



2001 – 02

ECONOMIC AND FISCAL OUTLOOK

BUDGET PAPER NO. 3



PRESENTED TO THE LEGISLATIVE ASSEMBLY
ON 13 SEPTEMBER 2001

2001–02 Economic and Fiscal Outlook

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TABLE OF CONTENTS

UNDER TREASURER’S CERTIFICATION	i
CHAPTER 1: ECONOMIC AND FISCAL OUTLOOK – SUMMARY	
OVERVIEW	1
FINANCIAL PROJECTIONS	2
GENERAL GOVERNMENT	2
TOTAL PUBLIC SECTOR	3
POLICY MEASURES SUMMARY	3
ECONOMIC OUTLOOK.....	6
GOVERNMENT OBJECTIVES AND FINANCIAL TARGETS	7
EXPENDITURE REVIEW PROCESS	14
BUDGET PRESENTATION.....	15
CHAPTER 2: FISCAL STRATEGY AND FINANCIAL PROJECTIONS	
FISCAL STRATEGY	17
FINANCIAL PROJECTIONS	20
GENERAL GOVERNMENT	20
<i>Summary</i>	20
<i>Operating Statement</i>	21
Expenses	22
Revenue	26
New Taxation Measures	27
Review of State Business Taxes	32
Taxation Revenue Estimates.....	33
Other Own Source Revenue	37
<i>Balance Sheet</i>	43
<i>Cash Flow Statement</i>	44
TOTAL PUBLIC SECTOR	47
<i>Summary</i>	47
<i>Public Non-Financial Corporations</i>	47
<i>Public Financial Corporations</i>	48
CAPITAL INVESTMENT.....	48
<i>Summary</i>	48
<i>2001-02 Capital Works</i>	49

NET DEBT	54
<i>Total Public Sector</i>	54
<i>General Government</i>	56
<i>Public Non-Financial Corporations</i>	57
<i>Public Financial Corporations</i>	57
TRENDS IN PUBLIC SECTOR FINANCES	57
INTRODUCTION.....	57
OPERATING STATEMENT	58
<i>General Government</i>	58
<i>Total Public Sector</i>	61
THE BALANCE SHEET	62
<i>Net Worth</i>	62
<i>Net Debt</i>	64
THE CASH FLOW STATEMENT	65
<i>Cash Surplus</i>	65
STATEMENT OF RISKS	66
ESTIMATING ASSUMPTIONS.....	67
PARAMETER SENSITIVITY OF THE REVENUE ESTIMATES	67
EXPENSES.....	70
CAPITAL WORKS	70
CONTINGENT LIABILITIES	71
CHAPTER 3: DELIVERING OUR COMMITMENTS	
SUMMARY	73
ELECTION AND OTHER MAJOR COMMITMENTS	74
<i>Premier; Minister for Public Sector Management; Federal Affairs; Science;</i> <i>Citizenship and Multicultural Interests</i>	75
<i>Deputy Premier; