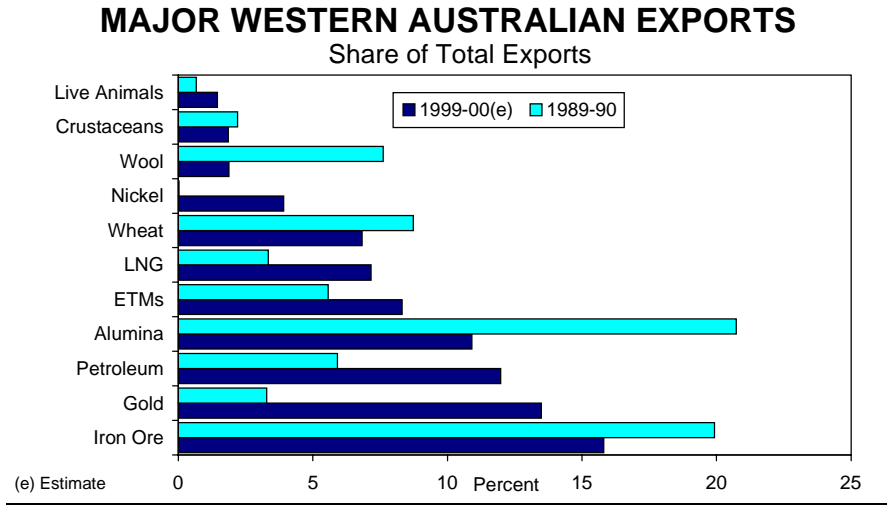
In particular, higher commodity prices are often an indicator of strong demand conditions. They also increase profit levels for companies, the rate of return on new projects and business confidence, which supports future business investment.

Fundamental to Western Australia’s export performance is the diversification of its export commodities and destinations.

A decade ago, Western Australia was reliant on two key commodities - alumina and iron ore, which made up over 40% of all exports. Western Australia’s current top two export commodities, iron ore and gold, make up less than 30% of all exports, with petroleum, LNG, nickel and elaborately transformed manufactured goods (eg. ships and boats, pigments and paints and inorganic chemicals) making much larger contributions than in the past.

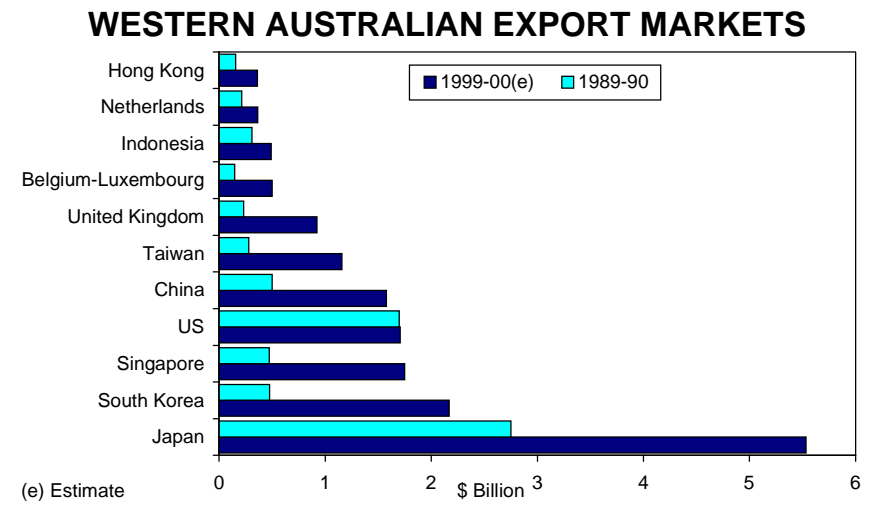
² The Commodity Price Index is derived by Treasury from various sources including Datastream, the Department of Minerals and Energy and the Australian Bureau of Agricultural and Resource Economics (ABARE). The Index comprises weighted prices of alumina, diamonds, gold, iron ore, nickel, oil, LNG, ilmenite, rutile, zircon, barley, lupins, wheat, wool and beef.

Figure 10



Similarly, Western Australia's export markets have become more diversified. Ten years ago, Western Australia only had two markets to which it exported more than \$1.0 billion worth of goods, compared to six now. Japan and the US have been joined by South Korea, Singapore, China and Taiwan.

Figure 11



The abolition of wholesales sales tax, reduction in fuel excise and the GST free treatment of exports under national tax reform should further increase the competitiveness of Western Australia's export industries in international markets.

Imports

The value of Western Australia's imports is forecast to grow by 7.0% in 2000-01, up from estimated growth of 4.75% in 1999-2000. The lift in import growth reflects the expected rebound in business investment and consequent increase in imports of plant and equipment. Strong consumption growth during the year is also expected to underpin the increase in imports.

Growth in imports is forecast to strengthen further in 2001-02, again primarily due to the anticipated pick up in business investment.

Trade in Services

Services exports comprise around 15% of the State's total exports. Exports of travel services account for 50% of services exports, with transport services accounting for a further 36%.

Growth in services exports moderated to 3.1% over 1998-99. Services exports continued to ease in the first half of 1999-2000, growing by 2.7% compared to the first half of 1998-99.

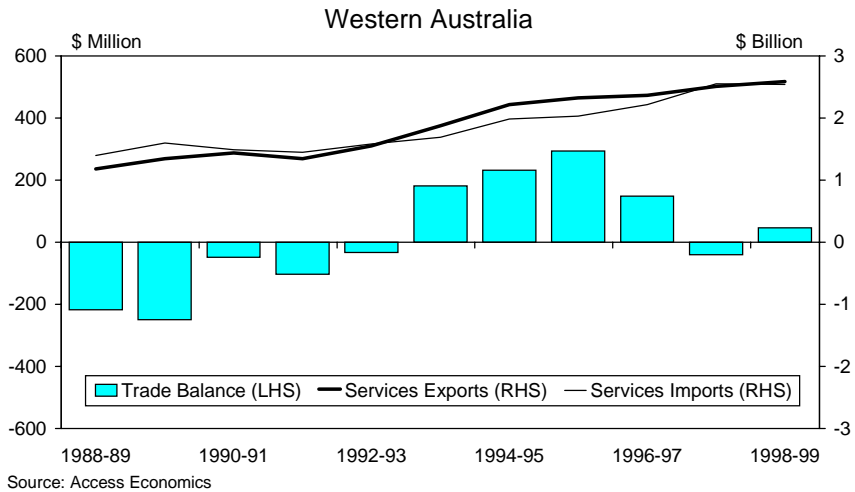
Over 1998-99, the number of short term visitors from the United Kingdom and Ireland rose by 12.8%, while the number of visitors from Asia fell by 13.5%. The total number of arrivals increased by 2.1% over the year.

More recently, the number of visitors has increased strongly, rising by 17% in the September quarter 1999 compared with the same period in the previous year. This increase was underpinned by a strong rise in visitors from Asia. Positive developments in Asia should see this trend continue, with visitor numbers from the region expected to return to preAsian crisis levels in the near term.

Services imports account for around 23% of total imports. Travel services and transport services each account for around 40% of total service imports.

Imports of services to Western Australia fell by 0.4% over 1998-99, but have picked up in the first half of 1999-2000, with growth of 3.6% recorded.

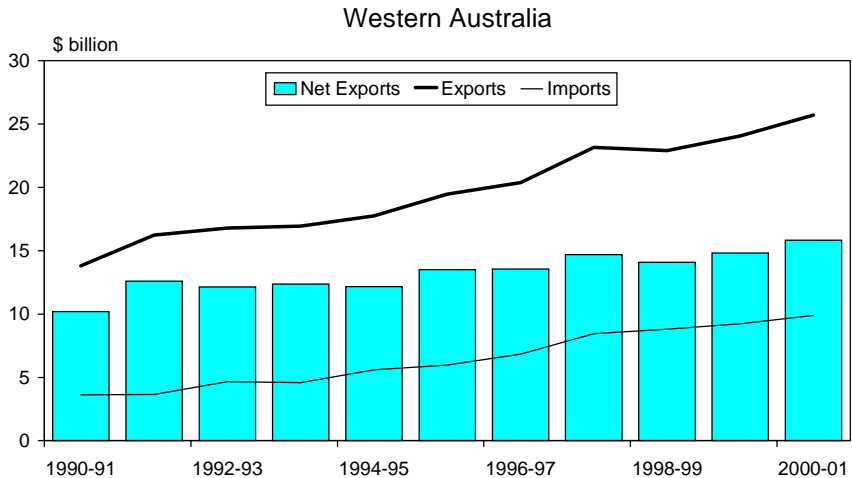
INTERNATIONAL TRADE IN SERVICES Figure 12



Trade Balance

Western Australia’s overall trade surplus (encompassing both goods and services) is forecast to increase by 6.75% to \$15.9 billion in 2000-01. Net exports are expected to account for 23% of GSP during the year.

OVERSEAS TRADE SURPLUS Figure 13



It should be noted that the overseas trade surplus is usually partially offset by deficits in interstate trade. However, data on the interstate trade balance have not been published by the ABS since 1993-94.

Labour Market

After improving significantly in 1999-2000, conditions in Western Australia's labour market are forecast to remain firm into 2000-01, although employment growth is forecast to ease to 2.5% (compared to estimated growth of 3.0% in 1999-2000). The unemployment rate is projected to remain at an average of 6.5% over 2000-01.

Employment

While employment growth is largely driven by activity in the domestic economy, the forecast softening of employment growth in 2000-01 reflects the composition of growth.

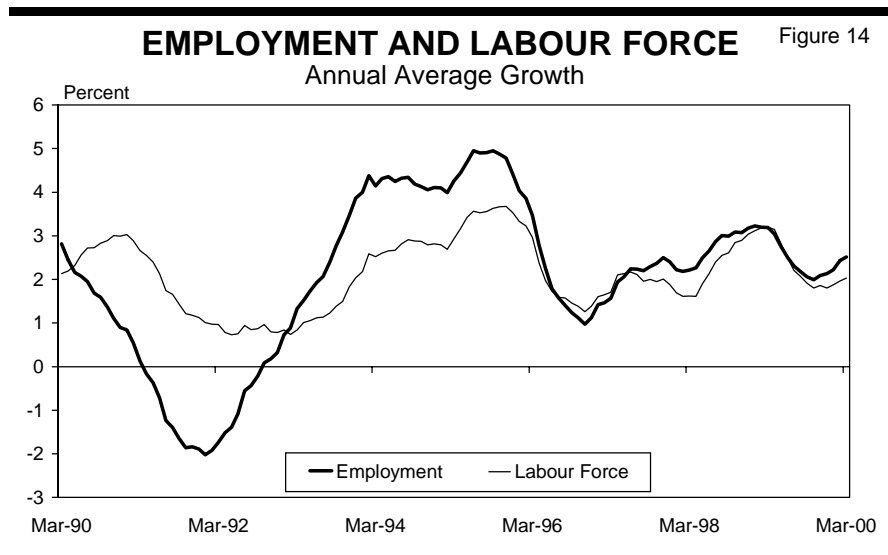
Growth in the domestic economy during 1999-2000 has been underpinned by strong dwelling investment and public investment. Dwelling investment in particular is relatively labour intensive. The slow down in growth in these sectors during 2000-01 will have a dampening impact on employment growth.

Over the medium term employment is forecast to increase to 2.75%. This is consistent with an anticipated lift in domestic demand over the forward estimates period.

Unemployment

Strong growth in employment over 1999-2000 and 2000-01 is forecast to result in increased labour force participation in 2000-01, leaving the average unemployment rate unchanged at 6.5% over the year. This is the same as the estimated average unemployment rate of 6.5% during 1999-2000, and down significantly from 7.0% in 1998-99.

The relatively stable unemployment rate in the context of solid employment growth is due to projected growth in the labour force. Since 1996 there has been a close relationship between growth in the labour force and employment growth. This indicates that people are attracted into the labour force by strong employment growth and improved prospects of gaining employment.



In keeping with this trend, the unemployment rate is forecast to fall only modestly over the forecast period. After averaging 6.5% in 1999-2000, the unemployment rate is forecast to fall slowly over the forecast period, reaching 6.0% in 2003-04.

Wages

Wages growth, as measured by growth in average weekly earnings (AWE), is expected to pick up in 2000-01 to 3.5%, and to remain around that level thereafter. Wages are estimated to grow by 2.5% in 1999-2000.

The forecast lift in wages growth in 2000-01 is primarily due to a broadening in the demand for labour across industries as growth in the domestic economy strengthens.

It should be noted that there are a number of alternative measures of wages growth. Wages growth as measured by average weekly ordinary time earnings (which abstracts from changes in overtime worked and/or the full time/part time employment mix) is growing at a significantly faster rate than AWE.

The outlook for wages growth over the medium term is less certain than it has been in the past, partly due to the implementation of the GST. Some employee groups are seeking compensation for GST related increases in the cost of living despite the compensation being provided through income tax cuts.

Prices

Underlying consumer price growth is expected to increase over 2000-01 to reach 3.0%³, after growing by an estimated 2.5% in 1999-2000. Beyond this, annual growth in the underlying consumer price index (CPI) is forecast to stabilise at 2.75%.

Estimated CPI growth of 2.5% in 1999-2000 (up from 1.8% in 1998-99) incorporates a once off contribution from the introduction of a per stick tobacco excise by the Commonwealth in December 1999 and a substantial lift in the price of oil over the year.

The forecast increase in underlying CPI growth to 3.0% in 2000-01 reflects the expectation of strong consumer demand and wages growth during the year. Beyond this, steady growth in the underlying CPI of 2.75% per annum is based on relatively stable household spending and wages growth.

Importantly, forecasts of underlying CPI growth are within the Reserve Bank of Australia's target range of 2-3% growth per annum.

Estimates of the impact of the tax reform package on the CPI vary.

The immediate impact of the introduction of the package is expected to be a sharp increase in the CPI in the September quarter 2000. While the full impact of the GST will be felt immediately, the benefit of the removal of the wholesale sales tax (WST) and lower diesel excise will flow through more gradually.

In its Mid-year Economic and Fiscal Outlook, the Commonwealth estimated that the introduction of the tax reform package will increase the headline CPI by 3.0 percentage points in annual average terms in 2000-01.

The tax reform package is expected to have a negative overall impact on the price level in 2001-02 due to the removal of other indirect taxes. In particular, the removal of wholesale sales tax and the reduction in fuel excise from 1 July 2000 are anticipated to flow through fully in 2001-02.

Access Economics has estimated that the package will raise the price level by 2.9 percentage points in 2000-01, and reduce the price level by 0.5% in 2001-02⁴.

The disproportionate benefits to Western Australia from the substantial reductions in fuel costs (particularly for diesel used in regional transport) may keep the net impact on headline inflation in Western Australia below that nationally.

³ This does not include the impact of the national tax reform package.

⁴ Access Economics Five Year Business Forecasts – March 2000, (p.55).

Population Growth

Western Australia's population is expected to grow by 1.5% in 2000-01 with similar growth forecast for the outyears⁵. This is down slightly from growth of 1.8% in 1998-99 and 1.6% in 1999-2000, but well above the forecast national growth rate (of around 1.0% per annum).

The working age population is forecast to increase by around 2.0% per annum in Western Australia over the outyears. This is consistent with forecasts for growth in the labour force and an anticipated increase in the participation rate over the period.

Risks to the Outlook

While external risks to Western Australia's economic outlook continue to be important this year, a number of new risks have emerged, which are essentially of a domestic nature.

The introduction of the tax reform package poses a risk to growth in a number of economic aggregates over the forecast period, particularly prices and wages. Also, the business tax reforms have the potential to impact on the feasibility of large projects and hence could impact on business investment and exports growth in coming years. Similarly, greenhouse abatement measures may impact on the viability of large resource projects.

Uncertainty about the international environment continues to pose a risk for economic growth in Western Australia. There is a possibility of an increase in inflationary pressures in the United States, which would most likely lead to an increase in interest rates there. This would dampen demand, with a flow on effect to confidence levels and activity in the rest of the world, particularly in Asia. The possibility of a sustained major fall in the United States stock market also continues to be a significant risk.

Tax Reform, Interest Rates and Wages

It is expected that the imposition of the GST will primarily affect the timing of spending. Nevertheless, concerns remain that some spending, particularly dwelling investment, could fall sharply (albeit temporarily) immediately after the introduction of the GST.

⁵ Based on ABS projections.

There is also a risk that a stronger than expected increase in inflation associated with the GST (flowing through to wage demands) will lead the Reserve Bank to further increase interest rates⁶. Higher interest rates could significantly slow down growth in the economy, particularly in the areas of domestic spending and investment.

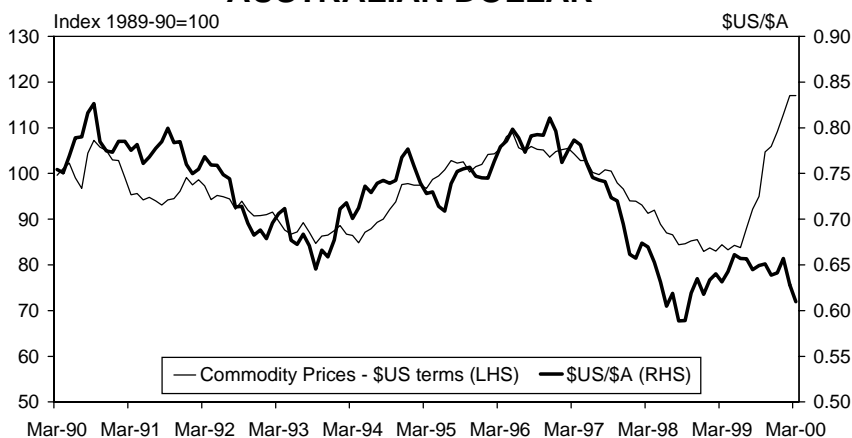
Even ignoring the potential impact of the GST, the expected tightening of the labour market in the outyears creates a risk of wage pressures rising at a faster rate than anticipated in the forecasts. Already in New South Wales, where unemployment has been on average slightly below the level in Western Australia, labour shortages are being experienced.

An Appreciation of the \$A

There has been a divergence recently from the usually very close relationship between commodity prices and the value of the Australian dollar. This has meant that commodity prices have increased significantly more in Australian dollar terms than in US dollar terms. The reestablishment of the relationship between the exchange rate and international commodity prices could reverse some of the associated benefits.

COMMODITY PRICES AND THE AUSTRALIAN DOLLAR

Figure 15



⁶ The Governor of the Reserve Bank of Australia has indicated that the Bank will accept a one-off increase in prices immediately following the introduction of the GST without adjusting interest rates. However, if inflation remains high due to second round effects then interest rates will be adjusted accordingly (RBA Bulletin, December 1999 p.4).

New Projects

Continuing technical problems in the laterite nickel mines has already dampened expected export growth in 1999-2000 and led to delays in the timing of investment in similar projects. In particular, the timing of the expansion of recently commissioned nickel projects such as Murrin Murrin remains uncertain.

The lumpy nature of business investment results in it being one of the most volatile components of domestic demand. This, together with the uncertainty as to the timing of investment in major projects, leads inevitably to significant risks to the forecasts for business investment and GSP growth.

Greenhouse Abatement

A longer term domestic risk to the Western Australian economy is the impact of potential new greenhouse gas abatement measures arising from the Kyoto Protocol. Such measures could significantly constrain further development of new mineral and petroleum processing projects, which are typically energy intensive.

International Environment

While the international environment provided risks on the down side in the last budget round, risks are more balanced this year.

A significant risk is the possibility of an increase in inflationary pressures in the United States. This would most likely lead to a tightening of monetary policy, with an increase in interest rates resulting in a slowing in activity and weaker confidence more generally. This could have a number of flow on impacts, including for world economic activity insofar as it is supported by demand conditions in the United States.

The possibility of a sustained major fall in the United States stock market is also a continuing risk. Such a fall would most likely lead to a slowdown in the United States economy, particularly to the extent that the current boom has been driven by consumption financed by credit against stock market assets. This would inevitably flow through to stock prices, wealth and business and consumer confidence in Australia.

The pace of recovery in Asian economies has exceeded most expectations. This could result in the bringing forward of new resource projects, strengthening the already improving outlook for business investment. On the other hand, there is a danger of Asian governments not proceeding with structural reforms, particularly in Japan where much of the recovery to date has been built on bank bail outs and deficit spending in the public sector.

2000-01 Economic and Fiscal Outlook

Also, as the United States is a major export market for Asia, a down turn in growth the United States would have negative implications for activity in Asia and could jeopardise the chances of a sustained recovery.

Balancing Item

GSP growth can vary substantially from the sum of growth in State Final Demand and net exports because of movements in the “balancing item”. This is a large negative item comprising net interstate trade, net international trade in services, changes in stocks and a statistical discrepancy.

Unfortunately, there is scant information published on the balancing item at the State level. Budget estimates and forecasts assume the balancing item remains constant in dollar terms.

CHAPTER 5

Intergovernmental Relations and Tax Reform

Summary

As part of the reform of tax arrangements in Australia, the Commonwealth will provide all GST revenues to the States in exchange for abolition of financial assistance grants and a range of other measures.

The 2000-01 Budget incorporates the national tax reform arrangements set out in the revised Intergovernmental Agreement between the Commonwealth, States and Territories signed in June 1999.

As a result of these new tax reform arrangements, comparisons of Commonwealth funding in 2000-01 with previous years are complicated. Commonwealth general purpose payments to Western Australia (including the GST) are expected to rise 4.8% in 2000-01,¹ but this mainly reflects compensation provided to the State for reduced revenues and higher expenditures resulting from tax reform.

The Commonwealth Grants Commission's latest recommendations reduce Western Australia's share of general purpose grants by \$56 million.

Specific purpose payments are expected to be largely unchanged by tax reform. At Western Australia's initiative, central financial agencies of Australian governments have commenced a new reform process for specific purpose payments.

¹ In this chapter, safety net revenues are treated as general purpose grants. Excluding these revenues (which are classed as State taxes elsewhere in the Budget Papers), general purpose grants show a 60.5% increase in 2000-01.

Tax Reform

The Commonwealth outlined its national tax reform proposal in August 1998. The proposal involved the introduction of a GST, the receipts from which are to be given to the States. Reforms to Commonwealth-State relations were encompassed in an initial Intergovernmental Agreement signed by the Commonwealth and all States and Territories at the April 1999 Premiers' Conference.²

The subsequent exclusion of basic food from the GST resulted in a revised Intergovernmental Agreement, signed by jurisdictions in June 1999. The major changes for State finances as a consequence of the revised package are that the Commonwealth will retain responsibility for providing general purpose assistance to local government, there will be delays in the abolition of State taxes that are to be abolished as part of the national tax reform, and benefits from reform of the taxation of diesel used for electricity generation will be substantially reduced.

Impact of Tax Reform on the States

The tax reforms should in the longer term provide a substantial benefit for State budgets, as the GST is expected to grow faster than the Commonwealth grants and State taxes which it replaces. In the initial years, the GST will not be sufficient to provide gains for the States, but the Commonwealth will provide guaranteed top-up payments to ensure that States are no worse off from tax reform. Table 1 presents estimates of the net impact of tax reform for each State and Territory as released on 17 March 2000 by the inaugural meeting of the Ministerial Council established under the Intergovernmental Agreement.

Table 1

ESTIMATED IMPACT OF TAX REFORM									
Based on impacts recognised in the guarantee calculation									
	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2000-01	0	0	0	0	0	0	0	0	0
2001-02	0	0	0	0	0	0	0	0	0
2002-03	0	0	85	0	0	0	0	0	85
2003-04	0	0	239	0	0	0	0	0	239
2004-05	0	0	434	95	0	0	14	1	544
2005-06	0	0	302	82	0	0	13	29	426
2006-07	0	0	457	185	43	16	29	71	801
2007-08	114	195	655	309	130	47	49	123	1,623

² Described in the 1999-2000 Economic and Fiscal Overview, Budget Paper 3, pp. 195 – 197.

Table 2, which is more comprehensive than the analysis in Table 1, summarises the estimated impact of tax reform on Western Australia's general government finances over the budget forward estimates period.

The GST related tax reforms will impact on State finances in a number of ways:

- From 1 July 2000, GST revenue (together with top-up payments as necessary to meet the Commonwealth's guarantee) will replace Commonwealth financial assistance grants and safety net revenues. Like financial assistance grants, the allocation of GST revenue between the States will be based on fiscal equalisation principles as applied by the Commonwealth Grants Commission;
- Gambling taxes will be reduced (or GST reimbursements provided) from 1 July 2000 to ensure that the net tax impost on gambling does not increase;³
- Bed taxes will be abolished from 1 July 2000 in those jurisdictions where these taxes exist (ie. New South Wales, Northern Territory);
- Financial institutions duty and stamp duty on quoted marketable securities will be abolished from 1 July 2001;
- States will no longer receive wholesale sales tax equivalent payments from their public corporations (due to the abolition of wholesale sales tax);
- States' expenditure responsibilities will be affected — States will abolish off-road diesel subsidies,⁴ pay the Australian Taxation Office's cost of administering the GST, provide assistance to first home owners to help offset the impact of the GST on house prices, and ensure that subsidised housing rents do not rise as a result of tax reform; and
- There will be reductions in State input costs due to the reduction in fuel costs and elimination of embedded sales tax. (States will pay GST like the private sector, but this will generally be recovered through GST input credits.)

In addition, remaining State revenues are expected to benefit from some "growth dividend" resulting from tax reform and additional stamp duty revenues are expected in the longer term due to the application of stamp duty rates to GST inclusive prices (consistent with the previous practice of applying stamp duties to sales tax inclusive prices).

Debits tax will be abolished by 1 July 2005, depending on the growth in GST revenues, and subject to review by the Ministerial Council. By 2005 the Council will also review the need for States to retain a range of business stamp duties.⁵

³ In Western Australia, the primary mechanism will be provision of reimbursements.

⁴ Western Australia is also abolishing its on-road diesel subsidies.

⁵ These include stamp duties on non-residential conveyances; leases; mortgages, debentures, bonds and other loan securities; credit arrangements, instalment purchase arrangements and rental arrangements; cheques, bills of exchange and promissory notes; and unquoted marketable securities.

Table 2

TAX REFORM IMPACTS ON GENERAL GOVERNMENT FINANCES
Western Australia

	2000-01 \$m	2001-02 \$m	2002-03 \$m	2003-04 \$m
IMPACT OF TAX REFORM BASED ON THE GUARANTEE CALCULATION				
<i>Revenue Foregone and Expenditure Discontinued</i>				
Financial assistance grants	-1,604.7	-1,615.5	-1,642.9	-1,662.9
Financial institutions duty	0.0	-129.3	-145.8	-150.7
Marketable securities duty ^(a)	0.0	-25.0	-28.7	-30.5
Safety net revenue	-904.6	-1,002.1	-1,045.6	-1,091.4
Off road diesel subsidies (payments)	146.9	179.6	192.6	206.4
Reduction in net gambling revenue	-55.3	-61.0	-61.8	-61.6
Wholesale sales tax equivalents ^(b)	-19.0	-19.0	-19.0	—
Interest cost on changed revenue cashflow ^(b)	-2.3	-0.9	-1.2	—
Total	-2,439.0	-2,673.2	-2,752.4	-2,790.7
<i>New Measures</i>				
GST revenue (with growth dividend)	2,352.9	2,684.0	2,720.0	2,846.0
GST administration costs	-80.0	-37.0	-37.0	-37.0
First Home Owners Scheme (payments)	-119.5	-121.9	-124.4	-126.9
Growth dividend – State revenue	8.5	11.5	15.6	20.0
Savings from indirect tax reform ^(c)	50.1	53.4	56.9	60.6
Total	2,211.9	2,589.9	2,631.2	2,762.7
<i>Guarantee Payments</i> ^(d)	227.1	84.0	121.0	27.0
NET IMPACT	0.0	0.0	0.0	0.0
ADDITIONAL ITEMS				
Retained marketable securities duty ^(e)	0.0	8.0	9.1	9.7
Subsidies for housing ^(f)	-3.5	-3.5	-3.5	-3.5
Stamp duties applied to GST-inclusive prices	0.0	10.3	15.3	16.3
Diesel subsidies – on road	7.6	9.2	9.7	10.3
Surplus savings from indirect tax reform ^(g)	-8.4	5.8	16.2	26.5
Wholesale sales tax equivalents ^(b)	-	-	-	-19.5
Interest cost on changed revenue cashflow ^(b)	-	-	-	-1.2
TOTAL	-4.3	30.5	46.6	37.6

(a) The guarantee assumes complete abolition of marketable securities duty, although duty on unlisted shares will be retained. These numbers also include Grants Commission "needs" for retained marketable securities duty, as required by the guarantee (\$1.1 million in 2001-02, \$1.1 million in 2002-03, \$1.2 million in 2003-04).

(b) These items are reflected in the guarantee calculation for the first three years only.

(c) Commonwealth estimates agreed for the guarantee calculation.

(d) Difference between new measures and revenue foregone/expenditure discontinued, apart from rounding to the nearest million dollars of some components (including the guarantee payments) after 2000-01, which also affect the "net impact" and "total" lines.

(e) These numbers also include Grants Commission "needs" as noted in (a), to offset those in the guarantee.

(f) Funding required to cover GST on public housing inputs, net of increases in Commonwealth-State Housing Agreement funding and other revenue.

(g) Difference between estimates used in the budget and the estimates agreed for the guarantee.

Impact of Tax Reform on State Fees and Charges

State fees and charges will generally rise, reflecting the application of the 10% GST. However, some areas will be GST free, including health, education, most water and sewerage services, and a range of charges gazetted by the Commonwealth Treasurer under Division 81 of the Commonwealth's *A New Tax System (Goods and Services Tax) Act* (eg. driver's licence fees, motor vehicle registration fees, court fees and adoption fees).

As already announced by the Government, in many cases (eg. electricity, gas, public transport), the impact of the GST on State charges will be partially offset by the passing through of expected cost savings in government services.

However, the ability of general government sector agencies to pass on cost savings is limited, as the estimated cost savings of general government sector agencies has been deducted by the Commonwealth from grants to the States.

Impact of Tax Reform on Local Government

Local governments will benefit significantly from the introduction of the GST:

- As for the States, input costs will fall, but unlike the States, local governments will keep these savings (around \$7 million per annum in Western Australia);
- Commonwealth general purpose grants to local government will continue to be increased for growth in population and the Consumer Price Index (CPI). The GST will increase the CPI, thereby providing additional resources of around \$3 million per annum for local government in Western Australia; and
- Local government rates and rubbish collection charges will be GST free.

State Legislation to Implement Tax Reform

During 1999 the State Parliament passed a range of legislative measures required by national tax reform, mainly concerned with implementing changes to State taxes described above, and to allow the Australian Competition and Consumer Commission to monitor GST related price exploitation in Western Australia over the unincorporated sector (where the Commonwealth has no Constitutional power).

The legislation also records (as required by the Intergovernmental Agreement) the State's intention to comply with, and give effect to, the Agreement and ensures that State entities (including local governments) can fully participate in the GST.

Further legislation has been put to Parliament in 2000 to set up the First Home Owners' Scheme in Western Australia.

General Purpose Grants

The level and composition of general purpose grants will change in 2000-01 as a result of tax reform.

In 1999-2000, general purpose grants comprised financial assistance grants, competition payments, safety net revenues⁶ and special revenue assistance. In 2000-01 GST grants and GST guarantee payments will replace financial assistance grants and safety net revenues (see Table 3), as well as covering the impact of tax reform on States' own source revenues and expenditure responsibilities.

Table 3

GENERAL PURPOSE GRANTS

	Western Australia		All States	
	1999-00 \$m	2000-01 \$m	1999-00 \$m	2000-01 \$m
GST grants	0.0	2,352.9	0.0	24,209.0
GST guarantee	0.0	227.1	0.0	2,458.1
Financial assistance grants	1,592.4	0.0	17,288.9	0.0
Special revenue assistance	0.0	0.0	13.2	13.5
Competition payments	43.2	45.6	439.2	461.7
Safety net revenues	923.2	55.8	6,925.8	380.4
Total general purpose grants	2,558.8	2,681.4	24,667.1	27,522.7
<i>Pre-tax reform:</i> ^(a)				
- <i>financial assistance grants</i>	1,592.4	1,604.7	17,288.9	17,963.7
- <i>special revenue assistance</i> ^(b)	0.0	0.0	13.2	13.5
- <i>competition payments</i> ^(b)	43.2	45.6	439.2	461.7
- <i>safety net revenues</i>	923.2	960.4	6,925.8	7,183.1
- <i>total general purpose grants</i>	2,558.8	2,610.7	24,667.1	25,622.0
	\$ per capita	\$ per capita	\$ per capita	\$ per capita
General purpose grants	1,364.19	1,406.59	1,293.22	1,426.01
- real per capita increase	-2.6%	0.4%	0.6%	7.4%
<i>General purpose grants pre-tax reform</i>	1,364.19	1,369.49	1,293.22	1,327.53
- <i>real per capita increase</i>	-2.6%	-2.2%	0.6%	0.0%

(a) These figures indicate revenue that would have been expected had pre-tax reform arrangements continued.

(b) Unaffected by tax reform.

Note: Columns may not add due to rounding

⁶ In this chapter, safety net revenues are treated as grants, reflecting the Commonwealth's control over the arrangements. Elsewhere in the Budget Papers, these revenues are classed as State taxes, consistent with ABS accounting principles for government finances.

The GST grants will be the largest single source of revenue for the Western Australian government, comprising an estimated 24% of total general government sector revenues in 2000-01 (see Figure 1).

GST guarantee payments represent a transitional arrangement to ensure the State does not experience any net loss in funding as a result of tax reform. Under the Intergovernmental Agreement, the Commonwealth has guaranteed that it will pay the States any shortfall between the GST revenues they receive and the amount of funding they require so that their budgets are no worse off from tax reform (see Table 4).

Some residual safety net revenues will be paid in 2000-01. These revenues were originally introduced by the Commonwealth in 1997 to compensate the States for their loss of franchise fees on tobacco, fuel and alcohol as a result of an adverse High Court decision. The Commonwealth financed the safety net revenues by increasing its own taxes on these commodities and giving the proceeds to the States. The residual safety net revenues in 2000-01 reflect the time lags in the collection and disbursement of these taxes to the States.

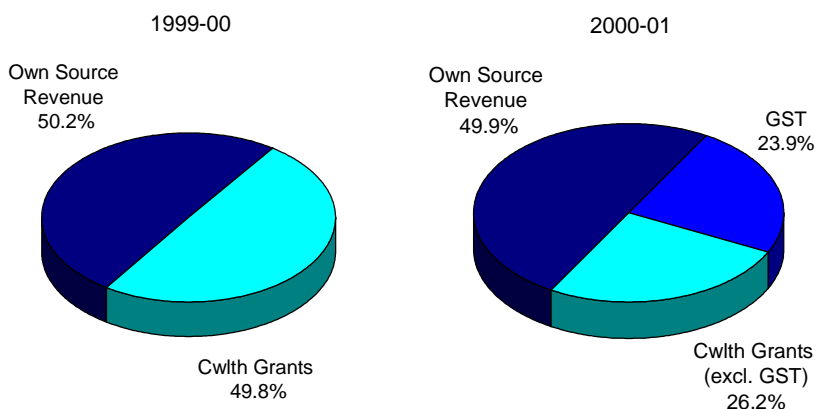
Comparisons of Commonwealth funding in 2000-01 with previous years are complicated by the new tax reform arrangements.

Total general purpose grants for all States are expected to increase by 11.6% in 2000-01, or 7.4% in real per capita terms. This increase reflects the tax reform measures that have (as shown in Table 4) reduced States' own source revenues and increased their net expenditures in 2000-01, and which therefore need to be covered by increased Commonwealth grants to ensure that States are no worse off.

Figure 1

SOURCES OF REVENUE FOR WA

General Government Sector



However, tax reform has less effect on the growth in Western Australia's general purpose grants in 2000-01 than is the case for the other States:

- Western Australia faces relatively low per capita own source revenue losses, reflecting the State's relatively low reliance on gambling revenues (so less revenue is lost from reducing gambling taxes to make room for the GST).
- Western Australia will experience only a small net expenditure increase in 2000-01 (compared with the States in total), reflecting the State's relatively high per capita savings from abolishing off road diesel subsidies.⁷

Table 4

CALCULATION OF THE GST GUARANTEE PAYMENTS ^(a)
2000-01 Estimates

	Western Australia \$m	All States \$m
FUNDING REQUIRED TO ENSURE THAT STATES ARE NO WORSE OFF		
Commonwealth grants foregone:		
– financial assistance grants	1,604.7	17,963.7
– safety net revenues	904.6	6,802.7
Plus reduced States' own source revenues:		
– accommodation taxes abolished	0.0	79.4
– reduction in net gambling revenue	55.3	1,163.2
– wholesale sales tax equivalents abolished	19.0	112.7
– interest costs on changed revenue cashflow	2.3	35.2
Plus new expenditures:		
– First Home Owners' Scheme	119.5	762.2
– GST administration costs	80.0	810.4
Minus expenditure savings:		
– off road diesel subsidies	146.9	508.4
– savings from tax reform	50.1	451.0
Minus growth dividend on remaining State taxes	8.5	102.9
TOTAL FUNDING REQUIRED	2,579.9	26,667.2
Less GST grants	2,352.9	24,209.0
EQUALS GST GUARANTEE PAYMENTS	227.1	2,458.1

(a) The guarantee calculation is specified in the *Intergovernmental Agreement*. Some elements of the calculation (eg. GST grants received by States) will be based on actual outcomes, so the estimated GST guarantee payments shown here will be adjusted accordingly. Other elements of the calculation (eg. savings from tax reform) are fixed.

Western Australia's low increase in general purpose grants for 2000-01 (0.4% in real per capita terms) also reflects its reduced share of total general purpose grants, as recommended by the Commonwealth Grants Commission (see below).

⁷ In this chapter, off-road diesel subsidies are treated as State expenditures. Elsewhere in the Budget Papers these are treated as offsets to the safety net revenues, consistent with the ABS treatment.

In the absence of tax reform, Western Australia's general purpose grants would have fallen 2.2% in real per capita terms (see Table 3), as a result of the Grants Commission's recommendations.

The Commonwealth Grants Commission

The Commonwealth Grants Commission has for many years provided annual recommendations on the distribution of financial assistance grants between the States. From 2000-01, the GST revenues will be allocated according to the Commission's recommendations, as well as the estimates of foregone financial assistance grants which are used to calculate the GST guarantee payments.

Tax reform will not affect the Commission's principle of fiscal equalisation. This principle requires that grants be distributed so as to enable each State, if it wishes, to fund the average level of services (of all States and Territories), at the average level of efficiency, if it makes an average revenue raising effort.

The 2000 Update Report

In its 2000 Update Report, the Grants Commission recommended a \$56 million reduction in the State's share of grants for 2000-01. This is the largest loss experienced by any jurisdiction (see Table 5).

Table 5

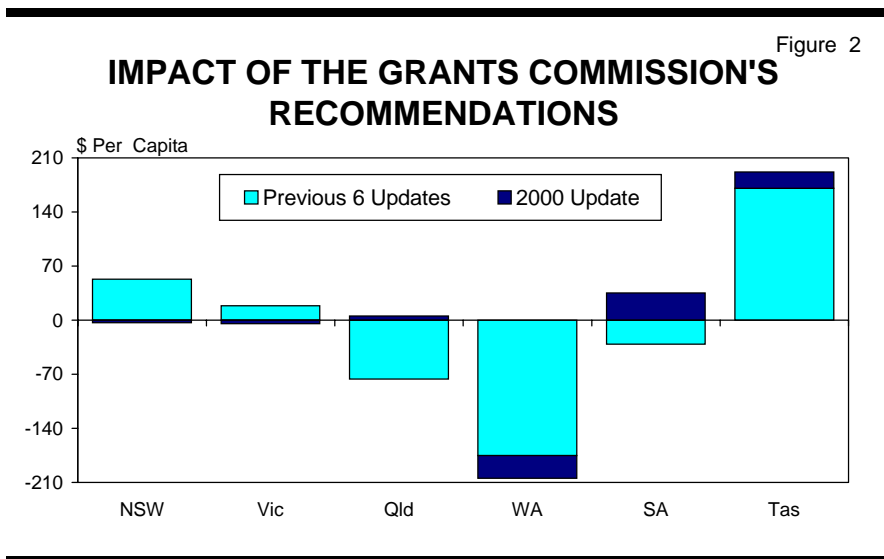
IMPACT ON FUNDING SHARES OF THE GRANTS COMMISSION'S 2000 UPDATE REPORT

	\$m	\$ per capita
New South Wales	-22.8	-3.51
Victoria	-22.6	-4.74
Queensland	+18.6	+5.19
Western Australia	-56.0	-29.41
South Australia	+52.8	+35.15
Tasmania	+9.9	+21.12
ACT	+16.5	+53.13
Northern Territory	+3.6	+18.15
Total	0.0	0.00

The \$56 million loss in Western Australia's grant share reflects the updating of the Grants Commission's previous recommendations (used to allocate financial assistance grants in 1999-2000) to incorporate more recent data.

Under the Grants Commission's fiscal equalisation methodology, the stronger a State's ability to raise its own revenues (compared with the other States), the smaller its grant from the Commonwealth. The \$56 million loss for Western Australia includes a \$21 million loss related to increased offshore petroleum royalties over the period examined by the Grants Commission (these royalties increased from \$48 million in 1993-94 to \$163 million in 1998-99) and a \$20 million loss due to an increase in the State's capacity to raise other revenues compared with the other States.

Over the last seven years the Grants Commission's recommendations have led to a cumulative \$365 million loss (\$205 in per capita terms) in Western Australia's annual share of grants, mainly reflecting Western Australia's stronger economic performance over time, with a consequent reallocation of grants to weaker States. Western Australia's loss far exceeds that incurred by any other State (see Figure 2).



Comparing the Distribution of GST Revenues and Financial Assistance Grants

As a result of tax reform, the pool of funds allocated by the Grants Commission in 2000-01 will increase from around \$18 billion (ie. the pool of financial assistance grants in the absence of tax reform) to \$24 billion (ie. the pool of GST grants).

However, the Commission's funding allocations (relative to an equal per capita distribution of funds) depend on the magnitude of States' expenditures and taxes, and not on the size of the pool of funds being allocated by the Commission. Hence these allocations will not change due to tax reform, other than to reflect the changes in States' revenue raising and expenditure policies (eg. abolition of taxes, new expenditures to assist first home owners). This is shown in Table 6 for Western Australia.

Western Australia's below per capita share of GST revenues and foregone financial assistance grants reflects the impact of the State's high capacity to raise its own taxes and royalties (which reduces the State's grant share). The State's high cost of providing services (which increases the State's grant share) only partially offsets its high revenue raising capacity. This is reflected in the -\$169.6 million adjustment to the State's per capita share of financial assistance grants shown in Table 6.

Table 6

GST REVENUES AND FINANCIAL ASSISTANCE GRANTS
Western Australia, 2000-01

	Per capita share \$m	Adjustment to per capita shares \$m	Total grant \$m
Foregone financial assistance grants	1,774.3	-169.6	1,604.7
Plus per capita share of increased pool	616.9	—	616.9
Plus adjustments for changed revenue raising and expenditure policies:			
- reduced gambling taxation	—	-2.0	-2.0
- abolished safety net revenues and diesel subsidies	—	82.5	82.5
- abolished accommodation taxes	—	0.0	0.0
- abolished wholesale sales tax equivalents	—	0.0	0.0
- new First Home Owners' Scheme	—	50.8	50.8
- GST administration costs	—	0.0	0.0
Total	—	131.3	131.3
EQUALS GST GRANTS	2,391.2	-38.3	2,352.9

The positive adjustment to Western Australia's per capita grant share as a result of changed revenue raising and expenditure policies from tax reform (shown in Table 6) reflects additional funding provided by the Grants Commission to offset the State's above average expenditures on assistance for first home owners and its above average loss of safety net revenues (net of diesel subsidies).

Western Australia's share of GST grants will be greater than its share of financial assistance grants (if these had continued), as shown in Table 7. This reflects the positive impact of the changes due to tax reform shown in Table 6.

Table 7

STATES' SHARES OF GST AND FOREGONE FINANCIAL ASSISTANCE GRANTS

2000-01

	GST % share	Financial assistance grant % share
New South Wales	29.8	29.0
Victoria	20.9	20.2
Queensland	19.1	19.0
Western Australia	9.7	8.9
South Australia	9.4	9.9
Tasmania	4.0	4.5
Australian Capital Territory	2.0	2.1
Northern Territory	5.1	6.3
All States and Territories	100.0	100.0

Grants Commission Inquiries

The Grants Commission is currently undertaking three major inquiries:

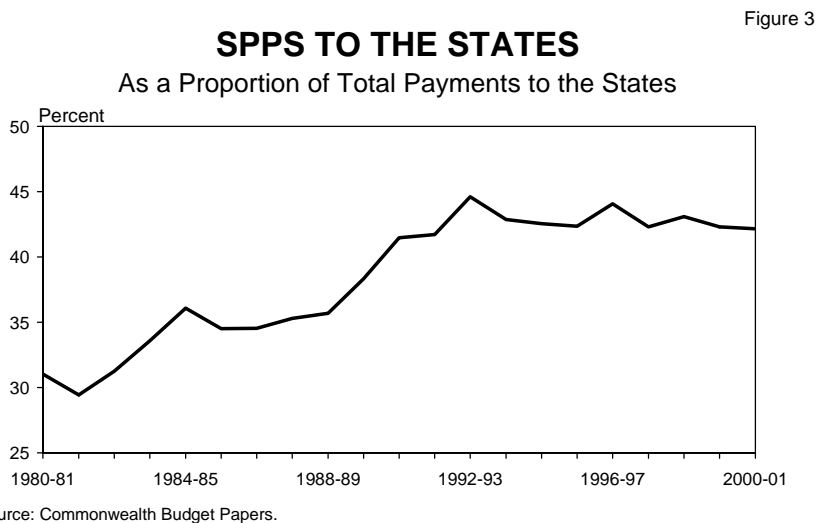
- An inquiry into the distribution of Commonwealth funding for programs affecting indigenous Australians. The Commission is required by the Commonwealth to report by March 2001 on the relative needs of indigenous Australians for key services (such as housing, employment and training, health and education) that are provided or funded by the Commonwealth, or by the States and local governments with Commonwealth assistance. The Commission will receive submissions from indigenous people and government agencies (including State agencies), and other interested parties.
- A review of the Commission's fiscal equalisation methods used to allocate financial assistance grants and GST revenues between the States. This review, to be reported in 2004, is in its early stages, and will, inter alia, examine issues that were not fully or satisfactorily resolved in the Commission's previous review (reported in 1999), including the assessment of States' capital and public transport expenditure requirements. Until 2004, the Commission's annual funding recommendations will be based on updating the 1999 report to reflect more recent data.

- A review of the operation of the *Local Government (Financial Assistance) Act 1995*. This Act provides for the payment of Commonwealth general purpose grants to local government. Under the Act, grants are allocated on an equal per capita basis between States (apart from identified road grants, which are allocated on historical shares), and on the basis of fiscal equalisation principles within States (subject to a minimum grant entitlement for each local government) by State based Local Government Grants Commissions. The review, to be reported in June 2001, will examine, inter alia, the effectiveness of these arrangements for achieving fiscal equalisation within each State, but not between States.

Specific Purpose Payments

Specific purpose payments (SPPs) from the Commonwealth to the States are usually applied to specified activities and have conditions attached to their use, as set out in individual SPP agreements. SPPs are generally used by the Commonwealth to achieve policy objectives in areas of State activity (often establishing a national standard or scheme).

Over the last two decades, SPPs have increased from 31% to 42% of total Commonwealth funding for the States (see Figure 3).⁸ However, this upward trend has stabilised in recent years.



⁸ Figure 3 excludes safety net revenues, payments through the States (to local government and private schools), royalties to Western Australia and the impact of tax reform in 2000-01. Identified Health Grants from 1981-82 to 1987-88 are treated as an SPP.

2000-01 Economic and Fiscal Outlook

Estimates of SPPs to Western Australia (based on Commonwealth pre-budget policy settings and parameters) are shown in Table 8. On these estimates, Western Australia will receive around \$1.49 billion in 2000-01. Western Australia can expect to receive approximately 9.7% of total SPPs paid by the Commonwealth to all States.

The nine SPPs shown in Table 8 account for over 70% of all SPP funding provided to Western Australia, excluding off-shore royalty payments. The table also shows the large share of SPP funding accounted for by the core areas of health, education, vocational training, roads and housing.

While the funding provided through SPP arrangements helps to achieve desired outcomes, this method of funding is often not seen as an arrangement of choice, as there are many deficiencies in the current processes for negotiation and administration of SPPs.

Table 8

SPECIFIC PURPOSE PAYMENTS ^(a) Western Australia

	1999-00 estimates		2000-01 forward estimate	
	\$m	Percent of total SPPs to WA	\$m	Percent of total SPPs to WA
Australian Health Care grants	570	41.2%	598	40.2%
Government schools – general grant	114	8.2%	111	7.4%
Australian National Training Agreement	88	6.3%	88	5.9%
Roads	71	5.1%	93	6.3%
Housing – general grant	73	5.3%	82	5.5%
Home and community care	51	3.6%	53	3.5%
Disability services	26	1.8%	26	1.7%
Indigenous housing	16	1.1%	16	1.1%
Supported accommodation assistance	12	0.9%	12	0.8%
Other ^(b)	365	26.4%	409	27.5%
TOTAL SPPS	1,385	100.0%	1,488	100.0%

(a) Excludes:

- payments through the State (for local government and private schools); and
- royalty payments paid to Western Australia through the Commonwealth.

(b) Comprises a large number of small specific purpose payments.

Problems with SPPs from a State perspective include a focus on program inputs rather than outcomes, duplication of roles and responsibilities, high compliance and administration costs, blurred accountability to clients and a lack of consultation between Commonwealth and State agencies. The State has long favoured replacing SPPs with general purpose funding to overcome many of the concerns identified with SPPs.

In recent years, there have been various attempts to reform and simplify the complex system of SPPs, but these have faltered. At Western Australia's initiative, the Commonwealth and States are again reviewing SPP arrangements in an effort to improve their efficiency and effectiveness.

There is emerging agreement in this review that SPPs should be reformed to, among other things:

- Increase flexibility and reduce financial risk for the States;
- More clearly identify the roles and responsibilities of each jurisdiction;
- Move away from input based to outcome based performance measures; and
- Simplify the current legalistic approach to agreements.

The bedding down of the GST reforms will see a greater focus on reforming SPPs, as the remaining area of Commonwealth financial transfers to the States. The States and the Commonwealth are working together to enhance the quality of information on SPPs, particularly on future payment amounts. This work is expected to be completed later in 2000.

In recognition of States' concerns that the future financial benefits of growing GST revenues could be offset by reduced SPP funding, the Commonwealth made a commitment under the Intergovernmental Agreement not to cut aggregate SPPs as a result of tax reform. This undertaking will be monitored by the Ministerial Council and a mechanism to ensure compliance is currently being developed by Commonwealth and State Treasuries.

Fiscal Subsidies within the Federation

Commonwealth policies reallocate resources between States, reflecting the use of nationally uniform taxation to fund expenditure programs. Differences between States in terms of their economic strength and need for government services ensure that there is no precise link between the Commonwealth's tax take from a State and its provision of services for the benefit of that State (such a link will only exist for the nation as a whole).

The Western Australian Treasury annually assesses the redistribution of resources between States by the Commonwealth. This analysis shows that Western Australia continues to contribute more than it receives from the Federation.

Quantifying the net fiscal subsidy from each State to the Commonwealth involves:

- Determining the value of Commonwealth tax and other revenues sourced from each State on the basis of economic incidence; and
- Subtracting the value of Commonwealth expenditure in each State, including intergovernmental grants, salaries of federal government employees and benefits paid to individuals (eg. social security and Medicare benefits), and allocating the Commonwealth budget deficit (surplus) between States.

As shown in Table 9, as well as Western Australia, the net contributors to the Federation are New South Wales, Victoria and the Australian Capital Territory. All other States and Territories receive a net subsidy from the Commonwealth.

The new tax reforms will have some impact on States' net fiscal subsidies, but are not expected to substantially change the current picture.

Western Australia provided the second highest contribution of any State in 1998-99 (and the highest in 1997-98), reflecting its strong economic performance (which results in a high level of tax collections from the State) and low share of Commonwealth social security and health benefit payments.

Table 9

EACH STATES' NET FISCAL SUBSIDY TO THE FEDERATION
1997-98 and 1998-99

	1997-98		1998-99 preliminary	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	2,368	376	2,612	410
Victoria	1,329	287	1,714	366
Queensland	-1,974	-576	-2,188	-628
Western Australia	2,582	1,424	2,401	1,301
South Australia	-2,238	-1,509	-2,406	-1,615
Tasmania	-1,347	-2,850	-1,413	-3,000
ACT	400	1,301	451	1,460
Northern Territory	-1,121	-5,947	-1,171	-6,117
All States	0	0	0	0

The subsidy provided by Western Australia has grown substantially over the last ten years, from \$0.7 billion in 1988-89 to \$2.4 billion in 1998-99. The State's subsidy in 1998-99 eased back slightly from 1997-98, reflecting more subdued economic growth in Western Australia in 1998-99.

CHAPTER 6

Microeconomic Reform In Western Australia

Microeconomic policy developments

Summary

Microeconomic reform provides the framework for increasing efficiency and productivity, ensuring that prices reflect actual costs, promoting structural change and improving the competitiveness of firms and industries. The ultimate aim of microeconomic reform is to raise living standards.

Microeconomic reform also improves efficiency by ensuring better economy wide investment allocation decisions through removing distortionary regulation and regulating against abuse of market power.

It is therefore recognised that microeconomic reform does not mean adhering to free market forces under all circumstances. There is a legitimate role for government intervention where markets fail and where intervention is, on balance, in the public interest.

In 1999-2000 the Western Australian Government continued to progress and build on its achievements of the past seven years. Reform has again focused on:

- Improving the competitive environment, regulation and structure of the major energy and rail transport utilities;
- Meeting the State's National Competition Policy obligations; and

- Continuing to introduce a more commercial focus to the statutory governance arrangements of its business enterprises.

These reforms will be discussed in more detail over the following pages.

National Competition Policy – Obligations And Payments

In July 1999, the National Competition Council (NCC) assessed Western Australia's performance in implementing National Competition Policy (NCP) and recommended that the Commonwealth Government pay Western Australia in full its second tranche payment of \$62 million. The NCC's July 1999 assessment acknowledged that Western Australia made significant progress against its NCP agenda and in particular that it:

- Has repealed several pieces of legislation and simplified restrictions on business in other areas;
- Is implementing its competitive neutrality obligations through corporatising or commercialising its significant businesses, which includes a requirement to apply competitive neutrality principles;
- Is making good progress with its water reform obligations and has largely achieved second tranche reform obligations, including on water pricing, institutional reform and environment and water quality management;
- Has satisfied all second tranche requirements in relation to gas reform and is making progress towards removing regulatory impediments to free and fair trade in gas; and
- Has implemented most of its second tranche road transport reform program.

The NCC will again assess Western Australia's performance prior to July 2000. This assessment will focus on the three remaining second tranche items:

- The review of the Dairy Industry Act and the reform of the dairy industry;
- Implementation of road transport reforms; and
- The passing of legislation to provide for a comprehensive system of water entitlements and trading.

Legislation Review

The review of legislation to determine whether restrictions on competition are in the public interest is an important part of the NCP agenda. Western Australia has made significant progress against its legislation review agenda, having completed over 100 reviews which represent about half of its scheduled NCP review program. The majority of the completed reviews recommend some reform.

The Government will shortly be introducing the *Acts Amendment And Repeal (Competition Policy) Bill 2000* to Parliament which introduces a number of reforms arising from reviews of the State's legislation. The Bill repeals two Acts and amends eleven Acts.

Two of the major reviews which illustrate the nature of legislative review and reform are the reviews of dairy and taxi legislation.

Dairy

The Government has recently decided to deregulate the dairy industry, which involves principally the removal of restrictions on who can produce drinking milk and how much drinking milk they can produce. This reform will be implemented by the repeal of the *Dairy Industry Act 1973*.

Benefits from deregulation include:

- Downward pressure on the price of drinking milk;
- A more dynamic outward looking industry in which decisions on milk production are unimpeded by regulation; and
- Prices signalling the most efficient use of resources leading to lowest cost producers producing more of the milk and some producers cutting back in production or leaving the industry.

Western Australia's farmers will be well supported to cope with the transition to a deregulated environment through:

- Compensation of \$108 million for loss of dairy quotas and the manufacturing milk subsidy through a national agreement to which Western Australia is signatory; and
- A State assistance package of \$37 million which will provide a range of measures to help farmers deal with the deregulated environment including assisting farmers in financial planning and supporting the development of cooperatives as a means of providing countervailing market power to farmers.

Taxis

On 22 November 1999, the Government announced its reform initiatives for the taxi industry of Western Australia, following an independent NCP review process which included extensive consultation with the industry and the broader community. A major finding of the review was the need to address the problem of taxi availability at peak times and in certain inadequately serviced locations.

Major recommendations include:

- Reducing the regulatory role for Government;
- Tendering a number of taxi plates immediately for peak periods and servicing people with disabilities; and
- Setting standards of performance for customer waiting times and tendering of additional taxi plates if standards are not met.

The Government will provide the role of policy leader and standard setter, through setting outcomes rather than directing industry on how to achieve those outcomes. Consistent with this approach, the Government will no longer regulate the compulsory operation of taxis on Friday and Saturday nights.

Performance standards will be set for phone waiting times, taxi waiting times, the proportion of jobs not covered, and handling of complaints. Where there are insufficient taxis available to meet performance standards then additional plates will be tendered.

Increased capacity will be provided to help address the under supply of taxis particularly during peak periods, in outer areas, and in the taxi service supplied for people with disabilities. Fifty additional “maxi plus” taxi plates to improve service for people with disabilities and 100 additional peak period taxi plates have already been tendered.

The release of new taxi plates will benefit both the industry and customers through increased taxi availability and meeting response time standards during peak periods and in outer areas and better servicing people with disabilities.

Structural Reform

Forestry

Two Bills are currently before Parliament to restructure the operation and management of the forestry industry in Western Australia. The *Conservation and Land Management Amendment Bill 1999* will amend the *Conservation and Land Management Act 1984* to establish a new conservation body to be known as the “Conservation Commission of Western Australia”, in which national parks, nature reserves, conservation parks, State forests and timber reserves will be vested.

The *Forest Products Bill 1999* will establish the new Forest Products Commission, which will effectively take over the commercial responsibilities that the Department of Conservation and Land Management presently has with respect to the harvesting and sale of forest products and matters related to the forest products industry.

The new arrangements will ensure that the competing objectives of land conservation and commercial forestry are separated to avoid the possibility of conflict of interest and to ensure transparency and accountability to the community. The Conservation Commission and the Forest Products Commission will report to different Ministers.

Electricity

Western Australia is committed to achieving sustainable reforms in the electricity supply industry and has continued to implement reforms in this important area:

- The primary reform has been to increase the amount of the market open to competition, through reductions in the contestability thresholds at which access is available; and
- Other key reforms are directed at reducing the costs of electricity by creating a more competitive electricity generation sector.

Competition in the electricity industry is being advanced through increasing access to Western Power's electricity transmission and distribution networks. Third party access effectively allows customers to choose their electricity supplier while using Western Power's existing network infrastructure. Access to Western Power's electricity transmission network has been available since 1 January 1997. Access to the distribution network has been made progressively available to the largest customers since that time.

2000-01 Economic and Fiscal Outlook

From 1 January 2000 the distribution threshold was lowered so customers with an average load of 1MW or 8,760MWh per annum have become eligible to purchase electricity from a supplier of their choice. This extends the opportunities for choice to around 130 of the State's largest electricity customers (accounting for around 30% of electricity used). Customers in this range include larger hospitals, multi story office buildings, CBD hotels, larger shopping centres and industrial sites.

The Minister for Energy has also recently signalled the possibility of accelerating the lowering of the contestability thresholds, providing the opportunity for choice to a greater number of industrial and commercial users.

Western Australia is introducing reform to foster competition in the generation of electricity, to accompany the reduced contestability thresholds.

During 1999-2000 four new generation licences were awarded to Alcoa of Australia, BP Australia, Onslow Electric Power Pty Ltd and State West Power Pty Ltd. Southern Cross Energy was awarded a transmission licence.

While most private generation in Western Australia occurs to supply the separate needs of larger mining and resource companies, generators are also able to compete to supply electricity to a growing number of contestable customers. Choice between generators will help to further drive down the price of electricity to the State's largest consumers. The increased competition brought about by private generators will also lead to more efficient investment in meeting the State's electricity needs in the future.

The Minister for Energy has also recently suggested that the Government may further encourage private investment in electricity generation supplying the South-West Interconnected System. Greater involvement of private sector generators is expected to result in more effective competition in the electricity retailing sector, lowering prices for consumers.

Gas

Western Australia continues to adopt reforms in the gas industry in accord with its commitment to the Natural Gas Pipelines Access Agreement.

Western Australia submitted the WA Gas Pipeline Access Regime to the National Competition Council (NCC) in March 1999 and the Independent Gas Pipelines Access Regulator has commenced implementing the WA Access Regime.

The regime will formally clarify the legislative basis upon which third party access is available to the relevant gas pipeline infrastructure and will complete the State's obligations under the Natural Gas Pipelines Access Agreement.

The access regime will provide greater investment certainty, foster competition in the delivery of gas leading to lower prices, greater choice for consumers and environmental benefits.

The Independent Gas Pipelines Access Regulator (the Regulator) was appointed in June 1999 to consider proposals for binding terms and conditions for third party access to Western Australian gas pipeline infrastructure as set out by the National Access Code for Natural Gas Pipelines.

Access arrangements are to establish the maximum price for the transmission and distribution of natural gas and provide for the orderly utilisation of spare pipeline capacity. The arrangements are struck so as to balance the interests of all parties, and seek to ensure a reasonable rate of return for existing and new investment in gas pipelines.

During 1999-2000, six proposed Access Arrangements were lodged by transmission and distribution pipeline owners for the Regulator to consider. The public consultation process has attracted widespread interest, drawing submissions from various interested parties including gas producers, pipeline owners and operators, end users of gas such as large industrial companies, public utilities and private electricity generators, State and local governments, regional development authorities, and industry and consumer groups.

The pipelines affected are the Dampier to Bunbury Natural Gas Pipeline, Goldfields Gas Pipeline, Kalgoorlie to Kambalda Pipeline, Mid-West and South-West Gas Distribution Systems (the AlintaGas networks), Parmelia Pipeline and Tubridgi Pipeline System.

The Regulator has issued his first two draft decisions in respect of the Mid-West and South-West Gas Distribution Systems and the Parmelia Pipeline which are now subject to a further round of public consultation.

The size of the market that new entrants or potential new entrants can seek to service is currently determined by the consumption thresholds at which access is available to the Dampier to Bunbury Natural Gas Pipeline and the AlintaGas distribution network.

Since 1 January 2000, any eligible gas customer (at a single metered connection) taking at least 100 TJ of gas per year from the DBNGP or AlintaGas' distribution system has been able to contract directly with any gas supplier. In total, around 30 of the largest users of natural gas can choose their supplier in this manner.

The next step will involve lowering the threshold to 1 TJ of gas per year from 1 January 2002. Full deregulation will commence on 1 July 2002 - meaning that all gas users will then be able to choose their supplier.

2000-01 Economic and Fiscal Outlook

Consistent with the State Government's aim to open up Western Australia's gas markets to competition in a progressive manner, open competition throughout most of the Western Australian gas supply industry will be permitted from 1 July 2002. A limited degree of competition is already available in accordance with the Government's gas access timetable.

To deal with the advent of new competitors such as gas distribution companies and gas traders (who would facilitate the market's operation by using other companies' distribution infrastructure to sell gas) the *Energy Coordination Amendment Act 1999* came into effect on 24 June 1999. It establishes a scheme for licensing the trading and distribution of gas in certain areas of the State, for example, permitting new gas distribution companies and gas traders to supply gas to eligible customers.

Together with the complementary third party access regime enabling use of the major gas pipeline infrastructure where demanded, the reforms are designed to increase competition and ultimately deliver reduced gas prices to all customers.

AlintaGas is to be sold as a ringfenced gas distribution and retail business. The privatisation will involve the sale of 45% of the equity to a cornerstone investor with the balance being offered in a public float. At least three quarters of the floated shares will go to Western Australians.

The sale is expected to be completed in the second half of 2000. After retiring AlintaGas debt (around \$235 million), sale proceeds can be expected to be applied to further debt retirement or capital purposes.

Close attention is being given to industry structure issues with the objective of facilitating active competition in both distribution and retail operations. An access regime will provide other operators with access to the AlintaGas distribution network and Western Power will be prevented from selling gas into AlintaGas' market areas for up to five years.

During the sale of the Dampier to Bunbury Natural Gas Pipeline, \$40 million in sale proceeds were placed in a trust for widening of the Dampier to Bunbury Natural Gas Pipeline corridor from 30 metres to 100 metres.

Widening will facilitate second and subsequent pipelines linking the vast North-West reserves with major users in the South-West to allow users to potentially benefit from further competition. Interest has been registered in constructing a second pipeline after 2001 and the State is progressing widening of the corridor.

Rail

Improvements to the structure of the State's rail system are essential to achieving and maintaining a rail system in Western Australia that can enhance the global competitiveness of the State's industries and contribute to the State's economic growth. Reforms to the State's rail system nearing finalisation include:

- The implementation of the State rail access regime to open the intrastate network to on rail competition;
- The appointment of an independent regulator to ensure fairness and equity of access to the railway network; and
- The sale and lease of the Westrail freight business.

These changes will be a major driving force to increasing the State's economic growth and the global competitiveness of our industries.

The implementation of the Western Australian Rail Access Regime will provide prospective rail users with a legal right to negotiate access to parts of the Westrail network and also provide a uniform framework for access agreements.

In September 1999 the National Competition Council (NCC) published a draft recommendation for certification of the regime.

Regardless of the sale, the Government is committed to a robust access regime based on principles which are fair to access seekers and provide an incentive for the track owner to invest in the rail network.

The existence of an approved regime will ensure that there is on rail competition in addition to the existing road rail competition. This is expected to further reduce prices, leading to lower costs to business and improved service delivery.

In March 1999 the Government decided to sell Westrail's freight business and lease the freight railway as a vertically integrated railway entity. This decision followed an extensive scoping study on the future structural and ownership options for Westrail. The Westrail sale legislation is currently before Parliament.

The Government's objective is to obtain the best price that is consistent with achieving other sale objectives. These include securing an operator that will introduce innovation and operating efficiencies and that will have the capacity and desire to invest in and grow the business for the benefit of Western Australia and the community.

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The privatisation of the Westrail freight business will help deliver substantial commercial, economic and environmental benefits. The sale will give a renewed stimulus to increased rail freight tonnages, better services, lower freight rates and increased investment in rail infrastructure and rolling stock to help improve rail transport's market share.

Significant competitive efficiencies have already been obtained from the deregulation of the freight transport industry. However, a more competitive and customer focused rail freight sector has the potential to increase rail transport's ability to capture or recapture much of the forecast growth in bulk freight tasks. Long term environmental and social benefits are likely to be obtained from rail transport's ability to capture market share from the road transport industry.

The Government has approved the establishment of an independent rail access regulator. The independent regulator will be required to monitor and enforce compliance with the provisions of the State Rail Access Regime. The regulator will have an arms length relationship with service providers, users, access seekers, governments and stakeholders.

The regulator will be responsible for ensuring the setting and enforcement of appropriate ring fencing standards, independent oversight of cost and pricing parameters, and the provision of independently verified information on these matters to the market. The regulator will monitor railway owners' compliance with the pricing guidelines, including consistency between operators. It will also ensure that timetables, and other terms and conditions are handled in a fair and reasonable manner.

The regulator will help to address any market power and information asymmetry issues and will aim to provide access seekers with sufficient information that prices and underlying cost structures are fair and reasonable, to enable them to confidently enter into access negotiations.

Road

Western Australia will adopt a number of nationally consistent road transport reform initiatives, which will bring Western Australia in line with other States and Territories of Australia. Legislation and regulations will be introduced this year to implement reforms not yet completed. This will also meet the remaining requirements in road transport reform for the 2000-01 NCP payment.

Specific NCP reforms include improving heavy vehicle registration, national driver licensing, vehicle operations and handling of the transportation of dangerous goods by land. Other reforms include consistency in road rules, higher mass limits and improved access for road trains.

The implementation of these reforms will bring benefits to the State by helping to achieve a safer road transport system, including a better system to minimise and manage emergency responses to dangerous goods crashes by road and rail. It will also reduce costs and delays to industry associated with red tape, help in the long term preservation of the State's road asset and have positive environmental spin offs. Additionally, these reforms will help to facilitate interstate trade by reducing inconsistencies and unnecessary duplication between jurisdictions.

Water

Western Australia has committed to implementing a system of water allocations based on tradeable entitlements, including allocations to the environment as a priority water 'use'. As part of this framework it has committed to separating water entitlements from land title permitting a water entitlement trading market to develop.

To progress entitlement trading in Western Australia the Government has recently introduced the *Rights in Water and Irrigation Amendment Bill 1999* for debate in the Legislative Council. Western Australia is committed to passing the legislation by June 2000 to meet its National Competition Policy obligations.

Tradeable entitlements will encourage a shift away from low return irrigation activities (due to use of water on poor soils and inefficient practices as well as low value crops) to higher value uses. Also, in establishing a scarcity value for water, tradeable entitlements will provide a further incentive for wastage to be minimised.

The way tradeable entitlements might work is that a farmer whose land is not suited to growing high value added crops may sell part of his entitlement to another farmer with better opportunities for growing such crops.

Benefits from water entitlement trading can be significant. In the Victorian horticulture and dairying industries alone, the projected benefits of water trading are about \$50 million a year in additional agricultural output.

In addition to water entitlement trading Western Australia has committed to a number of other water reform measures and made progress on these as part of the NCP package. These measures include:

- Pricing reform based on the principles of consumption based pricing, full cost recovery, and removal of cross-subsidies, with remaining subsidies made transparent;
- Improved water quality monitoring and catchment management policies and a renewed focus on landcare practices to protect rivers with high environment value;

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- A process for appraisal of investment in dams and other water infrastructure;
and
- Structural separation of the roles of service provision from water resource management, standard setting and regulatory enforcement.

The State's achievements in all aspects of the agreed water reforms will be assessed prior to the third tranche payments which commence in 2001-02.

Appendices

APPENDIX 1

GFS Accrual Framework

Developments in Statistical Series and Uniform Presentation

The Uniform Presentation Framework (UPF) is the result of a 1991 agreement between State, Territory and Commonwealth jurisdictions to present a common set of financial information in budgets, mid year and outturn reporting documents.

The UPF was revised earlier this year to accommodate accrual accounting concepts recently introduced into the government finance statistics (GFS) framework. The presentation of financial information throughout Budget Paper Number 3: *Economic and Fiscal Outlook* this year is consistent with the UPF and accrual GFS classifications.

Accruals Accounting Concepts in GFS

Recognising both the national and international moves toward accrual accounting, the largely cash based analysis in GFS has moved to include accrual concepts. Treasuries and the Australian Bureau of Statistics (ABS) have worked together to effect this change. The new GFS series incorporates an operating statement, balance sheet and cash flow statement. The data presented in the previous net debt series is derivable directly from the accrual based GFS balance sheet.

This change has been made possible following the commencement in recent years of accruals based accounts by all agencies, as required by Australian Accounting Standard (AAS) 29: Financial Reporting by Government Departments, and developments in the use of accounting standards more generally.

Western Australia has been presenting accrual whole of government accounts under accounting standards since 1993-94 and accrual general government and whole of government budgets since the 1998-99 Budget. The GFS accrual series produces operating and other results that differ from accounting standards in a very small number of areas. Reconciliation from GFS to accounting standards aggregates are provided in the Budget Papers.

The changes in GFS, and in government accounting generally, have a number of positive consequences. Balance sheets are an integral component of accrual accounting and are as important to governments as they are to other organisations. Knowledge of balance sheets encourages better management of assets and liabilities. Adoption of accrual accounting concepts brings public sector reporting more into line with that in the business world as well as giving a better indication of the economic and financial performance of the public sector. It improves government accountability and provide a more accurate and comprehensive basis for recording public sector operations, particularly in the area of unfunded liabilities and other non cash transactions.

GFS provides an accrual basis for inter jurisdictional comparison and ensures balance sheets are available for jurisdictions complying with UPF.

Conceptual Framework

The objectives of accrual GFS are very similar to those of the accounting framework in assessing the public sector finances:

- Measuring the impact of public sector activity on the rest of the economy;
- Measuring the sustainability of public sector fiscal policy; and
- Measuring the efficiency of public sector resource allocation.

There are some subtle differences in approach between GFS and accounting standards. In particular, the operating statement in the accrual GFS scheme only quantifies the result of transactions between entities (including individuals). It does not include the impact of other changes in the value of assets such as revaluations (eg. the profit or loss on the disposal of fixed assets). This distinction sets the operating statements of both series apart and can lead to significantly different results.

General structure

As with the accounting presentation of finances, accrual GFS consists of stocks and flow information.

Flows occur over time and include revenue and expenses (the operating statement) and payments and receipts of cash (the cash flow statement). The balance sheet measures stocks of assets and liabilities at 30 June balance dates.

Of note in the GFS operating statement is the inclusion of two bottom line measures:

- The net operating balance (similar in concept and principle to the accounting net profit after abnormals and extraordinary but including revaluation of assets and liabilities); and

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- Net lending which adjusts the accrual operating result by adding back depreciation expense and subtracting the total value of investment in physical assets. (The interpretation of this measure from a State financial perspective is difficult).

The net lending aggregate is closely related to National Accounting concepts such as the derivation of the current account deficit. A positive net lending result indicates a contribution to national savings. Negative indicates a borrowing requirement to fund transactions.

Uniform Presentation Framework Information

Statements are available for the general government, public non-financial corporations sector (formerly public trading enterprises), total non-financial public sector, public financial corporations sector (formerly public financial enterprises) and the total public sector.

Each sector is reported at the level of:

- Operating statement;
- Balance sheet/statement of financial position;
- Cash flow statement; and
- Net debt is available from the GFS balance sheet and is included as a footnote.

The cash surplus/deficit shown on the cash flow statement for the public corporations sectors (only) will differ from previous published actuals. This is because the previous methodology for calculating the cash surplus/deficit used agency operating statements as its source of data and derived a split between cash and non-cash amounts. Under the new GFS framework, the cash flow statements of agencies are the data source used in calculating the cash surplus/deficit.

In addition the following information forms part of the UPF:

- General government expenses split by functional purpose (the government purpose classification); and
- General government tax dissection.

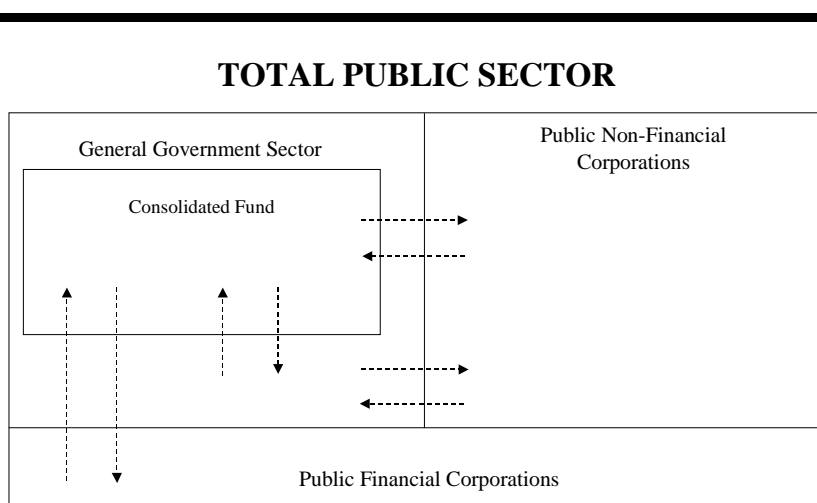
Western Australian information will also generally include a reconciliation of the GFS net operating result and balance sheet net worth to the similar concept derived under accounting standards. Western Australia's budget information will also include substantially more detailed revenue information than the UPF requires.

In the accrual GFS classification, general government is the 'holding company' or 'parent entity' for the total public sector and a fundamental variation between the net worth of the sector under GFS and accounting standards is the recognition of the net assets of public corporations in general government equity asset holdings.

Defining the Public Sector

Sector Relationships

The total public sector encompasses all State public sector agencies. It is divided into three main subsectors (general government, public non-financial corporations (PNFCs) and public financial corporations (PFCs)).



Dashed lines indicate transactions that are removed from the total public sector on consolidation.

The general government sector includes agencies which operate with funding from the Consolidated Fund and other agencies such as the Gaming Commission of Western Australia and some trust funds which are not reliant on the Consolidated Fund. For the most part, general government agencies are centrally funded and do not usually attempt to fully recover the cost of services they provide.

PNFC agencies charge for goods and services, and operate largely independently of central government. In Western Australia, the PNFC sector includes agencies such as Western Power, AlintaGas and the Water Corporation.

The PFC sector includes those agencies which largely incur financial liabilities and deal in financial assets. These include the State's central borrowing authority (the Western Australian Treasury Corporation), home lending schemes (through Keystart), the Insurance Commission of Western Australia, etc.

A comprehensive list of the State's agencies, classified by sector, is included below.

Agency Classification

General Government Sector Agencies

Aboriginal Affairs Department	Great Southern Regional College of TAFE
Agricultural Practices Board of Western Australia	Health Department of Western Australia
Agriculture Protection Board of Western Australia	Heritage Council of Western Australia
Agriculture Western Australia	Horticultural Produce Commission
Anti-Corruption Commission	Karratha College
Anzac Day Trust	Keep Australia Beautiful Council (W.A.)
Betting Control Board	Kimberley Development Commission
Botanic Parks and Gardens Authority	Kimberley Regional College of TAFE
Building and Construction Industry Training Board	Landcare Trust
Central Metropolitan College of TAFE	Law Reform Commission of Western Australia
Central West College of TAFE	Legal Aid Commission of Western Australia
Chemistry Centre (W.A.)	Legal Costs Committee
Commissioner of Main Roads	Legislative Assembly
Commissioner of Workplace Agreements	Legislative Council
Country High School Hostels Authority	Local Health Authorities Analytical Committee
Curriculum Council	Midland College of TAFE
Dairy Industry Authority of Western Australia	Mid-West Development Commission
Department for Family and Children's Services	Minerals and Energy Research Institute of Western Australia
Department of Commerce and Trade	Ministry for Culture and the Arts
Department of Conservation and Land Management	Ministry for Planning
Department of Contract and Management Services	Ministry of Fair Trading
Department of Education Services	Ministry of Justice
Department of Environmental Protection	Ministry of Sport and Recreation
Department of Land Administration	Ministry of the Premier and Cabinet
Department of Local Government	Office of Citizenship and Multicultural Interests
Department of Minerals and Energy	Office of Energy
Department of Productivity and Labour Relations	Office of Racing, Gaming and Liquor
Department of Resources Development	Office of the Auditor General
Department of the Registrar, Western Australian Industrial Relations Commission	Office of the Director of Public Prosecutions
Department of Transport	Office of the Information Commissioner
Disability Services Commission	Office of the Inspector of Custodial Services
Eastern Pilbara College of TAFE	Office of the Public Sector Standards Commissioner
Education Department of Western Australia	Office of Water Regulation
Equal Opportunity Commission	Parliamentary Services Department
Fire and Emergency Services Authority	Peel Development Commission
Fisheries Western Australia	Perth International Centre for Application of Solar Energy
Gaming Commission of Western Australia	Pilbara Development Commission
Gascoyne Development Commission	Police Service
Goldfields-Esperance Development Commission	Professional Standards Council
Government Projects Office	Racecourse Development Trust
Governor's Establishment	Racing Penalties Appeal Tribunal of Western Australia
Great Southern Development Commission	Recreation Camps and Reserve Board
	Rural Adjustment and Finance Corporation of Western Australia

R&I Holdings
 Salaries and Allowances Tribunal
 Small Business Development Corporation
 South East Metropolitan College of TAFE
 South Metropolitan College of TAFE
 South West Development Commission
 South West Regional College of TAFE
 State Revenue Department
 State Supply Commission
 Swan River Trust
 The Aboriginal Affairs Planning Authority
 The Burswood Park Board
 The Coal Miner's Welfare Board of Western
 Australia
 The National Trust of Australia (W.A.)
 The Parliamentary Commissioner for
 Administrative Investigations
 The Potato Growing Industry Trust Fund
 Advisory Committee
 The Poultry Industry Trust Fund Committee
 The Treasury
 Trustees of the Public Education Endowment
 Valuer General's Office
 Water and Rivers Commission

West Coast College of TAFE
 Western Australian Boxing Commission
 Western Australian Building Management
 Authority
 Western Australian Department of Training
 and Employment
 Western Australian Electoral Commission
 Western Australian Greyhound Racing
 Authority
 Western Australian Health Promotion
 Foundation
 Western Australian Independent Gas Pipelines
 Access Regulator
 Western Australian Institute of Sport
 Western Australian Meat Industry Authority
 Western Australian Planning Commission
 Western Australian Sports Centre Trust
 Western Australian Tourism Commission
 Wheatbelt Development Commission
 Workers' Compensation and Rehabilitation
 Commission
 WorkSafe Western Australia
 Zoological Gardens Board

Public Non-Financial Corporations

Albany Port Authority
 Animal Resources Authority
 Broome Port Authority
 Bunbury Port Authority
 Bunbury Water Board
 Busselton Water Board
 Dampier Port Authority
 East Perth Redevelopment Authority
 Electricity Corporation (Western Power
 Corporation)
 Esperance Port Authority
 Forest Products Commission
 Fremantle Cemetery Board
 Fremantle Port Authority
 Gas Corporation (AlintaGas)
 Geraldton Port Authority
 Gold Corporation
 Government Employees Housing Authority
 Lotteries Commission
 Metropolitan (Perth) Passenger Transport
 Trust

Metropolitan Cemeteries Board
 Midland Redevelopment Authority
 Perth Market Authority
 Port Hedland Port Authority
 Potato Marketing Corporation of Western
 Australia
 Rottnest Island Authority
 Subiaco Redevelopment Authority
 The Eastern Goldfields Transport Board
 The Grain Pool of W.A.
 The State Housing Commission
 The Western Australian Government Railways
 Commission
 Totalisator Agency Board
 Water Corporation
 Western Australian Coastal Shipping
 Commission
 Western Australian Egg Marketing Board
 Western Australian Land Authority

Public Financial Corporations

Country Housing Authority
 Insurance Commission of Western Australia
 Keystart Housing Scheme, comprising:
 Keystart Bonds Ltd
 Keystart Loans Ltd

Keystart Support Pty Ltd
 Keystart Support (Subsidiary) Pty Ltd
 Riskcover
 Western Australian Treasury Corporation

Agencies Outside the State's Public Sector

The entities listed below, which administer superannuation and like funds and/or hold private funds in trust or fidelity type funds, are not included in the public sector used in this publication. This is because the assets are not available for the benefit of, and/or are not controlled by, the State.

Coal Industry Superannuation Board
Coal Mines Accident Relief Fund Trust
Construction Industry Long Service Leave
Payments Board
Curtin University of Technology and its
subsidiaries
Edith Cowan University
Government Employees Superannuation
Board
Legal Contribution Trust
Murdoch University and its subsidiary
Parliamentary Superannuation Board
Public Trustee
The University of Western Australia and its
subsidiary
Western Australian Fire Brigades Board
Other Professional and Trade Supervisory and
Regulatory Boards

APPENDIX 2

Detailed Financial Projections

Appendix 2 contains detailed financial projections for the various sectors of the total public sector under the accrual GFS framework. The tables in this section also satisfy Uniform Presentation Framework (UPF) requirements with the exception of General Government Sector Taxes, which is contained in Chapter 3: *Forward Estimates of Revenue, Expenses and Capital*, Table 2, p.45.

A comparison of the current estimates with the 1999-2000 Budget time estimates for the 2000-01 year is also contained within this section.

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Table 1

GENERAL GOVERNMENT
Operating Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
REVENUE						
Taxation	3,270.2	3,401.1	2,706.2	2,662.2	2,814.6	2,982.3
Current grants and subsidies	3,299.7	3,644.6	4,607.4	4,804.3	4,920.3	4,989.8
Capital grants	188.9	187.2	273.2	232.2	176.2	179.1
Sales of goods and services	924.2	764.6	762.9	752.6	739.5	744.5
Interest income	106.5	83.9	85.6	87.6	78.7	84.4
Revenue from public corporations						
Dividends	340.3	398.6	416.5	471.3	507.8	525.1
Tax equivalent payments	234.6	251.2	260.0	260.1	285.7	300.1
Royalty income	419.4	441.4	520.5	514.6	504.6	505.6
Other	200.5	197.7	206.6	180.5	175.5	176.4
<i>Total</i>	8,984.3	9,370.3	9,838.7	9,965.3	10,202.9	10,487.2
EXPENSES						
Gross operating expenses						
Salaries	3,568.3	3,744.2	3,848.0	3,924.7	4,007.7	4,103.8
Depreciation and amortisation	419.9	422.0	415.7	439.5	445.0	454.4
Superannuation	322.7	369.6	343.3	342.9	353.0	342.7
Other	2,401.0	2,415.3	2,430.5	2,432.0	2,458.7	2,514.4
Nominal superannuation interest	275.9	296.6	302.8	305.6	307.2	307.5
Other interest	224.2	207.6	223.9	225.9	235.6	245.4
Current transfers	1,653.4	1,716.3	1,987.5	2,034.1	2,089.8	2,116.5
Capital transfers	253.9	258.7	245.0	214.5	213.9	182.8
<i>Total</i>	9,119.3	9,430.3	9,796.7	9,919.2	10,110.8	10,267.5
NET OPERATING BALANCE	-135.0	-60.1	42.0	46.1	92.1	219.7
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	657.0	1,004.0	981.4	723.5	717.5	617.6
less depreciation	419.9	422.0	415.7	439.5	445.0	454.4
plus change in inventories	12.0	-	-	-	-	-
plus other movements in non-financial assets	-29.4	-10.1	-63.3	-18.3	-4.2	22.7
<i>Total</i>	219.7	571.9	502.4	265.7	268.2	186.0
NET LENDING/BORROWING	-354.7	-632.0	-460.4	-219.6	-176.1	33.8
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	-135.0	-60.1	42.0	46.1	92.1	219.7
less provisions for doubtful debts	-	-	-	-	-	-
plus net gains on assets (including derivatives)	-14.4	23.4	40.0	3.5	-0.9	-5.7
plus capitalised interest	-	-	-	-	-	-
less revaluation of superannuation liabilities	36.2	-	-	-	-	-
plus all other adjustments	-22.5	-	-	-	-	-
AAS OPERATING RESULT	-208.1	-36.7	81.9	49.6	91.2	214.1

Note: Columns may not add due to rounding.

Table 2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	1999 Actual \$m	2000 Estimated Actual \$m	2001 Budget Estimate \$m	2002 Forward Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	154.5	212.6	195.3	181.4	176.1	175.5
Advances paid	1,054.2	756.3	780.9	801.0	807.1	810.5
Investments, loans and placements	1,287.2	1,085.0	981.2	985.1	992.9	999.8
Other non-equity assets	650.3	652.3	571.6	594.5	629.7	638.3
Equity	14,671.7	15,638.5	16,061.3	16,549.0	17,114.7	17,686.0
<i>Total</i>	<i>17,817.9</i>	<i>18,344.6</i>	<i>18,590.2</i>	<i>19,111.1</i>	<i>19,720.5</i>	<i>20,310.1</i>
<i>Non-Financial assets</i>						
Land and fixed assets	22,679.1	23,223.7	23,845.1	24,218.8	24,597.3	24,965.3
Other non-financial assets	273.1	125.5	132.7	177.0	176.6	176.8
<i>Total</i>	<i>22,952.2</i>	<i>23,349.2</i>	<i>23,977.8</i>	<i>24,395.7</i>	<i>24,773.9</i>	<i>25,142.1</i>
TOTAL ASSETS	40,770.1	41,693.8	42,568.0	43,506.8	44,494.4	45,452.1
LIABILITIES						
Deposits held	278.1	182.0	189.3	183.5	188.6	179.2
Advances received	898.8	724.8	595.2	572.6	565.8	545.5
Borrowings	1,736.5	1,989.9	2,353.8	2,591.0	2,799.2	2,809.8
Unfunded superannuation liabilities	4,945.0	5,047.9	5,094.8	5,120.8	5,125.9	5,106.0
Other employee entitlements and provisions	907.3	953.4	981.7	1,015.2	1,056.1	1,093.2
Non-equity liabilities	518.2	538.8	512.3	523.6	484.9	499.0
<i>TOTAL LIABILITIES</i>	<i>9,283.9</i>	<i>9,436.7</i>	<i>9,727.1</i>	<i>10,006.6</i>	<i>10,220.6</i>	<i>10,232.6</i>
NET WORTH	31,486.2	32,257.1	32,840.9	33,500.2	34,273.8	35,219.5
<i>Memorandum Item: Net Debt</i>	<i>417.5</i>	<i>842.8</i>	<i>1,181.0</i>	<i>1,379.5</i>	<i>1,577.5</i>	<i>1,548.7</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	31,486.2	32,257.1	32,840.9	33,500.2	34,273.8	35,219.5
<i>less equity (net worth) of PNFC and PFC sectors</i>	<i>14,671.7</i>	<i>15,638.5</i>	<i>16,061.3</i>	<i>16,549.0</i>	<i>17,114.6</i>	<i>17,686.0</i>
<i>plus land vested with other sectors</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>less all other adjustments</i>	<i>-</i>	<i>-0.1</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS NET ASSETS	16,814.5	16,618.7	16,779.6	16,951.2	17,159.2	17,533.5

Note: Columns may not add due to rounding.

Table 3

GENERAL GOVERNMENT
Cash Flow Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	3,242.8	3,319.4	2,625.8	2,582.6	2,733.6	2,899.1
Receipts from sales of goods and services	860.0	764.3	793.1	777.8	771.1	799.7
Grants and subsidies received	3,489.4	3,776.9	4,804.6	4,984.9	5,071.2	5,145.8
Other receipts	1,574.0	1,385.0	1,620.2	1,536.2	1,547.8	1,614.6
<i>Total</i>	<i>9,166.2</i>	<i>9,245.6</i>	<i>9,843.7</i>	<i>9,881.6</i>	<i>10,123.7</i>	<i>10,459.2</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-6,337.4	-6,632.5	-6,700.8	-6,827.5	-6,942.2	-7,111.8
Grants and subsidies paid	-1,884.9	-1,977.7	-2,087.7	-2,130.7	-2,181.4	-2,175.0
Interest paid	-231.9	-225.6	-252.8	-256.7	-257.5	-269.3
Other payments	-124.6	-116.3	-315.4	-255.0	-256.7	-260.1
<i>Total</i>	<i>-8,578.8</i>	<i>-8,952.1</i>	<i>-9,356.7</i>	<i>-9,469.9</i>	<i>-9,637.8</i>	<i>-9,816.2</i>
Net Cash Flow from Operating Activities	587.4	293.4	487.0	411.7	485.9	643.0
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-669.1	-1,137.0	-1,045.6	-820.5	-807.8	-693.5
Sales of non-financial assets	121.0	226.7	219.0	179.3	139.5	76.3
<i>Total</i>	<i>-548.1</i>	<i>-910.3</i>	<i>-826.6</i>	<i>-641.2</i>	<i>-668.3</i>	<i>-617.2</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	133.7	192.0	14.2	14.6	14.9	14.3
Liquidity purposes	-8.3	-4.8	-7.5	-12.3	-12.6	-14.4
<i>Total</i>	<i>125.4</i>	<i>187.2</i>	<i>6.6</i>	<i>2.2</i>	<i>2.3</i>	<i>-0.1</i>
Net Cash Flow from Investing Activities	-422.7	-723.2	-820.0	-638.9	-666.0	-617.4
FINANCING ACTIVITIES						
Advances received (net)	-9.5	-165.9	-119.8	-15.2	1.2	-6.5
Borrowings (net)	24.8	434.4	340.7	225.3	194.8	-2.3
Deposits received (net)	-	-	-	-	-	-
Other financing	-59.6	-23.3	-3.0	-29.4	-20.5	-18.8
Total	-44.2	245.1	217.8	180.7	175.4	-27.6
<i>Opening cash balance</i>	<i>620.5</i>	<i>741.0</i>	<i>556.4</i>	<i>441.2</i>	<i>394.6</i>	<i>389.9</i>
NET INCREASE IN CASH HELD^(a)	120.5	-184.6	-115.2	-46.6	-4.7	-2.0
<i>Closing cash balance</i>	<i>741.0</i>	<i>556.4</i>	<i>441.2</i>	<i>394.6</i>	<i>389.9</i>	<i>387.9</i>
<i>Net cash from operating activities and investments in non-financial assets</i>						
	39.3	-616.9	-339.7	-229.5	-182.4	25.8
<i>less finance leases and similar arrangements</i>	<i>-58.5</i>	<i>3.7</i>	<i>-5.9</i>	<i>3.8</i>	<i>3.9</i>	<i>3.3</i>
GFS Cash Surplus	-19.2	-613.2	-345.5	-225.7	-178.5	29.1

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 4

PUBLIC NON-FINANCIAL CORPORATIONS
Operating Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
REVENUE						
Current grants and subsidies	491.2	419.3	439.3	457.6	489.2	494.7
Capital grants	100.5	99.9	126.4	108.4	108.4	99.9
Sales of goods and services	5,275.1	5,673.8	5,625.8	5,758.6	6,012.5	6,184.7
Interest income	81.2	99.1	79.4	83.6	87.6	90.5
Other	196.0	114.9	82.7	95.3	97.3	100.8
<i>Total</i>	<i>6,143.9</i>	<i>6,407.0</i>	<i>6,353.7</i>	<i>6,503.5</i>	<i>6,795.0</i>	<i>6,970.6</i>
EXPENSES						
Gross operating expenses						
Salaries	489.8	505.4	480.6	481.4	488.2	496.1
Depreciation and amortisation	502.0	562.7	601.1	627.7	650.4	673.1
Superannuation	45.2	49.0	39.8	40.9	41.0	41.9
Other	3,488.5	3,774.3	3,745.4	3,773.2	3,934.4	4,043.9
Nominal superannuation interest	-	-	-	-	-	-
Other interest	558.8	529.0	457.5	476.4	484.8	489.1
Other property expenses	570.4	633.2	659.0	723.3	780.8	814.7
Current transfers	151.5	171.6	162.9	165.2	175.1	181.2
Capital transfers	-	-	10.7	-	-	-
<i>Total</i>	<i>5,806.3</i>	<i>6,225.2</i>	<i>6,157.0</i>	<i>6,288.2</i>	<i>6,554.7</i>	<i>6,739.9</i>
NET OPERATING BALANCE	337.6	181.8	196.7	215.3	240.3	230.7
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	846.8	972.9	988.6	903.0	942.4	1,005.5
<i>less</i> depreciation	<i>502.0</i>	<i>562.7</i>	<i>601.1</i>	<i>627.7</i>	<i>650.4</i>	<i>673.1</i>
<i>plus</i> change in inventories	<i>-78.8</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>plus</i> other movements in non-financial assets	<i>-94.3</i>	<i>-183.5</i>	<i>-135.7</i>	<i>-192.4</i>	<i>-178.9</i>	<i>-128.3</i>
<i>Total</i>	<i>171.8</i>	<i>226.7</i>	<i>251.8</i>	<i>82.8</i>	<i>113.1</i>	<i>204.1</i>
NET LENDING/BORROWING	165.8	-44.8	-55.1	132.5	127.2	26.6
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	337.6	181.8	196.7	215.3	240.3	230.7
<i>less</i> provisions for doubtful debts	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>plus</i> net gains on assets (including derivatives)	<i>-37.8</i>	<i>-34.3</i>	<i>58.7</i>	<i>84.7</i>	<i>64.0</i>	<i>58.9</i>
<i>plus</i> capitalised interest	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>less</i> revaluation of superannuation liabilities	<i>20.5</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>less</i> difference in assumed funding of PNFC transfers	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>plus</i> all other adjustments	<i>22.5</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS OPERATING RESULT	301.8	147.5	255.4	300.0	304.4	289.5

Note: Columns may not add due to rounding.

Table 5

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	1999 Actual \$m	2000 Estimated Actual \$m	2001 Budget Estimate \$m	2002 Forward Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	224.8	298.2	135.4	154.3	206.5	240.9
Advances paid	374.6	235.2	216.2	203.2	192.6	184.1
Investments, loans and placements	755.9	1,015.1	956.4	986.4	1,032.0	1,047.2
Other non-equity assets	729.2	781.5	756.5	783.3	827.8	863.4
Equity	2.1	1.1	1.1	1.1	1.1	1.1
<i>Total</i>	<i>2,086.6</i>	<i>2,331.1</i>	<i>2,065.7</i>	<i>2,128.4</i>	<i>2,260.0</i>	<i>2,336.7</i>
<i>Non-Financial assets</i>						
Land and fixed assets	20,280.2	21,280.6	21,949.6	22,384.4	22,836.8	23,368.0
Other non-financial assets	12.5	123.1	108.1	108.8	108.6	124.9
<i>Total</i>	<i>20,292.7</i>	<i>21,403.7</i>	<i>22,057.8</i>	<i>22,493.2</i>	<i>22,945.5</i>	<i>23,492.9</i>
TOTAL ASSETS	22,379.3	23,734.8	24,123.5	24,621.5	25,205.4	25,829.7
LIABILITIES						
Deposits held	7.8	5.7	5.7	1.5	1.5	1.5
Advances received	814.6	625.7	614.9	603.6	591.8	579.7
Borrowings	5,273.5	5,969.5	6,062.5	6,109.2	6,151.8	6,243.3
Unfunded superannuation liabilities	290.0	291.0	287.0	282.0	276.0	270.0
Other employee entitlements and provisions	259.1	264.1	241.1	259.2	291.3	308.7
Non-equity liabilities	952.7	921.8	897.2	930.6	955.8	980.1
TOTAL LIABILITIES	7,597.7	8,077.9	8,108.4	8,186.1	8,268.2	8,383.2
NET WORTH	14,781.6	15,656.9	16,015.0	16,435.5	16,937.2	17,446.5
<i>Memorandum Item: Net Debt</i>	<i>4,740.6</i>	<i>5,052.5</i>	<i>5,375.0</i>	<i>5,370.3</i>	<i>5,314.1</i>	<i>5,352.3</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	14,781.6	15,656.9	16,015.0	16,435.5	16,937.2	17,446.5
<i>less difference in assumed funding of PNFC transfers</i>	-	-	-	-	-	-
<i>less all other adjustments</i>	-	-	-	-	-	-
AAS NET ASSETS	14,781.6	15,656.9	16,015.0	16,435.5	16,937.2	17,446.5

Note: Columns may not add due to rounding.

Table 6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Receipts from sales of goods and services	5,373.6	5,610.7	5,590.6	5,739.2	5,982.9	6,168.7
Grants and subsidies received	538.9	531.7	564.5	568.9	603.6	594.7
Other receipts	74.9	95.1	147.5	134.8	130.4	133.7
<i>Total</i>	<i>5,987.4</i>	<i>6,237.5</i>	<i>6,302.6</i>	<i>6,442.9</i>	<i>6,716.9</i>	<i>6,897.1</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-4,125.0	-4,346.6	-4,217.1	-4,258.4	-4,434.4	-4,539.9
Grants and subsidies paid	-103.0	-121.3	-118.3	-119.9	-124.2	-129.3
Interest paid	-542.9	-492.6	-473.5	-497.7	-493.2	-493.5
Other payments	-45.9	-35.0	-96.8	-97.4	-91.9	-92.5
<i>Total</i>	<i>-4,816.8</i>	<i>-4,995.4</i>	<i>-4,905.7</i>	<i>-4,973.5</i>	<i>-5,143.7</i>	<i>-5,255.3</i>
Net Cash Flow from Operating Activities	1,170.6	1,242.1	1,396.9	1,469.4	1,573.1	1,641.9
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-1,131.1	-1,232.8	-1,229.8	-1,127.5	-1,147.3	-1,198.8
Sales of non-financial assets	367.8	434.3	367.3	406.4	372.8	309.4
<i>Total</i>	<i>-763.4</i>	<i>-798.5</i>	<i>-862.5</i>	<i>-721.1</i>	<i>-774.5</i>	<i>-889.4</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-	140.0	-	-	-	-
Liquidity purposes	36.7	-40.7	-101.3	-110.9	-81.1	-29.8
<i>Total</i>	<i>36.7</i>	<i>99.3</i>	<i>-101.3</i>	<i>-110.9</i>	<i>-81.1</i>	<i>-29.8</i>
Net Cash Flow from Investing Activities	-726.6	-699.2	-963.8	-832.0	-855.6	-919.1
FINANCING ACTIVITIES						
Advances received (net)	-44.2	-61.4	-11.0	-11.4	-11.9	-12.3
Borrowings (net)	222.4	126.9	100.6	57.5	53.7	102.8
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-643.4	-582.7	-759.4	-693.3	-742.6	-805.3
Other financing	-49.8	48.8	44.4	45.7	46.3	47.6
<i>Total</i>	<i>-515.1</i>	<i>-468.5</i>	<i>-625.4</i>	<i>-601.5</i>	<i>-654.4</i>	<i>-667.1</i>
<i>Opening cash balance</i>	<i>528.3</i>	<i>457.0</i>	<i>531.4</i>	<i>339.2</i>	<i>375.1</i>	<i>438.3</i>
NET INCREASE IN CASH HELD^(a)	-71.2	74.4	-192.2	36.0	63.1	55.6
<i>Closing cash balance</i>	<i>457.0</i>	<i>531.4</i>	<i>339.2</i>	<i>375.1</i>	<i>438.3</i>	<i>493.9</i>
<i>Net cash from operating activities, distributions paid and investments in non-financial assets</i>	<i>-236.2</i>	<i>-139.1</i>	<i>-225.0</i>	<i>55.1</i>	<i>56.0</i>	<i>-52.8</i>
<i>less finance leases and similar arrangements</i>	<i>10.8</i>	<i>9.1</i>	<i>9.6</i>	<i>10.5</i>	<i>11.0</i>	<i>12.2</i>
GFS Cash Surplus	-225.5	-130.0	-215.4	65.6	67.1	-40.7

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 7

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
REVENUE						
Taxation	3,226.1	3,362.0	2,667.0	2,625.6	2,777.1	2,944.2
Current grants and subsidies	3,299.7	3,644.6	4,607.4	4,804.3	4,920.3	4,989.8
Capital grants	188.9	187.2	273.2	232.2	176.2	179.1
Sales of goods and services	6,062.5	6,341.2	6,285.3	6,426.5	6,666.5	6,843.3
Interest income	162.5	162.3	158.0	163.0	157.4	165.6
Royalty income	419.4	441.4	520.5	514.6	504.6	505.6
Other	377.0	296.4	288.8	265.5	266.6	268.7
<i>Total</i>	13,736.2	14,435.0	14,800.2	15,031.7	15,468.8	15,896.3
EXPENSES						
Gross operating expenses						
Salaries	4,058.1	4,249.6	4,328.6	4,406.1	4,495.8	4,599.8
Depreciation and amortisation	921.9	984.7	1,016.7	1,067.2	1,095.4	1,127.5
Superannuation	350.4	408.4	373.3	373.7	383.6	374.1
Other	5,752.9	6,091.8	6,071.9	6,119.9	6,306.9	6,471.8
Nominal superannuation interest	275.9	296.6	302.8	305.6	307.2	307.5
Other interest	757.8	715.9	674.5	694.2	711.5	725.2
Other property expenses	-	-	-	-	-	-
Current transfers	1,263.4	1,406.7	1,663.8	1,696.8	1,729.8	1,756.5
Capital transfers	153.3	158.8	129.3	106.1	105.5	82.9
<i>Total</i>	13,533.6	14,312.7	14,561.0	14,769.6	15,135.7	15,445.2
NET OPERATING BALANCE	202.6	122.3	239.3	262.1	333.1	451.0
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	1,503.9	1,976.9	1,970.0	1,626.5	1,659.9	1,623.1
<i>less</i> depreciation	921.9	984.7	1,016.7	1,067.2	1,095.4	1,127.5
<i>plus</i> change in inventories	-66.8	-	-	-	-	-
<i>plus</i> other movements in non-financial assets	-123.6	-193.6	-199.0	-210.7	-183.1	-105.5
<i>Total</i>	391.5	798.6	754.3	348.5	381.3	390.1
NET LENDING/BORROWING	-189.0	-676.3	-515.0	-86.4	-48.2	61.0
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	202.6	122.3	239.3	262.1	333.1	451.0
<i>less</i> provisions for doubtful debts	-	-	-	-	-	-
<i>plus</i> net gains on assets (including derivatives)	-52.2	-10.9	98.7	88.2	63.1	53.2
<i>plus</i> capitalised interest	-	-	-	-	-	-
<i>less</i> revaluation of superannuation liabilities	56.7	-	-	-	-	-
<i>less</i> difference in assumed funding of PNFC transfers	-	-	-	-	-	-
<i>plus</i> all other adjustments	-	-0.6	-0.7	-0.7	-0.6	-0.7
AAS OPERATING RESULT	93.7	110.8	337.3	349.6	395.6	503.6

Note: Columns may not add due to rounding.

Table 8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	1999 Actual \$m	2000 Estimated Actual \$m	2001 Budget Estimate \$m	2002 Forward Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	252.5	422.2	242.1	257.0	301.2	340.3
Advances paid	614.3	365.8	382.2	400.7	407.9	414.8
Investments, loans and placements	2,034.9	2,093.7	1,931.2	1,969.3	2,022.7	2,044.8
Other non-equity assets	1,056.4	1,053.8	1,068.5	1,094.4	1,137.7	1,171.9
Equity	-107.8	-17.3	47.4	114.7	178.6	240.7
<i>Total</i>	<i>3,850.4</i>	<i>3,918.1</i>	<i>3,671.4</i>	<i>3,836.0</i>	<i>4,048.0</i>	<i>4,212.5</i>
<i>Non-Financial assets</i>						
Land and fixed assets	42,959.2	44,504.3	45,794.7	46,603.2	47,434.2	48,333.3
Other non-financial assets	285.5	248.6	240.8	285.7	285.2	301.7
<i>Total</i>	<i>43,244.7</i>	<i>44,752.9</i>	<i>46,035.5</i>	<i>46,888.9</i>	<i>47,719.4</i>	<i>48,635.0</i>
TOTAL ASSETS	47,095.1	48,671.0	49,706.9	50,724.9	51,767.4	52,847.5
LIABILITIES						
Deposits held	151.7	93.4	100.7	104.7	107.2	103.0
Advances received	898.8	724.8	595.2	572.6	565.8	545.5
Borrowings	7,009.3	7,958.8	8,415.6	8,699.5	8,950.3	9,052.4
Unfunded superannuation liabilities	5,235.0	5,338.9	5,381.8	5,402.8	5,401.9	5,376.0
Other employee entitlements and provisions	1,166.4	1,217.5	1,222.8	1,274.5	1,347.4	1,401.8
Non-equity liabilities	1,147.8	1,080.5	1,149.8	1,170.7	1,120.9	1,149.2
TOTAL LIABILITIES	15,609.0	16,413.9	16,866.0	17,224.7	17,493.6	17,628.0
NET WORTH	31,486.1	32,257.1	32,840.9	33,500.2	34,273.8	35,219.5
<i>Memorandum Item: Net Debt</i>	<i>5,158.0</i>	<i>5,895.3</i>	<i>6,556.1</i>	<i>6,749.8</i>	<i>6,891.6</i>	<i>6,901.0</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	31,486.1	32,257.1	32,840.9	33,500.2	34,273.8	35,219.5
<i>less equity (net worth) of the PFC sector</i>	<i>-110.0</i>	<i>-18.5</i>	<i>46.3</i>	<i>113.5</i>	<i>177.4</i>	<i>239.5</i>
<i>plus land vested with other sectors</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>less difference in assumed funding of PNFC transfers</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>less all other adjustments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-0.1</i>	<i>-</i>	<i>-0.1</i>
AAS NET ASSETS	31,596.1	32,275.6	32,794.6	33,386.7	34,096.4	34,980.0

Note: Columns may not add due to rounding.

Table 9

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	3,196.9	3,284.3	2,591.1	2,547.8	2,698.4	2,863.5
Receipts from sales of goods and services	6,111.4	6,194.6	6,197.0	6,341.2	6,581.7	6,796.2
Grants and subsidies received	3,489.4	3,776.9	4,804.6	4,984.9	5,071.2	5,145.8
Other receipts	740.8	836.0	949.1	928.6	881.2	890.6
<i>Total</i>	<i>13,538.6</i>	<i>14,091.9</i>	<i>14,541.8</i>	<i>14,802.6</i>	<i>15,232.5</i>	<i>15,696.1</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-10,133.0	-10,789.1	-10,721.2	-10,899.9	-11,194.0	-11,468.9
Grants and subsidies paid	-1,449.1	-1,567.3	-1,641.5	-1,681.7	-1,702.1	-1,709.6
Interest paid	-721.4	-669.1	-692.7	-720.1	-716.1	-728.3
Other payments	-122.2	-113.3	-373.7	-313.8	-309.6	-313.2
<i>Total</i>	<i>-12,425.7</i>	<i>-13,138.8</i>	<i>-13,429.2</i>	<i>-13,615.6</i>	<i>-13,921.7</i>	<i>-14,220.0</i>
Net Cash Flow from Operating Activities	1,112.9	953.1	1,112.7	1,186.9	1,310.8	1,476.1
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-1,800.2	-2,369.8	-2,275.5	-1,948.0	-1,955.1	-1,892.3
Sales of non-financial assets	488.7	661.0	586.3	585.8	512.4	385.7
<i>Total</i>	<i>-1,311.5</i>	<i>-1,708.8</i>	<i>-1,689.1</i>	<i>-1,362.3</i>	<i>-1,442.8</i>	<i>-1,506.6</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	13.7	153.7	14.1	14.5	14.9	14.2
Liquidity purposes	28.4	-45.5	-108.8	-123.2	-93.7	-44.2
<i>Total</i>	<i>42.0</i>	<i>108.2</i>	<i>-94.7</i>	<i>-108.7</i>	<i>-78.9</i>	<i>-30.0</i>
Net Cash Flow from Investing Activities	-1,269.4	-1,600.7	-1,783.8	-1,470.9	-1,521.7	-1,536.6
CASH FLOWS FROM FINANCING ACTIVITIES						
Advances received (net)	-19.7	-49.1	-130.8	-26.6	-10.6	-18.7
Borrowings (net)	247.2	561.2	441.3	282.8	248.5	100.5
Deposits received (net)	-	-	-	-	-	-
Distributions paid	95.1	-0.2	11.9	0.9	5.6	3.5
Other financing	-116.7	25.5	41.4	16.3	25.8	28.9
<i>Total</i>	<i>205.8</i>	<i>537.4</i>	<i>363.7</i>	<i>273.4</i>	<i>269.3</i>	<i>114.1</i>
<i>Opening cash balance</i>	<i>1,146.6</i>	<i>1,195.9</i>	<i>1,085.7</i>	<i>778.2</i>	<i>767.6</i>	<i>826.0</i>
NET INCREASE IN CASH HELD^(a)	49.3	-110.2	-307.4	-10.6	58.4	53.6
<i>Closing cash balance</i>	<i>1,195.9</i>	<i>1,085.7</i>	<i>778.2</i>	<i>767.6</i>	<i>826.0</i>	<i>879.6</i>
<i>Net cash from operating activities, distributions paid and investments in non-financial assets</i>						
	-103.5	-756.0	-564.6	-174.4	-126.3	-27.1
<i>less finance leases and similar arrangements</i>						
	-47.7	12.8	3.7	14.3	14.9	15.5
GFS Cash Surplus	-151.3	-743.2	-560.9	-160.1	-111.4	-11.6

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 10

PUBLIC FINANCIAL CORPORATIONS
Operating Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
REVENUE						
Current grants and subsidies	-	-	-	-	-	-
Capital grants	-	-	-	-	-	-
Sales of goods and services	484.8	473.4	509.4	555.9	601.8	647.7
Interest income	938.6	867.5	896.7	937.9	975.0	1,009.3
Other	17.7	-	-	-	-	-
<i>Total</i>	<i>1,441.1</i>	<i>1,340.9</i>	<i>1,406.1</i>	<i>1,493.8</i>	<i>1,576.9</i>	<i>1,657.0</i>
EXPENSES						
Gross operating expenses						
Salaries	16.1	17.2	17.8	18.4	19.1	19.8
Depreciation and amortisation	1.6	1.5	2.9	2.7	2.6	2.5
Superannuation	2.4	2.3	2.5	1.5	2.6	1.6
Other	480.6	442.3	502.0	555.4	610.1	666.0
Nominal superannuation interest	-	-	-	-	-	-
Other interest	641.2	789.9	805.4	839.2	869.4	895.7
Other property expenses	10.0	15.3	8.7	7.2	7.0	7.0
Current transfers	1.6	1.9	2.2	2.2	2.2	2.3
Capital transfers	-	-	-	-	-	-
<i>Total</i>	<i>1,153.4</i>	<i>1,270.4</i>	<i>1,341.4</i>	<i>1,426.6</i>	<i>1,513.0</i>	<i>1,594.9</i>
NET OPERATING BALANCE	287.7	70.5	64.7	67.3	63.9	62.1
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	14.3	1.4	8.5	3.2	2.3	1.6
<i>less</i> depreciation	1.6	1.5	2.9	2.7	2.6	2.5
<i>plus</i> change in inventories	-	-	-	-	-	-
<i>plus</i> other movements in non-financial assets	-	-	-	-	-	-
<i>Total</i>	<i>12.8</i>	<i>-0.1</i>	<i>5.7</i>	<i>0.5</i>	<i>-0.3</i>	<i>-0.9</i>
NET LENDING/BORROWING	274.9	70.6	59.1	66.7	64.2	63.0
<i>Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)</i>						
NET OPERATING BALANCE	287.7	70.5	64.7	67.3	63.9	62.1
<i>less</i> provisions for doubtful debts	-	-	-	-	-	-
<i>plus</i> net gains on assets (including derivatives)	-120.2	21.0	-	-	-	-
<i>plus</i> capitalised interest	-	-	-	-	-	-
<i>less</i> revaluation of superannuation liabilities	-0.2	-	-	-	-	-
<i>plus</i> all other adjustments	-	-	-	-	-	-
AAS OPERATING RESULT	167.7	91.5	64.7	67.3	63.9	62.1

Note: Columns may not add due to rounding.

Table 11

PUBLIC FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	1999 Actual \$m	2000 Estimated Actual \$m	2001 Budget Estimate \$m	2002 Forward Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	18.3	5.9	18.4	17.3	22.7	5.6
Advances paid	1,461.1	1,655.5	1,929.7	2,194.9	2,443.9	2,679.0
Investments, loans and placements	9,998.0	10,965.7	11,471.3	11,800.3	12,101.4	12,257.9
Other non-equity assets	349.5	334.7	331.6	322.0	317.7	311.7
Equity	442.2	510.9	574.5	640.1	702.5	773.3
<i>Total</i>	<i>12,269.1</i>	<i>13,472.6</i>	<i>14,325.6</i>	<i>14,974.6</i>	<i>15,588.2</i>	<i>16,027.5</i>
<i>Non-Financial assets</i>						
Land and fixed assets	265.7	301.2	340.0	374.5	406.6	442.4
Other non-financial assets	-	-	-	-	-	-
<i>Total</i>	<i>265.7</i>	<i>301.2</i>	<i>340.0</i>	<i>374.5</i>	<i>406.6</i>	<i>442.4</i>
TOTAL ASSETS	12,534.8	13,773.8	14,665.6	15,349.1	15,994.8	16,469.9
LIABILITIES						
Deposits held	-	-	-	-	-	-
Advances received	3.5	-	-	-	-	-
Borrowings	10,979.0	12,135.6	12,862.4	13,387.2	13,870.8	14,164.3
Unfunded superannuation liabilities	15.0	15.0	15.0	14.0	14.0	13.0
Other employee entitlements and provisions	4.3	8.1	8.4	8.1	8.0	8.0
Non-equity liabilities	1,643.0	1,633.5	1,733.5	1,826.2	1,924.5	2,045.0
TOTAL LIABILITIES	12,644.8	13,792.3	14,619.3	15,235.5	15,817.4	16,230.3
NET WORTH	-110.0	-18.5	46.3	113.5	177.4	239.5
<i>Memorandum Item: Net Debt</i>	<i>-494.9</i>	<i>-491.5</i>	<i>-557.1</i>	<i>-625.2</i>	<i>-697.2</i>	<i>-778.2</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	-110.0	-18.5	46.3	113.5	177.4	239.5
<i>less all other adjustments</i>	<i>-</i>	<i>-</i>	<i>-0.1</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS NET ASSETS	-110.0	-18.5	46.2	113.5	177.4	239.5

Note: Columns may not add due to rounding.

Table 12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Receipts from sales of goods and services	438.6	484.3	472.3	503.8	549.7	598.4
Grants and subsidies received	-	-	-	-	-	-
Other receipts	811.3	869.7	924.2	990.6	1,021.7	1,056.4
<i>Total</i>	<i>1,250.0</i>	<i>1,354.0</i>	<i>1,396.6</i>	<i>1,494.5</i>	<i>1,571.4</i>	<i>1,654.8</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-431.3	-434.6	-429.3	-485.6	-538.9	-567.0
Grants and subsidies paid	-	-	-	-	-	-
Interest paid	-664.7	-763.5	-815.7	-855.8	-874.7	-898.8
Other payments	-1.9	-1.6	-8.9	-23.8	-33.4	-39.4
<i>Total</i>	<i>-1,097.9</i>	<i>-1,199.7</i>	<i>-1,253.8</i>	<i>-1,365.1</i>	<i>-1,447.1</i>	<i>-1,505.3</i>
Net Cash Flow from Operating Activities	152.0	154.4	142.7	129.3	124.4	149.5
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-1.7	-1.4	-8.5	-3.2	-2.3	-1.6
Sales of non-financial assets	0.4	-	-	-	-	-
<i>Total</i>	<i>-1.3</i>	<i>-1.4</i>	<i>-8.5</i>	<i>-3.2</i>	<i>-2.3</i>	<i>-1.6</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-	-	-	-	-	-
Liquidity purposes	-336.4	-332.8	-386.4	-365.6	-342.8	-348.7
<i>Total</i>	<i>-336.4</i>	<i>-332.8</i>	<i>-386.4</i>	<i>-365.6</i>	<i>-342.8</i>	<i>-348.7</i>
Net Cash Flow from Investing Activities	-337.6	-334.2	-394.9	-368.8	-345.1	-350.3
FINANCING ACTIVITIES						
Advances received (net)	-	-	-	-	-	-
Borrowings (net)	729.5	189.2	273.0	246.0	233.3	190.7
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-10.0	-11.4	-8.3	-7.7	-7.2	-7.0
Other financing	130.9	-	-	-	-	-
<i>Total</i>	<i>850.3</i>	<i>177.8</i>	<i>264.7</i>	<i>238.3</i>	<i>226.1</i>	<i>183.6</i>
<i>Opening cash balance</i>	<i>2,118.8</i>	<i>2,783.6</i>	<i>2,781.6</i>	<i>2,794.1</i>	<i>2,793.0</i>	<i>2,798.4</i>
NET INCREASE IN CASH HELD^(a)	664.8	-2.0	12.5	-1.1	5.4	-17.1
<i>Closing cash balance</i>	<i>2,783.6</i>	<i>2,781.6</i>	<i>2,794.1</i>	<i>2,793.0</i>	<i>2,798.4</i>	<i>2,781.2</i>
<i>Net cash from operating activities, distributions paid and investments in non-financial assets less finance leases and similar arrangements</i>	<i>140.8</i>	<i>141.6</i>	<i>125.9</i>	<i>118.4</i>	<i>114.9</i>	<i>140.9</i>
GFS Cash Surplus	140.8	141.6	125.9	118.4	114.9	140.9

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 13

TOTAL PUBLIC SECTOR Operating Statement						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
REVENUE						
Taxation	3,224.6	3,360.3	2,665.0	2,623.5	2,775.1	2,942.1
Current grants and subsidies	3,299.7	3,644.6	4,607.4	4,804.3	4,920.3	4,989.8
Capital grants	188.9	187.2	273.2	232.2	176.2	179.1
Sales of goods and services	6,458.4	6,707.3	6,689.1	6,871.5	7,149.5	7,363.0
Interest income	502.7	387.2	435.8	459.6	472.1	501.9
Royalty income	419.4	441.4	520.5	514.6	504.6	505.6
Other	802.5	721.8	799.9	772.2	763.5	766.5
<i>Total</i>	<i>14,476.8</i>	<i>15,008.4</i>	<i>15,470.3</i>	<i>15,763.2</i>	<i>16,256.6</i>	<i>16,742.3</i>
EXPENSES						
Gross operating expenses						
Salaries	4,074.3	4,266.9	4,346.4	4,424.5	4,514.9	4,619.6
Depreciation and amortisation	923.5	986.2	1,019.6	1,069.9	1,098.0	1,130.0
Superannuation	352.1	410.0	375.1	374.5	385.5	375.0
Other	6,143.4	6,426.9	6,468.3	6,564.3	6,798.1	7,009.7
Nominal superannuation interest	275.9	296.6	302.8	305.6	307.2	307.5
Other interest	800.6	863.2	860.9	892.0	920.5	947.8
Other property expenses	-	-	-	-	-	-
Current transfers	1,263.4	1,406.8	1,663.9	1,696.9	1,729.9	1,756.6
Capital transfers	153.3	158.8	129.3	106.1	105.5	82.9
<i>Total</i>	<i>13,986.5</i>	<i>14,815.5</i>	<i>15,166.2</i>	<i>15,433.8</i>	<i>15,859.6</i>	<i>16,229.2</i>
NET OPERATING BALANCE	490.3	192.8	304.0	329.4	397.0	513.2
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	1,518.2	1,978.3	1,978.6	1,629.7	1,662.2	1,624.7
<i>less</i> depreciation	923.5	986.2	1,019.6	1,069.9	1,098.0	1,130.0
<i>plus</i> change in inventories	-66.8	-	-	-	-	-
<i>plus</i> other movements in non-financial assets	-123.6	-193.6	-199.0	-210.7	-183.1	-105.5
<i>Total</i>	<i>404.3</i>	<i>798.5</i>	<i>759.9</i>	<i>349.1</i>	<i>381.1</i>	<i>389.2</i>
NET LENDING/BORROWING	86.0	-605.6	-455.9	-19.7	15.9	124.0
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	490.3	192.8	304.0	329.4	397.0	513.2
<i>less</i> provisions for doubtful debts	-	-	-	-	-	-
<i>plus</i> net gains on assets (including derivatives)	-172.3	10.1	98.7	88.2	63.1	53.2
<i>plus</i> capitalised interest	-	-	-	-	-	-
<i>less</i> revaluation of superannuation liabilities	56.6	-	-	-	-	-
<i>less</i> difference in assumed funding of PNFC transfers	-	-	-	-	-	-
<i>plus</i> all other adjustments	-	-0.6	-0.7	-0.6	-0.6	-0.7
AAS OPERATING RESULT	261.4	202.3	402.0	416.9	459.5	565.7

Note: Columns may not add due to rounding.

Table 14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	1999 Actual \$m	2000 Estimated Actual \$m	2001 Budget Estimate \$m	2002 Forward Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	260.0	426.4	257.5	269.6	317.7	343.8
Advances paid	1,971.9	2,021.2	2,312.0	2,595.5	2,851.7	3,093.9
Investments, loans and placements	4,820.7	4,482.3	4,372.7	4,461.3	4,565.8	4,641.8
Other non-equity assets	1,224.9	1,219.3	1,236.0	1,266.2	1,310.7	1,346.3
Equity	444.4	512.0	575.6	641.2	703.6	774.4
<i>Total</i>	<i>8,721.8</i>	<i>8,661.3</i>	<i>8,753.8</i>	<i>9,233.8</i>	<i>9,749.6</i>	<i>10,200.2</i>
<i>Non-Financial assets</i>						
Land and fixed assets	43,224.9	44,805.5	46,134.7	46,977.7	47,840.7	48,775.7
Other non-financial assets	285.5	248.6	240.8	285.7	285.2	301.7
<i>Total</i>	<i>43,510.4</i>	<i>45,054.1</i>	<i>46,375.5</i>	<i>47,263.4</i>	<i>48,125.9</i>	<i>49,077.4</i>
TOTAL ASSETS	52,232.2	53,715.4	55,129.3	56,497.2	57,875.5	59,277.6
LIABILITIES						
Deposits held	140.9	91.6	97.7	100.0	100.9	101.0
Advances received	898.8	724.8	595.2	572.6	565.8	545.5
Borrowings	10,676.0	11,517.3	12,248.2	12,778.4	13,262.8	13,555.8
Unfunded superannuation liabilities	5,250.0	5,353.9	5,396.8	5,416.8	5,415.9	5,389.0
Other employee entitlements and provisions	1,170.7	1,225.6	1,231.1	1,282.6	1,355.4	1,409.9
Non-equity liabilities	2,609.8	2,545.0	2,719.3	2,846.7	2,900.8	3,057.0
TOTAL LIABILITIES	20,746.1	21,458.2	22,288.4	22,997.0	23,601.7	24,058.2
NET WORTH	31,486.1	32,257.1	32,840.9	33,500.2	34,273.8	35,219.5
<i>Memorandum Item: Net Debt</i>	<i>4,663.1</i>	<i>5,403.8</i>	<i>5,999.0</i>	<i>6,124.6</i>	<i>6,194.4</i>	<i>6,122.8</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	31,486.1	32,257.1	32,840.9	33,500.2	34,273.8	35,219.5
<i>less land vested with other sectors</i>	-	-	-	-	-	-
<i>less difference in assumed funding of PNFC transfers</i>	-	-	-	-	-	-
<i>less all other adjustments</i>	-	-	0.1	-	-	-
AAS NET ASSETS	31,486.1	32,257.1	32,840.8	33,500.2	34,273.8	35,219.5

Note: Columns may not add due to rounding.

Table 15

TOTAL PUBLIC SECTOR
Cash Flow Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	3,195.1	3,275.8	2,582.0	2,538.8	2,689.2	2,854.2
Receipts from sales of goods and services	6,455.2	6,571.9	6,563.9	6,734.3	7,012.8	7,266.8
Grants and subsidies received	3,489.4	3,776.9	4,804.6	4,984.9	5,071.2	5,145.8
Other receipts	979.4	1,047.9	1,222.7	1,238.6	1,219.4	1,256.6
<i>Total</i>	<i>14,119.1</i>	<i>14,672.5</i>	<i>15,173.2</i>	<i>15,496.6</i>	<i>15,992.5</i>	<i>16,523.4</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-10,465.2	-11,113.3	-11,042.9	-11,273.0	-11,612.7	-11,906.9
Grants and subsidies paid	-1,449.1	-1,567.3	-1,641.5	-1,681.7	-1,702.1	-1,709.6
Interest paid	-864.3	-825.7	-880.4	-919.2	-927.5	-954.3
Other payments	-85.5	-77.0	-370.8	-321.2	-329.6	-341.3
<i>Total</i>	<i>-12,864.2</i>	<i>-13,583.3</i>	<i>-13,935.5</i>	<i>-14,195.2</i>	<i>-14,571.9</i>	<i>-14,912.2</i>
Net Cash Flow from Operating Activities	1,254.9	1,089.1	1,237.7	1,301.4	1,420.7	1,611.3
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of new non-financial assets	-1,801.8	-2,371.2	-2,284.0	-1,951.2	-1,957.4	-1,894.0
Sales of non-financial assets	489.1	661.0	586.3	585.8	512.4	385.7
<i>Total</i>	<i>-1,312.7</i>	<i>-1,710.2</i>	<i>-1,697.6</i>	<i>-1,365.5</i>	<i>-1,445.1</i>	<i>-1,508.2</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	13.6	13.7	14.1	14.5	14.9	14.2
Liquidity purposes	-308.0	-378.4	-495.2	-488.8	-436.5	-392.9
<i>Total</i>	<i>-294.3</i>	<i>-364.7</i>	<i>-481.0</i>	<i>-474.3</i>	<i>-421.7</i>	<i>-378.7</i>
Net Cash Flow from Investing Activities	-1,607.1	-2,074.9	-2,178.7	-1,839.7	-1,866.8	-1,886.9
FINANCING ACTIVITIES						
Advances received (net)	-19.7	-49.1	-130.8	-26.6	-10.6	-18.7
Borrowings (net)	976.7	1,000.5	714.3	528.8	481.8	291.2
Deposits received (net)	-	-	-	-	-	-
Distributions paid	95.1	-0.5	13.9	0.9	5.6	3.5
Other financing	14.1	-77.4	48.7	23.5	33.1	36.2
<i>Total</i>	<i>1,066.2</i>	<i>873.5</i>	<i>646.0</i>	<i>526.6</i>	<i>509.9</i>	<i>312.1</i>
<i>Opening cash balance</i>	<i>3,265.4</i>	<i>3,979.4</i>	<i>3,867.2</i>	<i>3,572.3</i>	<i>3,560.5</i>	<i>3,624.4</i>
NET INCREASE IN CASH HELD^(a)	714.0	-112.2	-294.9	-11.7	63.8	36.5
<i>Closing cash balance</i>	<i>3,979.4</i>	<i>3,867.2</i>	<i>3,572.3</i>	<i>3,560.5</i>	<i>3,624.4</i>	<i>3,660.8</i>
<i>Net cash from operating activities, distributions paid and investments in non-financial assets</i>						
	37.3	-621.6	-446.0	-63.2	-18.8	106.5
<i>less finance leases and similar arrangements</i>						
	-47.7	12.8	3.7	14.3	14.9	15.5
GFS Cash Surplus	-10.5	-608.7	-442.3	-48.9	-3.9	122.0

(a) The GFS concept of net increase in cash held is identical to the AAS 31 concept of net increase in cash held.

Note: Columns may not add due to rounding.

Table 16

OPERATING EXPENSES BY GOVERNMENT PURPOSE
General Government

	1998-99 Actual \$m	1999-00 Estimated Actual \$m	2000-01 Budget Estimate \$m	2001-02 Forward Estimate \$m	2002-03 Forward Estimate \$m	2003-04 Forward Estimate \$m
General public services	949.8	1,171.1	1,288.3	1,243.6	1,289.4	1,297.7
Public order and safety	771.7	874.7	874.0	905.9	911.6	916.2
Education	2,214.6	2,212.3	2,290.7	2,388.0	2,460.1	2,540.0
Health	1,909.5	1,974.1	2,038.2	2,105.4	2,149.8	2,204.4
Social security and welfare	314.7	404.3	412.7	425.4	436.3	447.6
Housing and community amenities	393.5	388.3	510.3	509.3	515.8	509.1
Recreation and culture	199.5	181.9	187.1	184.1	182.5	187.3
Fuel and energy	83.2	17.0	14.9	14.8	15.2	15.7
Agriculture, forestry and fishing	314.8	319.5	317.4	300.5	267.1	258.1
Mining, manufacturing and construction	54.4	58.6	62.3	55.2	51.7	52.5
Transport and communications	842.6	897.2	862.2	853.9	891.8	879.4
Other economic affairs	500.0	341.8	320.3	310.2	301.6	308.5
Other purposes	572.1	589.7	618.3	622.9	637.9	650.8
Total expenses	9,120.3	9,430.3	9,796.7	9,919.2	10,110.8	10,267.5

COMPARISON OF 2000-01 BUDGET ESTIMATES

The 2000-01 Budget presentation focuses on the Government Finance Statistics (GFS) accrual series, whereas the accrual presentation for previous budgets has been based on accounting standards.

For this appendix, the estimates for 2000-01 presented in the last budget have been reworked into the GFS format to provide a comparison with the estimates for the current budget.

The following table illustrates the change in the aggregates since last budget. The commentary focuses on the GFS series for the general government sector.

Table 17

COMPARISON OF 2000-01 BUDGET ESTIMATES

	2000-01 Last Budget Estimate \$m	2000-01 Current Budget Estimate \$m	Variance \$m	2000-01 Last Budget Estimate \$m	2000-01 Current Budget Estimate \$m	Variance \$m
	<u>GENERAL GOVERNMENT</u>			<u>TOTAL PUBLIC SECTOR</u>		
OPERATING STATEMENT						
Revenue	9,543.7	9,838.7	295.0	15,324.7	15,470.3	145.6
Expenses	9,422.9	9,796.7	373.8	14,767.3	15,166.2	398.9
Net Operating Balance	120.8	42.0	-78.8	557.4	304.0	-253.4
BALANCE SHEET						
Assets	27,399.7	26,506.7	-893.0	56,319.2	55,129.3	-1,189.9
Liabilities	9,856.1	9,727.1	-129.0	22,280.5	22,288.4	7.9
Net Worth ^(a)	17,543.6	16,779.6	-764.0	34,038.7	32,840.9	-1,197.8
STATEMENT OF CASH FLOWS						
Change in net cash held	-130.5	-115.2	15.3	-144.6	-294.9	-150.3
GFS Cash Surplus	-261.0	-345.5	-84.5	-208.9	-442.3	-233.4
<i>Memorandum Item: Net Debt</i>	1,153.7	1,181.0	27.3	5,915.1	5,999.0	83.9

(a) Net Worth last budget estimate has been adjusted for removal of \$1,238 million land vested in local authorities.

Note: Columns may not add due to rounding.

Operating Statement

The net operating balance for the general government sector in 2000-01 has decreased by \$78.8 million from the last budget estimate: from \$120.8 million to \$42.0 million. This is the result of increases in expense estimates (particularly due to policy decisions) outstripping increases in revenue estimates.

Expenses estimates have increased by \$373.8 million.

- The effects of tax reform account for \$169.9 million of this amount, mainly comprising the First Home Owner's Scheme and GST administration costs, offset by anticipated savings from the removal of wholesale sales tax and fuel excise.
- Increases of around \$72 million in the Education Department's expenses and \$69 million in Health Department expenses make up the bulk of the balance. Estimates of superannuation expense have also increased.

The increase in revenue estimates of \$295.0 million, is also partly attributable to tax reform.

- This impacts on total revenue by \$165.6 million in 2000-01. The mix of revenue has changed significantly through the replacement of taxation revenue with grants revenue from the Commonwealth - the net impact being a result of the arrangement to guarantee that the state will not be disadvantaged under new arrangements.

The other material changes on last budget estimates are increased estimates of revenue from mining royalties - up by \$203.2 million. There was also a \$75.0 million reduction in payroll tax estimates.

Lower estimated surpluses in the public corporation sectors have resulted in lower estimates of the net operating balance for the total public sector.

Balance Sheet

There are two significant factors responsible for the decrease of \$764.0 million in the general government sector's net worth.

The first is the transfer of \$362.1 million to the public non-financial corporations sector associated with the splitting of the Department of Conservation and Land Management (CALM) into the Department of Conservation and the Forest Products Commission.

- CALM was, and to a residual extent remains, in the general government sector.
- The Forest Products Commission is in the public non-financial corporations sector.

2000-01 Economic and Fiscal Outlook

Secondly, revisions to asset revaluation estimates have contributed to a decline of \$264.7 million in the estimated value of land and other fixed assets held by the general government sector.

Lower liabilities are projected for advances and employee entitlements (other than superannuation). Superannuation liability is expected to be higher than estimated at last budget due to actuarial assessments, which have been updated over the past year. The borrowing liability is projected to be much the same as estimated at last budget time.

Lower estimated values of land and fixed assets are the major reason for the decline in the total public sector's net worth in comparison to the last budget estimates, again mainly because of asset revaluations.

Statement of Cash Flows

The change in estimates of GFS cash surpluses is relatively consistent with the change to net operating balances in the operating statement and consequently, the reasons for cash surplus movements are much the same as mentioned in the commentary for the operating statement.

**LOAN COUNCIL ALLOCATIONS^(a)
WESTERN AUSTRALIA**

Table 18

	1999-00 Budget \$m	1999-00 Estimated Actual \$m	2000-01 Budget Estimate \$m
General Government deficit	347.0	613.2	345.5
Public Non-financial Corporations' net financing requirement	465.0	130.0	215.4
<i>Total Public Sector deficit</i>	<i>812.0</i>	<i>743.2</i>	<i>560.9</i>
<i>Memorandum Items^(b)</i>	<i>40.1</i>	<i>0.5</i>	<i>81.0</i>
Loan Council Allocation	852.1	590.0	627.7

(a) Readers should note that the deficit/surplus data quoted here are consistent with the treatment of net capital advances paid (e.g. loans to private schools) as outlays. This is consistent with Loan Council treatment but differs from the GFS treatment used in the rest of this document (which treats net capital advances as financing transactions).

(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 superannuation schemes).

Note: Columns may not add due to rounding.

APPENDIX 3

Consolidated Budget Statements

The Consolidated Budget Statements were the focus of the discussion in the 1999-2000 budget papers and in the Mid-year Review.

On a Consolidated Budget Statements basis, this budget provides for a general government operating deficit of \$36.7 million in 1999-2000 and a surplus of \$81.9 million in 2000-01.

- At the time of the 1999-2000 budget a deficit of \$207.7 million was expected for the general government sector for 1999-2000 and a surplus of \$152.2 million was expected for 2000-01.
- In the Mid-year Review (released on 2 February 2000) a deficit of \$120.4 million was projected for 1999-2000 and a surplus of \$76.1 million for 2000-01.

For the total public sector, an operating surplus of \$202.4 million is expected in 1999-2000 and a surplus of \$402.1 million in 2000-01.

- At the time of the 1999-2000 budget, a surplus of \$171.3 million was projected for 1999-2000 and a surplus of \$505.8 million projected for 2000-01.
- In the Mid-year Review, a surplus of \$213.2 was projected for 1999-2000 and a surplus of \$412.6 million for 2000-01.

The following tables detail the forward estimates on a Consolidated Budget Statement basis, consistent with the presentation in the last budget and in the Mid-year Review.

Table 1

GOVERNMENT OF WESTERN AUSTRALIA
Consolidated Operating Statement

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
REVENUE						
Taxation	2,369.3	2,562.2	2,633.0	2,629.3	2,780.5	2,944.8
Regulatory fees, fines and other territorial	762.1	949.2	1,046.4	973.8	936.2	917.6
Grants and Subsidies	3,530.2	3,684.8	3,768.5	3,975.0	4,109.3	4,208.2
Interest	82.0	87.1	80.4	73.1	59.8	66.4
Superannuation/Pension recoups	234.7	36.8	36.5	37.6	38.6	39.6
Statutory contributions	577.1	653.4	679.5	732.5	795.0	827.0
Other revenue	312.4	417.0	398.8	397.9	348.8	326.6
Total Revenue	7,867.8	8,390.4	8,643.1	8,819.2	9,068.1	9,330.2
EXPENSES						
Purchase of Outputs	5,608.0	5,925.7	6,659.6	6,669.8	6,832.7	6,946.2
Interest	164.9	161.2	146.0	132.4	138.4	149.6
Superannuation	671.3	615.6	599.1	605.3	617.8	608.8
Grants and Subsidies	1,471.6	1,597.7	1,304.6	1,285.4	1,347.6	1,380.9
Other expenses	372.8	325.2	289.2	286.4	278.2	273.6
Total Expenses	8,288.6	8,625.3	8,998.5	8,979.4	9,214.6	9,359.2
CONSOLIDATED FUND ENTITY SURPLUS/DEFICIT(-)	-420.8	-234.9	-355.4	-160.2	-146.6	-29.0
Net Surplus/(Deficit) attributable to controlled entities:						
General Government Sector	212.7	198.2	437.3	209.8	237.8	243.1
Public Non-Financial Corporations	301.8	147.5	255.4	300.0	304.4	289.5
Public Financial Corporations	167.7	91.5	64.7	67.3	63.9	62.1
Total Agency Surplus/Deficit(-)	682.2	437.3	757.5	577.1	606.0	594.7
GENERAL GOVERNMENT SURPLUS/DEFICIT(-) ^(a)	-208.1	-36.7	81.9	49.6	91.2	214.1
TOTAL PUBLIC SECTOR OPERATING SURPLUS/DEFICIT(-) before Abnormal and Extraordinary Items ^(b)	261.4	202.4	402.1	416.9	459.4	565.7

(a) General Government is the aggregate of results for the Consolidated Fund Entity surplus/deficit(-) and the controlled surplus/deficit(-) of general government sector agencies.

(b) There are no abnormal or extraordinary items for the projection period.

Note: Columns may not add due to rounding.

Table 2

GOVERNMENT OF WESTERN AUSTRALIA
Consolidated Statement of Financial Position at 30 June

	1999 Actual \$m	2000 Estimated Actual \$m	2001 Budget Estimate \$m	2002 Forward Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m
ASSETS						
Cash and Investments	1,247.4	1,054.0	898.0	902.0	906.0	910.0
Loans and advances	618.1	258.2	143.2	122.1	100.6	84.3
Infrastructure	17.3	33.9	108.4	168.3	215.6	215.7
Dividends receivable	286.2	345.9	243.8	274.5	314.0	325.2
Interest receivable	7.3	10.4	9.3	9.2	9.2	9.3
Other receivables	200.0	184.2	194.6	194.0	193.7	193.3
Total Assets	2,376.3	1,886.6	1,597.3	1,670.2	1,739.0	1,737.8
LIABILITIES						
Treasurer's loan liabilities	1,241.7	1,193.0	1,177.7	1,362.0	1,576.0	1,623.5
Interest	34.3	35.9	32.1	27.1	28.2	29.2
Superannuation	4,662.0	4,772.3	4,817.3	4,842.4	4,847.7	4,828.9
Government Insurance Fund	96.1	58.3	48.3	33.8	22.3	12.9
Trust Funds	1,273.6	1,005.4	1,043.0	1,081.8	1,082.3	1,086.6
Other payables	109.7	97.7	110.3	114.7	120.7	123.8
Total Liabilities	7,417.4	7,162.7	7,228.7	7,461.8	7,677.2	7,705.0
CONSOLIDATED FUND ENTITY	-5,041.1	-5,276.0	-5,631.4	-5,791.6	-5,938.2	-5,967.2
WA GOVT OWNERSHIP IN AGENCIES						
<i>General Government Sector</i>						
Opening Balance	22,447.4	21,855.9	21,894.7	22,411.0	22,742.8	23,097.4
Asset revaluations	-804.1	203.0	79.0	122.0	116.8	160.2
Transfer to PNFC Sector	-	-362.4	-	-	-	-
Operating Surplus/Deficit(-)	212.7	198.2	437.3	209.8	237.8	243.1
Total	21,855.9	21,894.7	22,411.0	22,742.8	23,097.4	23,500.7
<i>Public Non-Financial Corporations</i>						
Opening Balance	14,609.3	14,781.3	15,656.9	16,015.0	16,435.5	16,937.2
Equity injections	7.3	-	-	-	-	-
Asset revaluations	-137.1	365.7	102.7	120.5	197.4	219.7
Transfer from GG Sector	-	362.4	-	-	-	-
Operating Surplus/Deficit(-)	301.9	147.5	255.4	300.0	304.4	289.5
Total	14,781.3	15,656.9	16,015.0	16,435.5	16,937.2	17,446.5
<i>Public Financial Corporations:</i>						
Opening Balance	-277.7	-110.0	-18.5	46.2	113.5	177.4
Operating Surplus/Deficit(-)	167.7	91.5	64.7	67.3	63.9	62.1
Total	-110.0	-18.5	46.2	113.5	177.4	239.5
Total WA Govt Ownership Interest in Agencies	36,527.2	37,533.1	38,472.3	39,291.8	40,212.0	41,186.7
GENERAL GOVERNMENT EQUITY^(a)						
TOTAL PUBLIC SECTOR EQUITY	31,486.1	32,257.1	32,840.9	33,500.2	34,273.8	35,219.5
<i>Comprising:</i>						
Opening Balance, Equity and Revaluations	31,224.7	32,054.7	32,438.8	33,083.3	33,814.4	34,653.8
Operating Surplus/(Deficit)	261.4	202.4	402.1	416.9	459.4	565.7

(a) General Government is the aggregate of results for the Consolidated Fund Entity surplus/deficit(-) and the controlled surplus/deficit(-) of general government sector agencies.

Note: Columns may not add due to rounding.

Table 3

GOVERNMENT OF WESTERN AUSTRALIA
Consolidated Statement of Cash Flows

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
OPERATING ACTIVITIES						
Receipts						
Taxation	2,345.6	2,564.0	2,634.4	2,630.6	2,781.7	2,945.9
Regulatory fees, fines and other territorial	779.1	948.0	1,038.4	972.4	934.7	916.2
Grants and subsidies	3,528.8	3,684.4	3,768.5	3,975.0	4,109.3	4,208.2
Interest	71.4	96.0	81.6	73.1	62.3	66.3
Superannuation/Pension recoups	237.1	35.7	36.4	37.5	38.5	39.6
Statutory contributions	651.9	593.7	781.6	701.9	755.4	815.8
Other receipts	303.6	337.1	403.1	400.8	365.3	365.5
Payments						
Payment for Outputs	-5,608.0	-5,925.7	-6,659.6	-6,669.8	-6,832.7	-6,946.2
Interest	-143.7	-158.9	-149.9	-137.4	-137.3	-148.7
Superannuation	-428.7	-518.7	-554.1	-580.1	-612.5	-627.6
Grants and subsidies	-1,535.7	-1,596.9	-1,297.6	-1,284.5	-1,346.2	-1,380.0
Other payments	-300.5	-366.0	-363.5	-368.7	-357.3	-350.1
Net Cash Flow from Operating Activities	-99.0	-307.3	-280.8	-249.3	-238.6	-95.1
INVESTING ACTIVITIES						
Equity investments	-7.3	-	-	-	-	-
Purchase of non-current physical assets	-13.4	-16.6	-74.5	-60.0	-47.2	-0.1
Proceeds from sale of non-current physical assets	43.9	77.0	53.5	63.1	49.3	26.8
Other payments for investing activities	-1.0	-1.0	-1.5	-	-	-
Net Cash Flow from Investing Activities	22.2	59.4	-22.5	3.1	2.0	26.7
FINANCING ACTIVITIES						
Proceeds of borrowings	-	-	19.7	218.2	237.4	79.5
Repayment of borrowings	-49.3	-39.7	-30.1	-32.6	-23.4	-31.9
Increase/Decrease(-) in Trust Fund Balances	258.4	-178.4	42.1	48.4	10.1	8.4
Reduction in Capital Ledgers	-	-	-	-	-	-
Advances	51.9	271.3	115.3	15.8	16.1	16.0
Other receipts	0.3	2.0	0.8	0.5	0.5	0.5
Other payments	-0.4	-0.8	-0.7	-	-	-
Net Cash Flows from Financing Activities	260.9	54.5	147.3	250.2	240.6	72.5
NET INCREASE(DECREASE) IN CASH HELD	184.1	-193.4	-156.0	4.0	4.0	4.0
Opening Cash Balance	1,063.3	1,247.4	1,054.0	898.0	902.0	906.0
Closing Cash Balance	1,247.4	1,054.0	898.0	902.0	906.0	910.0

Note: Columns may not add due to rounding.

APPENDIX 4

Consolidated Fund Statement

The Consolidated Fund has been the basis of budget announcements in previous years. For the last two years Consolidated Fund estimates have been provided although the main focus of the budget presentation has been the accrual Consolidated Budget Statements.

This year the move to an accrual focus for the Government's budget is complete. Consolidated Fund estimates have been prepared for the 1999-2000 outturn but not for the forward estimates period.

Table 1

CONSOLIDATED FUND ESTIMATES

	1998-99		1999-00
	Actual \$m	Budget Estimate \$m	Estimated Actual \$m
REVENUE			
Recurrent	7,314.5	7,350.4	7,518.8
Capital	95.8	384.5	348.5
Total Revenue	7,410.3	7,734.9	7,867.3
EXPENDITURE			
Recurrent	6,962.2	7,254.2	7,344.2
Capital	441.5	474.8	484.8
Total Expenditure	7,403.7	7,729.0	7,829.1
CASH FINANCING REQUIREMENT			
Recurrent Surplus/Deficit (-)	352.3	96.2	174.6
Capital Surplus/Deficit (-)	-345.7	-90.3	-136.3
Operating Surplus/Deficit(-)	6.6	5.9	38.2
FINANCING TRANSACTIONS			
Borrowings	-	-	-
State Development Fund	46.3	43.8	43.8
Capital Repayments	-42.6	-45.4	-30.5
Government Equity Contributions	-7.3	-4.3	-
Opening Balance	0.3		3.3
Closing Balance	-3.3		-54.9
Total Financing Transactions	-6.6	-5.9	-38.2

Note: Columns may not add due to rounding.

APPENDIX 5

General Government Operating Revenue

This appendix contains revenue estimates prepared on an accrual basis consistent with Government Finance Statistics (GFS). Because previous estimates of revenue were provided on a considerably more detailed classification than required by GFS, the following table is prepared at a level of detail consistent with past budgets while subtotals have been provided of GFS classification titles.

Table 1

OPERATING REVENUE						
General Government						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll Tax</i>	753.5	755.4	809.3	859.3	921.5	980.7
Property taxes						
<i>Land Tax</i>	178.4	205.0	209.5	224.2	239.9	256.6
Conveyances and Transfers	438.6	485.0	448.0	483.7	522.3	559.1
Mortgages	61.3	65.4	63.4	69.6	74.9	79.5
Other stamp duties	69.6	79.1	73.0	57.2	58.5	61.7
<i>Total stamp duties on financial and capital transactions</i>	569.5	629.5	584.4	610.5	655.7	700.3
Financial Institutions Duty	126.3	131.3	135.8	11.7	-	-
Debits Tax	108.3	105.0	105.0	105.0	105.0	106.0
<i>Total financial institutions taxes</i>	234.6	236.3	240.8	116.7	105.0	106.0
Metropolitan Region						
Improvement Tax	29.5	31.5	33.7	36.1	38.6	41.3
Loan guarantee fees	11.0	4.9	4.9	4.8	4.9	4.9
<i>Total other property taxes</i>	40.5	36.4	38.6	40.9	43.5	46.2
Taxes on provision of goods and services						
<i>Statutory contribution</i>	2.2	3.6	3.0	1.1	1.5	1.8
Lotteries Commission	84.9	86.4	85.0	86.4	87.4	89.1
less rebates	-	-	-13.9	-15.3	-15.4	-15.4
Video lottery terminals	0.6	0.5	0.2	0.3	0.3	0.3
Casino Tax	47.7	42.8	43.2	43.3	44.4	46.5
less rebates	-	-	-26.3	-28.7	-28.6	-28.5
TAB betting tax	38.8	40.5	41.8	43.2	44.6	46.2
less rebates	-	-	-14.1	-15.9	-16.6	-16.6
Other gambling	0.1	0.1	0.1	0.1	0.1	0.1
<i>Total taxes on gambling</i>	172.1	170.2	115.9	113.3	116.1	121.6
Insurance companies						
contributions to fire brigades	56.6	58.1	62.1	62.9	64.0	65.3
Stamp Duty on insurance policies	110.0	135.2	148.9	156.3	163.7	171.2
Other	0.1	-	0.1	0.1	0.1	0.1
<i>Total taxes on insurance</i>	166.7	193.3	211.0	219.2	227.8	236.5
Taxes on use of goods and performance of activities						
Stamp Duty on Vehicle Licences	138.0	154.1	171.9	171.9	180.1	188.3
Permits - Oversize Vehicles and Loads	1.6	1.6	1.6	1.6	1.6	1.6
Motor Vehicle recording fee	34.8	34.3	36.4	36.4	36.4	36.4
Motor Vehicle registrations	239.6	232.0	249.7	266.9	285.4	306.3
<i>Total motor vehicle taxes</i>	414.1	422.0	459.6	476.9	503.5	532.6
Franchise fee safety net arrangements: ^(a)						
Petroleum	279.9	273.5	16.8	-	-	-
Tobacco	356.7	369.7	7.1	-	-	-
Liquor	102.2	106.2	10.1	-	-	-
<i>Total franchise fees</i>	738.8	749.4	34.0	0.0	0.0	0.0
Total Taxation	3,270.2	3,401.1	2,706.2	2,662.2	2,814.6	2,982.3

Table 1 (cont)

OPERATING REVENUE						
General Government						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
Financial assistance grants	1,588.4	1,592.4	-	-	-	-
Goods and Services Revenue:						
Grants	-	-	2,352.9	2,684.0	2,720.0	2,846.0
Guarantee payments	-	-	227.1	84.0	121.0	27.0
Competition Reform	21.3	43.2	45.6	70.0	73.0	75.0
<i>Specific Purpose Grants to the State</i>						
Australian Health Care Agreement	586.1	569.9	597.7	638.0	680.0	724.0
Other health	149.6	167.0	169.4	170.9	175.6	176.0
Schools assistance –						
government schools	144.0	161.3	155.0	151.6	148.0	148.0
Vocational training	65.1	71.5	72.4	72.4	74.4	74.5
Roads	54.2	39.4	40.6	41.3	63.3	54.8
Other	245.8	256.7	252.0	228.3	207.5	206.9
<i>Specific Purpose Grants through the State</i>						
Schools assistance –						
non-government schools	222.7	264.9	282.1	298.2	312.6	327.6
Local government	72.1	85.5	91.4	91.4	95.1	98.0
<i>Other grants</i>						
North west shelf royalties	150.6	392.8	321.2	274.2	249.7	232.0
Total Current Grants and Subsidies	3,299.7	3,644.6	4,607.4	4,804.3	4,920.3	4,989.8
CAPITAL GRANTS						
<i>Specific Purpose Grants to the State</i>						
Roads	37.3	31.1	52.8	46.5	21.4	28.7
Schools assistance –						
government schools	22.7	22.5	22.6	22.9	23.0	23.0
Vocational training	19.5	16.5	15.6	22.8	14.8	18.9
Other	50.5	48.8	109.5	67.2	41.3	30.7
<i>Specific Purpose Grants through the State</i>						
Local Government	50.3	60.3	64.5	64.5	67.2	69.1
Schools assistance –						
non-government schools	8.6	8.0	8.2	8.4	8.6	8.6
Total Capital Grants	188.9	187.2	273.2	232.2	176.2	179.1

Table 1 (cont)

OPERATING REVENUE						
General Government						
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
SALE OF GOODS AND SERVICES						
Agriculture	12.9	11.4	10.5	9.6	10.3	10.4
Colleges of technical and further education	66.6	50.5	52.5	50.1	53.3	57.7
Commissioner of Main Roads	13.7	30.1	28.0	4.7	3.8	3.0
Department of Conservation	148.8	33.0	31.9	31.9	31.9	31.9
Department of Land Administration	44.8	46.4	46.2	46.8	47.7	48.6
Department of Minerals and Energy	12.0	10.4	9.8	10.1	10.2	10.1
Department of Transport	155.6	160.1	160.5	158.5	156.4	155.4
Education Department of Western Australia	61.0	83.3	83.4	83.0	84.7	86.2
Fisheries Western Australia	17.6	14.6	16.9	17.7	17.8	17.9
Health Department of Western Australia	133.6	115.6	118.0	118.3	118.3	118.3
Ministry for Culture and the Arts	11.6	11.5	9.9	9.2	9.5	9.3
Ministry of Justice	41.2	29.7	29.7	29.7	29.7	29.7
Police Service	10.9	10.0	9.7	9.4	9.2	9.3
Western Australian Department of Training and Employment	10.9	11.5	10.8	10.9	10.9	11.0
All others	143.7	146.5	145.2	162.9	145.9	145.6
Total Sale of Goods and Services	884.5	764.6	762.9	752.6	739.5	744.5
INTEREST INCOME	106.5	83.9	85.6	87.6	78.7	84.4
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	340.3	398.6	416.5	471.3	507.8	525.1
Tax Equivalent Regime	234.6	251.2	260.0	260.1	285.7	300.1
Total Revenue from Public Corporations	574.9	649.8	676.5	731.4	793.5	825.2
ROYALTY INCOME						
Revenue from Territorial	433.1	461.2	535.4	526.3	515.3	515.5
less petroleum and other refunds	-13.7	-19.8	-14.9	-11.7	-10.7	-9.9
Total Royalty Income	419.4	441.4	520.5	514.6	504.6	505.6
LAND RENT						
Revenue from Territorial	40.1	36.5	37.0	37.0	37.0	37.0
Total Land Rent	40.1	36.5	37.0	37.0	37.0	37.0
OTHER						
Fines	66.6	62.3	61.0	61.1	61.1	61.1
Current revenue not elsewhere counted	93.8	98.9	108.5	82.4	77.4	78.3
Total Other	160.5	161.2	169.6	143.5	138.5	139.4
GRAND TOTAL	8,944.5	9,370.3	9,838.7	9,965.3	10,202.9	10,487.2

(a) Consistent with GFS principles, includes gross revenue less subsidies paid to petroleum and liquor distributors

Note: Columns may not add due to rounding.

APPENDIX 6

Tax and Royalty Expenditure Statement

Purpose

The purpose of the tax and royalty expenditure statement is to provide information about the cost or value of tax or 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?

A tax or royalty expenditure can be defined as the revenue foregone by the Government, or the financial benefit to individuals or businesses, of an exemption or concession (or other exception to the general tax norm). They are expenditures in the sense that their impact on the budget is similar to direct outlays, and they can be used to achieve similar goals as spending programs.

Labelling an exemption or concession as a tax or royalty expenditure does not necessarily imply any judgement on its appropriateness. It merely makes the amount of the exemption or concession explicit, and thereby facilitates scrutiny as part of the annual budget (including review of whether the concession is still effective in achieving the specific objective originally intended).

Measuring tax and royalty expenditures

Measuring tax and royalty expenditures requires identification of:

- A benchmark tax or royalty base;
- Preferentially taxed components of the benchmark tax or royalty base (eg. a particular industry, activity or class of taxpayer); and
- A benchmark tax or royalty rate to apply to the preferentially taxed components of the base.

Identification of benchmark revenue bases and rates requires a degree of judgement to be exercised, and is open to debate. Furthermore, data limitations mean that the tax and royalty expenditures are only approximations. Where possible, the estimates of revenue foregone take into account likely behavioural changes if the concessions were withdrawn.

The tax and royalty expenditures identified in this Statement are not exhaustive. The Statement does not include estimates of revenue foregone from exemptions or concessions provided to charities, religious organisations or government agencies. Also excluded are very small exemptions or concessions.

This year's Statement includes estimates of tax and royalty expenditures for the period 1997-98 to 1999-2000. The estimates shown in brackets below are for 1999-2000 only.

Specific tax and royalty expenditures

The methodology and assumptions employed in calculating specific tax and royalty expenditures are the same as in previous years' budget papers. Full details can be referred to in those papers.

The only addition to this year's Statement is the stamp duty exemption (worth an estimated \$20 million) granted in 1998-99 on the sale of a large interest in the Goldfields gas transmission pipeline. The exemption was granted under a clause in the *Goldfields Gas Pipeline Agreement Act 1994*.

Stamp duty exemption clauses are common features of State Agreement Acts. Unfortunately, there is little information available on other stamp duty amounts foregone over the years.

The relatively large increases in the value of the small and medium sized business payroll tax concessions in 1999-2000 helps explain why payroll tax collections have been well below the 1999-2000 budget estimate. Employment growth has been higher in the small business sector than amongst larger firms.

The large increase in the value of the stamp duty exemption for corporate reconstructions in 1999-2000 is due to a single very large reconstruction being carried out in that year.

The significant reduction in the value of the gold royalty exemption/concession in 1999-2000 is due to a full year's collections being received in that year (albeit still at a concessional rate) compared to only three quarters collections in 1998-99. Prior to that gold was exempt from royalties.

Table 1

SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURES
Western Australia

	1997-98 Estimated Actuals \$m	1998-99 Estimated Actuals \$m	1999-00 Estimates \$m
PAYROLL TAX			
Small business exemption	350.5	363.0	385.5
Medium business concessions	76.5	83.0	94.0
Non-grossing up of fringe benefits	12.5	13.0	13.5
Apprentices and trainees exemption	6.0	6.0	6.0
LAND TAX AND MRIT			
Principal place of residence exemption	151.0	157.0	172.0
Primary production exemption	18.0	26.0	29.0
Land developers' concession	2.5	3.5	4.0
FINANCIAL INSTITUTIONS DUTY			
Maximum duty limit	21.0	21.5	22.5
Social security payments exemption	2.5	2.5	3.0
STAMP DUTY ON CONVEYANCES			
Corporate reconstructions exemption	11.0	10.0	46.0
Exemption for sale of Goldfields gas pipeline	-	20.0	-
Family farms exemption	3.0	4.0	2.5
Chattels exemption	10.5	-	-
Concessional rate for homes and businesses	1.5	2.0	2.0
\$500 rebate for first homebuyers	1.0	1.5	2.0
STAMP DUTY ON INSURANCE POLICIES			
Health insurance policies exemption	24.0	41.5	44.0
Motor vehicle third party concession	12.0	21.5	23.0
Workers' compensation insurance	4.5	10.0	14.0
Transport of goods; marine hulls exemption	0.5	2.5	2.5
STAMP DUTY ON MORTGAGES			
Concessional rate for homes	6.5	6.5	8.0
MOTOR VEHICLE LICENCE FEES			
Family vehicle concession	22.5	23.5	23.5
Primary producer vehicle concession	10.5	9.0	7.5
Pensioner vehicle concession	7.0	11.5	13.0
Diesel vehicle concession	6.0	-	-
Intrastate heavy vehicle concession	5.5	3.0	-
MINING ROYALTIES			
Exemption/concession for gold	84.0	47.5	33.5
Iron ore Agreement Act concessions	39.0	36.0	32.0
Iron ore processing incentives	7.0	11.5	13.0
TOTAL	889.5	925.5	983.0

APPENDIX 7

Impact of the New Australian Taxation Arrangements – General Government Agency Savings

This appendix shows the estimated agency savings arising from the introduction of the GST and associated reforms to taxation arrangements and intergovernmental relations.

Table 1

IMPACT OF THE NEW AUSTRALIAN TAXATION ARRANGEMENTS
 Details of General Government agency savings ^(a)

	2000-01 \$000	2001-02 \$000	2002-03 \$000	2003-04 \$000
Aboriginal Affairs	117	167	207	247
Agriculture	515	733	908	1,083
Agriculture Protection Board	51	69	84	98
Auditor General	83	108	128	148
Botanic Parks and Gardens Authority	141	134	129	124
Chemistry Centre	52	70	84	98
Citizenship and Multicultural Interests	8	11	13	15
Commerce and Trade	647	883	1,071	1,260
Commissioner of Workplace Agreements	6	8	10	12
Conservation	557	805	1,003	1,201
Contract and Management Services	97	137	168	200
Country High School Hostels Authority	75	108	135	162
Culture and the Arts	576	821	1,017	1,213
Curriculum Council	51	71	86	102
Disability Services Commission.	1,132	1,628	2,024	2,421
Drug Abuse Strategy	135	194	243	292
Education	3,842	5,801	7,367	8,934
Education Services	305	494	645	796
Electoral Commission	196	253	299	344
Energy	109	157	196	234
Environmental Protection	60	85	106	126
Equal Opportunity Commission	9	11	12	14
Fair Trading	77	110	136	162
Family and Children's Services	1,221	1,752	2,177	2,602
Fire and Emergency Services Authority	53	66	77	87
Fisheries	361	472	561	650
Gascoyne Development Commission	9	14	17	20
Goldfields-Esperance Development Commission	10	15	18	22
Government Projects Office	79	98	112	127
Governor's Establishment	18	25	31	37
Great Southern Development Commission	18	22	25	29
Health	9,275	13,767	17,361	20,955
Heritage Council of WA	38	51	62	73
Justice	1,797	2,468	3,005	3,543
Kimberley Development Commission	13	19	23	28
Land Administration	311	449	560	670
Law Reform Commission	10	14	18	21
Legislative Assembly	52	74	91	109
Legislative Council	86	123	152	181
Local Government	77	102	122	142
Main Roads	11,546	15,916	19,411	22,906
Mid-West Development Commission	10	14	17	20
Minerals and Energy	281	401	498	594
Minerals and Energy Research Institute of WA	2	3	4	5
National Trust of Australia (W.A.)	5	7	9	11
Office of the Director of Public Prosecutions	78	92	103	114
Office of the Information Commissioner	15	16	18	19
Office of Water Regulation	10	15	18	22

Table 1 (cont)

IMPACT OF THE NEW AUSTRALIAN TAXATION ARRANGEMENTS
 Details of General Government agency savings ^(a)

	2000-01 \$000	2001-02 \$000	2002-03 \$000	2003-04 \$000
Parliamentary Commissioner for Administrative Investigations	7	10	13	15
Parliamentary Services	188	269	333	397
Peel Development Commission	12	15	17	20
Perth International Centre for Application of Solar Energy	18	25	30	35
Pilbara Development Commission	11	15	19	22
Planning	44	61	74	87
Police Service	1,782	2,290	2,698	3,105
Premier and Cabinet	982	1,173	1,326	1,480
Productivity and Labour Relations	18	27	34	41
Public Sector Standards Commission	8	10	12	14
Racing, Gaming and Liquor	28	39	49	58
Recreation Camps and Reserve Board	21	27	31	36
Registrar, WA Industrial Relations	14	20	25	29
Resources Development	117	164	201	238
Salaries and Allowances Tribunal	2	2	3	3
Small Business Development Corporation	78	111	138	165
South West Development Commission	67	83	97	110
Sport and Recreation	37	53	66	79
State Revenue	92	122	146	171
State Supply Commission	9	13	17	20
Swan River Trust	19	27	33	39
Tourism Commission	312	444	550	657
Training	1,156	1,734	2,196	2,659
Transport	1,557	2,282	2,861	3,441
Treasury	134	162	184	206
Valuer General's Office	47	67	84	101
WA Building Management Authority	141	194	236	278
WA Planning Commission	69	136	189	242
WA Sports Centre Trust	81	131	170	210
Water and Rivers Commission	279	385	469	554
Wheatbelt Development Commission	11	14	17	19
WorkSafe WA	65	87	105	122
Zoological Gardens Board	85	124	156	187
TOTAL	41,704	59,167	73,141	87,115

(a) Mainly due to the abolition of Wholesale Sales Tax (WST) and lower fuel prices to government under the Tax Reform arrangements effective from 1 July 2000

APPENDIX 8

State Government Social Concessions Expenditure Statement

Introduction

The State Government provides social concessions in the form of rebates, discounts and waivers to improve the affordability of key services and other services that improve the quality of life for eligible individuals and families. Eligibility is based on low income, age, service to country or community and/or special needs or disadvantage.

In many cases, eligibility for a concession is evidenced by possession of a society security card issued by the Commonwealth Government, or other card issued by the State Government. A synopsis of these cards is included at the end of this Statement.

The information in this Statement is mainly compiled from survey forms (developed with the assistance of the Australian Bureau of Statistics) returned to Treasury by 28 agencies that provide social concessions.

In 1998-99, the State Government provided social concessions with an estimated value of \$308.6 million across a range of service areas. The cost to the State was partly offset by a \$13.3 million contribution from the Commonwealth Government, in respect of key concessions provided to part pensioners.

The method of estimating the value of concessions varies. For example, in some cases the estimates reflect the amount of good or service consumed at the concessional price or fare, and the difference between the concession and otherwise applicable price. In others, such as those involving a fixed annual charge, the estimates reflect the rebate or subsidy paid.

Table 1

**SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
1998-99
Western Australia**

Class of Concession	Estimated Total Value \$m	Estimated Number of Recipients
ENERGY		
Supply charge rebate	18.6	175,406
Dependent child rebate	10.1	51,020
Other	0.9	n.a.
WATER, SEWERAGE & DRAINAGE		
Rates rebate for pensioners	21.0	103,469
Consumption concession for pensioners	4.2	125,382
Rates rebate for seniors	2.4	22,831
Other	0.1	n.a.
HOUSING AND LAND		
Homeswest rental subsidy	84.7	28,048
Homeswest right to buy subsidy	3.1	172
Stamp duty concession for homes and small business ^(a)	2.1	6,503
Homeswest amenities fee waiver	1.1	14,190
First home buyers' stamp duty rebate ^(a)	1.8	3,693
Homeswest cash assistance grant	0.7	419
Other	0.3	n.a.
LOCAL GOVERNMENT		
Rates rebate for pensioners	20.9	95,385
TRANSPORT		
Contract school bus services	37.2	20,100
Transperth fares concession	29.7	76,250
Motor vehicle licence fee concession ^(a)	11.5	132,652
Student fares concession	4.9	5,650
Taxi user subsidy	5.4	1,750
Drivers licence fee concession	2.6	79,670
Subsidised student travel	1.1	631
Pensioners' annual free trip	1.2	1,727
Other	5.3	n.a.
HEALTH		
Subsidised dental care	11.7	73,248
Spectacle subsidy scheme	2.4	49,370
Other	2.3	n.a.
EDUCATION		
Secondary assistance scheme - school charges	4.6	27,014
Secondary assistance scheme - clothing	3.1	27,014
Department of Training tuition fees concessions	2.3	14,368
Boarding away from home allowance	1.2	1,963
Other	0.6	n.a.

Table 1 (cont)

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS		
1998-99		
Western Australia		
	Estimated Total Value \$m	Estimated Number of Recipients
LEGAL SERVICES		
Legal assistance	7.5	43,571
Other	0.1	n.a.
CULTURE, LEISURE & RECREATION		
Children's Zoo discount	0.7	134,481
Other	1.1	n.a.
OTHER		
Various	0.1	n.a.
TOTAL	308.6	n.a.

^(a) Also included in Tax and Royalty Expenditure Statement.

Energy

Supply charge rebate (\$18.6 million)

Domestic customers of Western Power who are in possession of a Pensioner Concession Card (PCC), a Health Care Card (HCC) or a State Seniors Card (SSC) receive a full rebate of the fixed (daily) supply charge. The average value of the rebate per recipient is approximately \$104 per year.

Dependent child rebate (\$10.1 million)

Domestic customers of Western Power with dependent children listed on their PCC or HCC receive a partial rebate of electricity usage charges. Their account is reduced in proportion to the number of children. The average value of the rebate per family is approximately \$200 per year.

Other (\$0.9 million)

Other concessions include Western Power's rebate on *account establishment fees* and *power meter testing fees*, for holders of a PCC, HCC or SSC.

Water

Rates rebate for pensioners (\$21.0 million)

Home owners in possession of a PCC or a SSC receive a rebate of up to 50% of the Water Corporation's annual charges for water, sewerage and drainage services. The average value of the rebate per home owner is approximately \$203 per year.

Consumption concession for pensioners (\$4.2 million)

Holders of a PCC or a SSC receive a rebate of up to 50% of the Water Corporation's water consumption charges on the property that they occupy (provided they are responsible for paying the account). The average value of the rebate per recipient is approximately \$33 per year.

Rates rebate for seniors (\$2.4 million)

Home owners in possession of a SCC receive a rebate of up to 25% of the Water Corporation's annual charges for water, sewerage and drainage services. The average value of the concession is \$104 per year.

Other (\$0.1 million)

Other water concessions provided by the Water Corporation include a 25% concession on annual water, sewerage and drainage services for residents of retirement villages.

Housing and Land

Homeswest rental subsidy (\$84.7 million)

Low income individuals and families with accommodation needs can receive a rental subsidy from Homeswest. Eligibility for the subsidy is based on the applicant's capacity to pay rent (as determined by an income and assets test). The average value of the subsidy per recipient is approximately \$3,020 per year.

Homeswest right to buy subsidy (\$3.1 million)

Homeswest's low income tenants receive a discount of up to \$20,000 to assist them to purchase their rental property.

**Stamp duty concession for homes and small business
(\$2.1 million)**

In 1998-99, purchasers of homes and small businesses valued at less than \$100,000 paid a concessional stamp duty rate of 1.5%, compared to the normal rates (at the time) of between 1.95% and 2.13%. The concessional rate phases out for properties valued between \$100,000 and \$135,000. (see also the Tax and Royalty Expenditure Statement).

Homeswest amenities fee waiver (\$1.1 million)

Homeswest's low income tenants over 55 years of age are exempted from the amenities fee for room heating. The average value of this concession per recipient is \$77 per year.

First home buyers' stamp duty rebate (\$1.8 million)

In 1998-99, first homebuyers who purchased a home valued at no more than \$135,000 could claim a stamp duty rebate of \$500. For first homes purchased north of the 26th parallel, the threshold house value for the rebate was \$202,500. For vacant land used for the first home of the purchaser, the threshold value for the rebate was \$52,000. (see also the Tax and Royalty Expenditure Statement).

Homeswest cash assistance grant (\$0.7 million)

People with disabilities and Aboriginal and Torres Strait Islanders who wish to buy their own homes may receive a cash grant from Homeswest. The average value of a grant is \$1,700.

Other (\$0.3 million)

Other housing and land concessions include the interest forgone by Homeswest under the *Bond Assistance Scheme*.

Local Government

Rates rebate for pensioners (\$20.9 million)

The State Revenue Department pays local governments 50% of rates for persons who own and occupy their own home and hold a PCC or SCC. Local governments pass this benefit on to pensioners by discounting their rates. The average value of the concession is \$219 per year.

Transport

Contract school bus services (\$37.2 million)

Full time students aged less than 19, who attend approved school and reside more than 4.5 kilometres from the closest school and more than 1.5 kilometres from a public transport route, travel free of charge on contract school bus services. The Department of Transport funds these services. The average value of the concession per student is estimated to be \$4.80 per journey, or about \$1,850 per year.

Transperth fare concessions (\$29.7 million)

Children, students and holders of a PCC or SSC receive discounts of between 41% and 50% on Transperth fares, or free travel. The average value of the concession per recipient is \$1 per journey.

Motor vehicle licence fee concession (\$11.5 million)

Invalid pensioners receive a 100% concession on their annual motor vehicle licence fee. All other holders of a PCC receive a 50% concession. The average value of the concession per pensioner is \$87 per year.

Student fares concession (\$4.9 million)

Full time students pay concessional fares for regular non Transperth "school bus" passenger transport services. The average value of the concession is \$2.24 for each fare.

Taxi user subsidy (\$5.4 million)

People with a severe disability that prevents them from using public transport receive a 50% to 75% subsidy on taxi fares, funded by the Department of Transport. At 30 June 1999 there were 19,620 members of the scheme. The average value of the concession is \$7.75 per trip.

Drivers licence fee concession (\$2.6 million)

Age pensioners have their driver's licence fee waived. All other holders of a PCC and holders of a SSC receive a 50% discount on their driver's licence fee. The combined average value of these concessions per driver is \$32 per year.

Subsidised student travel (\$1.1 million)

Full time student whose parents live in remote areas of the State receive four free return trips per year between home and school. The Department of Transport funds this concession. The annual value of these return trips averages \$1,785 per recipient.

Pensioners' free annual trip (\$1.2 million)

Holders of a PCC who live north of the 26th parallel receive one free trip per year to Perth, or anywhere in the South West land division that can be reached for an equivalent fare. The Department of Transport funds the concession, the average value of which is \$674 per recipient.

Other (\$5.3 million)

Other transport concessions include the *intra town* and *inter town travel concessions* for pensioners and seniors.

Health

Subsidised dental care (\$11.7 million)

Holders of a PCC receive a discount on dental work provided by the Government Dental Clinic. The discount is generally 75% of standard fees, with some services (orthodontics) attracting a 25% reduction. The average value of the concession is \$160 per treatment.

Spectacle subsidy scheme (\$2.4 million)

Age pensioners, disability pensioners and holders of a SSC receive a subsidy from the Health Department to acquire spectacles or contact lenses. The average value of the concession per recipient is \$48.

Other (\$2.3 million)

Other health concessions include the *country patients' dental subsidy scheme* and the *patients assisted travel scheme*.

Education

Secondary assistance scheme for school charges (\$4.6 million)

The Education Department provides assistance of between \$160 and \$215 (depending on the year of schooling) to low income families with secondary school children to meet school charges.

Secondary assistance scheme for clothing (\$3.1 million)

The Education Department provides assistance of \$115 per annum to low income families with secondary school children to meet clothing costs associated with schooling.

Department of Training tuition fees concessions (\$2.3 million)

Holders of a PCC, HCC, SSC and SCC pay reduced tuition fees for courses offered by TAFE colleges. The average value of the concession is \$0.40 per hour of tuition.

Boarding away from home allowance (\$1.2 million)

Families in receipt of Commonwealth assistance for geographically isolated students receive a \$600 concession each year from the Ministry of Education.

Other (\$0.6 million)

Other education concessions include the Department of Training *Adult Community Education tuition fee concession* and the Education Department's *special subsidy for boarders at Agricultural Colleges (who are not eligible for Commonwealth assistance)*.

Legal Services

Legal assistance (\$7.5 million)

Provision of subsidised legal services by the Legal Aid Commission to low income persons. Eligibility is means tested, and the value of the concession varies with the type of legal services provided.

Other (\$0.1 million)

Other legal service concessions include a reduction or waiver of court fees in the Family Court and the Magistrates courts for holders of HCC and PCC, and the waiver of fees in the Small Claims Tribunal for financially disadvantaged persons.

Culture, Leisure and Recreation

Children's Zoo discount (\$0.7 million)

Children between 4 and 15 years of age receive a 50% discount on the entry fee for the Perth Zoo. The value of the discount is \$5 per child for each visit. It could be argued that this is a commercial concession (rather than a social concession), to the extent that the lower entry fee for children maximises overall income for the zoo.

Other (\$1.1 million)

Concessional fees etc apply to students and various concession card holders in a range of culture, leisure and recreation areas, including admission to exhibitions at the Art Gallery, performances arranged by the Perth Theatre Trust and activities administered by the Rottnest Island Authority. Again some of these concessions may be of a more commercial than social nature.

Eligibility Criteria for Concession Cards

Pensioner Concession Card (PCC)

The Commonwealth Government issues a PCC to long term welfare recipients and low income earners. These include age pensioners, disability support pensioners, 'service' pensioners, people in receipt of carer payments or parenting payments, and certain other welfare recipients who are over 60 years of age and have been in receipt of a benefit for more than nine months.

Eligibility for these long term benefits is generally subject to a means test, based on the recipient's income and the value of their assets. For example, to receive at least a 'part' age pension, and thereby remain eligible for a PCC, a single aged person must earn less than \$856.80 per fortnight and own assets (excluding their home) of less than \$253,750 (or \$345,250 in the case of non home owners).

Health Care Card (HCC)

The Commonwealth Government issues the HCC to relatively short term welfare recipients, including the unemployed (recipients of the Newstart allowance), people who receive the full family allowance and low income full time students.

Eligibility for these short term benefits is also generally subject to a means test, based on the recipient's income, and sometimes also their assets. For example, to receive the full family allowance, and thereby remain eligible for a HCC, family income must be less than \$23,800 per year (in the case of a family with one child) and family assets must not exceed \$414,500.

State Seniors Card (SSC)

The Western Australian Government issues the SSC to permanent residents who are over 60 years of age and work less than 20 hours per week. Otherwise, there are no means tests. The SSC was first introduced in 1989.

State Concession Card (SCC)

The Western Australian Department of Family and Children's Services issues the SCC to Totally and Permanently Incapacitated Pensioners, Blinded War Pensioners, Extra Disablement Pensioners and War Widows. Like 'service' pensions, all these pensions are provided by the Commonwealth Department of Veterans' Affairs. However, unlike 'service' pensions, they are not means tested and recipients may be ineligible for a PCC.

APPENDIX 9

Capital Works Program Summary of Expenditure and Funding

This appendix shows expenditure on capital works and associated funding sources by agency within portfolio groups.

Table 1

**CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE
AND FUNDING**

Agencies	Consolidated Fund	1999-00 Budget Estimate		Total Expenditure
		Borrowings by State Authorities	Other Funding	
	\$'000	\$'000	\$'000	\$'000
PARLIAMENT				
Legislative Council	66	-	-	66
Legislative Assembly	75	-	-	75
Joint House Committee (Parliamentary Services)	1,932	-	-	1,932
Parliamentary Commissioner for Administrative Investigations	63	-	-	63
PREMIER; TREASURER; MINISTER FOR PUBLIC SECTOR MANAGEMENT; FEDERAL AFFAIRS				
Premier and Cabinet	6,550	-	12,000	18,550
Anti-Corruption Commission	-	-	-	-
Government Projects Office	21,800	-	-	21,800
Governor's Establishment	350	-	-	350
Office of the Auditor General	302	-	-	302
Western Australian Drug Abuse Strategy Office	-	-	-	-
Treasury	2,512	-	-	2,512
Gold Corporation	-	-	-	-
Western Australian Treasury Corporation	-	-	-	-
Office of the Public Sector Standards Commissioner	56	-	-	56
DEPUTY PREMIER; MINISTER FOR COMMERCE AND TRADE; REGIONAL DEVELOPMENT; SMALL BUSINESS				
Commerce and Trade	42,750	-	26,700	69,450
Gascoyne Development Commission	1,120	-	-	1,120
Goldfields-Esperance Development Commission	10	-	-	10
Great Southern Development Commission	115	-	-	115
Kimberley Development Commission	173	-	-	173
Mid West Development Commission	8,565	-	554	9,119
Peel Development Commission	1,225	-	-	1,225
Pilbara Development Commission	1,255	-	1,150	2,405
South West Development Commission	14	-	1,270	1,284
Wheatbelt Development Commission	218	-	-	218
Small Business Development Corporation	50	-	-	50
MINISTER FOR RESOURCES DEVELOPMENT; ENERGY; EDUCATION				
Resources Development	2,529	-	-	2,529
Office of Energy	258	-	-	258
AlintaGas Corporation	-	-	31,314	31,314
Western Power Corporation	-	-	261,803	261,803
Education	112,568	-	39,596	152,164
Country High School Hostels Authority	850	419	224	1,493
Curriculum Council	158	-	2	160
Education Services	5,000	-	-	5,000

For details of agency capital works programs, see agency information contained in Budget Paper No. 2, Budget Statements.

Table 1 (cont)

**CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE
AND FUNDING**

Consolidated Fund	1999-00 Estimated Actual			Consolidated Fund	2000-01 Budget Estimate		
	Borrowings by State Authorities	Other Funding	Total Expenditure		Borrowings by State Authorities	Other Funding	Total Expenditure
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
66	-	169	235	-	-	-	-
75	-	18	93	-	-	-	-
2,132	-	483	2,615	2,898	-	-	2,898
63	-	5	68	50	-	-	50
6,550	-	11,558	18,108	2,946	-	3,792	6,738
-	-	-	-	400	-	-	400
5,700	-	1,133	6,833	24,749	-	30	24,779
350	-	246	596	232	-	-	232
302	-	6	308	434	-	-	434
-	-	235	235	-	-	1,369	1,369
2,071	-	1,873	3,944	1,845	-	1,400	3,245
-	-	-	-	-	-	16,000	16,000
-	-	1,239	1,239	-	-	7,400	7,400
56	-	43	99	90	-	-	90
29,500	-	15,108	44,608	33,870	-	47,654	81,524
1,120	-	1,690	2,810	620	-	-	620
10	-	-	10	310	-	210	520
115	-	111	226	677	-	-	677
173	-	75	248	29	-	-	29
8,565	-	1,147	9,712	3,205	-	100	3,305
625	-	596	1,221	570	-	-	570
1,255	-	-630	625	639	-	2,352	2,991
14	-	3,452	3,466	3,923	-	550	4,473
218	-	-	218	300	-	-	300
50	-	90	140	50	-	-	50
2,385	-	-147	2,238	3,838	-	1,191	5,029
258	-	26	284	208	-	-	208
-	-	34,624	34,624	-	-	28,230	28,230
-	-	234,693	234,693	-	-	276,384	276,384
112,568	-	56,483	169,051	91,023	-	39,692	130,715
1,100	619	331	2,050	1,300	8,229	168	9,697
158	-	2	160	110	-	2	112
5,000	-	-	5,000	5,000	-	-	5,000

Table 1 (cont)

**CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE
AND FUNDING**

Agencies	Consolidated Fund	1999-00 Budget Estimate		Total Expenditure
		Borrowings by State Authorities	Other Funding	
	\$'000	\$'000	\$'000	\$'000
MINISTER FOR PRIMARY INDUSTRY; FISHERIES				
Agriculture	5,015	-	5,568	10,583
Perth Market Authority	-	3,480	2,559	6,039
Western Australian Meat Industry Authority	-	-	-	-
Fisheries	1,735	-	-	1,735
MINISTER FOR MINES; TOURISM; SPORT AND RECREATION; RACING AND GAMING				
Minerals and Energy	1,750	-	-	1,750
Chemistry Centre (WA)	-	-	523	523
Western Australian Tourism Commission	5,230	-	-	5,230
Recreation Camps and Reserves Board	111	-	66	177
Sport and Recreation	13,350	-	-	13,350
Western Australian Sports Centre Trust	4,500	-	1,700	6,200
Rottneet Island Authority	-	-	3,500	3,500
Office of Racing, Gaming and Liquor	100	-	983	1,083
Lotteries Commission	-	-	-	-
Totalisator Agency Board	-	-	-	-
Western Australian Greyhound Racing	-	-	-	-
MINISTER FOR TRANSPORT				
Transport	14,400	59,950	5,792	80,142
Main Roads	-	221,000	343,660	564,660
Albany Port Authority	-	-	1,000	1,000
Broome Port Authority	-	-	-	-
Bunbury Port Authority	-	-	4,000	4,000
Dampier Port Authority	-	-	600	600
Esperance Port Authority	-	-	6,900	6,900
Fremantle Port Authority	-	14,504	9,485	23,989
Geraldton Port Authority	-	-	3,870	3,870
Port Hedland Port Authority	-	-	3,260	3,260
Western Australian Government Railways Commission	-	164,771	5,000	169,771
MINISTER FOR THE ENVIRONMENT; LABOUR RELATIONS				
Conservation	11,440	-	10,587	22,027
Botanic Gardens and Parks Authority	4,295	-	-	4,295
Environmental Protection	545	-	318	863
Zoological Gardens Board	-	1,832	105	1,937
Productivity and Labour Relations	330	-	-	330
Commissioner of Workplace Agreements	123	-	-	123
Registrar, Western Australian Industrial Relations Commission	115	-	-	115
WorkSafe Western Australia	122	-	-	122

For details of agency capital works programs, see agency information contained in Budget Paper No. 2, Budget Statements.

Table 1 (cont)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

Consolidated Fund	1999-00 Estimated Actual			2000-01 Budget Estimate			
	Borrowings by State Authorities	Other Funding	Total Expenditure	Consolidated Fund	Borrowings by State Authorities	Other Funding	Total Expenditure
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
5,015	-	6,707	11,722	4,220	-	6,449	10,669
-	77	290	367	-	2,847	2,168	5,015
-	-	-	-	-	-	200	200
1,735	-	2,646	4,381	2,863	-	2,298	5,161
1,750	-	2,201	3,951	1,133	-	1,076	2,209
-	-	577	577	-	-	525	525
5,230	-	621	5,851	4,500	-	-	4,500
111	-	88	199	103	-	44	147
1,350	-	7,127	8,477	450	-	-	450
16,149	-	4,843	20,992	3,300	-	-	3,300
-	-	3,655	3,655	-	-	3,500	3,500
100	-	310	410	72	-	227	299
-	-	5,104	5,104	-	-	12,885	12,885
-	-	5,198	5,198	-	-	3,094	3,094
-	1,000	928	1,928	-	-	700	700
8,309	63,935	14,932	87,176	7,000	48,575	8,708	64,283
-	181,000	404,934	585,934	222,741	80,650	112,304	415,695
-	-	1,000	1,000	-	12,470	5,250	17,720
-	-	2,982	2,982	-	-	715	715
-	-	3,900	3,900	-	-	2,680	2,680
-	-	248	248	-	-	1,870	1,870
-	-	4,300	4,300	-	18,000	6,900	24,900
-	-	14,477	14,477	-	11,600	8,495	20,095
-	-	2,800	2,800	-	-	3,887	3,887
-	-	1,260	1,260	-	-	8,548	8,548
-	108,000	2,000	110,000	-	165,812	18,000	183,812
11,440	400	438	12,278	4,791	600	6,800	12,191
1,295	-	-	1,295	7,974	-	-1,742	6,232
545	-	104	649	800	-	443	1,243
-	1,797	124	1,921	-	1,417	185	1,602
330	-	-	330	298	-	-	298
123	-	67	190	159	-	-	159
115	-	-	115	40	-	-	40
122	-	-	122	122	-	-	122

Table 1 (cont)

**CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE
AND FUNDING**

Agencies	Consolidated Fund \$'000	1999-00 Budget Estimate		Total Expenditure \$'000
		Borrowings by State Authorities \$'000	Other Funding \$'000	
MINISTER FOR LANDS; FAIR TRADING; PARLIAMENTARY AND ELECTORAL AFFAIRS				
Land Administration	9,061	-	-	9,061
Western Australian Land Authority	-	-	160,671	160,671
Fair Trading	2,878	-	-	2,878
Western Australian Electoral Commission	400	-	-	400
MINISTER FOR POLICE; EMERGENCY SERVICES				
Police Service	31,240	-	25,000	56,240
Fire and Emergency Services Authority of Western Australia	1,693	5,597	1,335	8,625
MINISTER FOR PLANNING; HERITAGE; MINISTER ASSISTING THE TREASURER				
Western Australian Planning Commission	7,000	-	45,300	52,300
East Perth Redevelopment Authority	-	-	26,390	26,390
Midland Redevelopment Authority	-	-	-	-
Subiaco Redevelopment Authority	-	5,300	14,141	19,441
Heritage Council of Western Australia	-	-	-	-
National Trust of Australia (Western Australia)	215	-	-	215
State Revenue	380	-	-	380
Valuer General's Office	275	-	-	275
Insurance Commission of Western Australia	-	-	-	-
ATTORNEY GENERAL; MINISTER FOR JUSTICE				
Justice	48,119	-	3,465	51,584
Commissioner for Equal Opportunity	71	-	-	71
Office of the Director of Public Prosecutions	150	-	90	240
Office of the Information Commissioner	30	-	-	30
MINISTER FOR HOUSING; ABORIGINAL AFFAIRS; WATER RESOURCES				
State Housing Commission	-	17,532	695,807	713,339
Country Housing Authority	-	-	6,000	6,000
Government Employees Housing Authority	-	-	22,983	22,983
Aboriginal Affairs	450	-	50	500
Office of Water Regulation	95	-	-	95
Swan River Trust	110	-	-	110
Water and Rivers Commission	800	-	-	800
Bunbury Water Board	-	-	-	-
Busselton Water Board	-	-	-	-
Water Corporation	-	180,000	285,460	465,460

For details of agency capital works programs, see agency information contained in Budget Paper No. 2, Budget Statements.

Table 1 (cont)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

Consolidated Fund	1999-00 Estimated Actual			2000-01 Budget Estimate			
	Borrowings by State Authorities	Other Funding	Total Expenditure	Consolidated Fund	Borrowings by State Authorities	Other Funding	Total Expenditure
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
8,461	-	-550	7,911	6,544	-	4,692	11,236
-	-	97,092	97,092	-	-	153,083	153,083
2,878	-	53	2,931	300	-	-	300
400	-	134	534	-	-	-	-
45,240	-	-	45,240	44,790	-	31,000	75,790
1,693	3,010	6,551	11,254	2,324	5,795	1,480	9,599
-	-	54,000	54,000	19,000	-	35,400	54,400
-	-	8,300	8,300	-	-	68,000	68,000
-	1,100	-	1,100	-	3,845	-	3,845
-	9,000	10,950	19,950	-	-	6,413	6,413
-	-	20	20	-	-	50	50
215	-	55	270	270	-	500	770
429	-	-	429	405	-	-	405
275	-	-	275	263	-	-	263
-	-	895	895	-	-	5,385	5,385
107,119	-	3,880	110,999	54,247	-	10,732	64,979
71	-	1	72	51	-	-	51
150	-	96	246	206	-	-	206
30	-	1	31	25	-	-	25
-	17,532	724,633	742,165	-	14,500	712,741	727,241
-	-	10,529	10,529	-	9,000	3,050	12,050
-	-	29,200	29,200	-	-	4,200	4,200
450	-	50	500	-	-	-	-
95	-	-	95	75	-	-	75
110	-	-	110	80	-	-	80
800	-	2,025	2,825	800	-	-	800
-	-	1,418	1,418	-	-	2,304	2,304
-	-	-	-	-	-	1,406	1,406
-	210,000	255,560	465,560	-	210,000	263,476	473,476

Table 1 (cont)

**CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE
AND FUNDING**

Agencies	Consolidated Fund \$'000	1999-00 Budget Estimate Borrowings by State Authorities \$'000	Other Funding \$'000	Total Expenditure \$'000
MINISTER FOR HEALTH				
Health	75,125	-	-	75,125
MINISTER FOR EMPLOYMENT AND TRAINING, YOUTH; THE ARTS				
Training and Employment	7,810	-	18,927	26,737
Culture and the Arts	4,780	2,130	-	6,910
MINISTER FOR LOCAL GOVERNMENT, DISABILITY SERVICES; FOREST PRODUCTS				
Local Government	1,030	-	-	1,030
Fremantle Cemetery Board	-	-	1,675	1,675
Metropolitan Cemeteries Board	-	-	6,300	6,300
Disability Services Commission	-	1,000	-	1,000
Forest Products Commission	-	-	-	-
MINISTER FOR FAMILY AND CHILDREN'S SERVICES; SENIORS; WOMEN'S INTERESTS				
Family and Children's Services	8,348	-	6,679	15,027
MINISTER FOR WORKS; SERVICES; CITIZENSHIP AND MULTICULTURAL INTERESTS				
Western Australian Building Management Authority	1,000	-	-	1,000
Contract and Management Services	-	-	-	-
State Supply Commission	-	-	-	-
Office of Citizenship and Multicultural Interests	15	-	-	15
	474,800	677,515	2,104,362	3,256,677

For details of agency capital works programs, see agency information contained in Budget Paper No. 2, Budget Statements.

Table 1 (cont)

**CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE
AND FUNDING**

Consolidated Fund	1999-00 Estimated Actual			2000-01 Budget Estimate			
	Borrowings by State Authorities	Other Funding	Total Expenditure	Consolidated Fund	Borrowings by State Authorities	Other Funding	Total Expenditure
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
65,125	-	-	65,125	89,005	-	5,000	94,005
7,810	-	19,195	27,005	7,810	-	16,083	23,893
4,877	2,430	902	8,209	4,243	500	-	4,743
1,030	-	17	1,047	1,600	-	-	1,600
-	-	469	469	-	1,000	735	1,735
-	-	1,145	1,145	-	-	5,620	5,620
-	1,000	-	1,000	-	1,000	-	1,000
-	3,020	10,328	13,348	-	5,520	3,000	8,520
2,348	-	6,071	8,419	7,781	-	495	8,276
1,000	-	798	1,798	350	-	-	350
-	-	305	305	-	-	-	-
-	-	85	85	25	-	-	25
15	-	-	15	25	-	-	25
484,819	603,920	2,102,728	3,191,467	680,101	601,360	1,977,578	3,259,039

APPENDIX 10

Capital Works Program Source of Funds

This appendix shows detailed sources of funds for the aggregate capital works program by year.

Table 1

CAPITAL WORKS PROGRAM SOURCE OF FUNDS

	1998-99 Actual \$'000	1999-00 Actual \$'000	2000-01 Budget Estimate \$'000	2001-02 Forward Estimate \$'000	2002-03 Forward Estimate \$'000	2003-04 Forward Estimate \$'000
CONSOLIDATED FUND						
Revenue:						
- Asset sales	43,818	77,181	55,043	77,274	49,433	26,988
- Loan repayments	51,946	271,297	115,334	15,759	16,126	15,965
- State development fund	24	-	-	-	-	-
	95,788	348,479	170,377	93,033	65,559	42,953
Financing Transactions:						
- Recurrent surplus	352,285	174,590	332,892	367,384	439,850	541,477
- Borrowings	-	-	15,461	218,167	237,354	79,501
- State development fund	46,300	43,800	126,800	27,100	-	-
- Capital repayments	-42,583	-30,463	-20,341	-22,130	-11,997	-20,231
- Government equity contributions	-7,261	-	-	-	-	-
- Movement in cash balance	-3,060	-51,587	54,912	-	-	-
Cash Financing Requirement	345,681	136,340	509,724	590,521	665,207	600,747
Total Funds Expended	441,469	484,819	680,101	683,554	730,766	643,700
OTHER FUNDING						
Project borrowing requirements	170,939	603,920	601,360	405,984	219,952	166,606
Other Commonwealth grants and advances	180,702	195,922	266,442	228,217	168,969	169,845
Specific contributions	70,544	96,657	76,975	81,735	82,825	85,150
Land and property sales	301,279	217,986	263,359	224,875	233,045	194,945
Internal funds and balances	1,596,211	1,592,163	1,370,802	1,180,114	1,145,411	1,189,156
TOTAL FUNDING	2,761,144	3,191,467	3,259,039	2,804,479	2,580,968	2,449,402

Note: Columns may not add due to rounding.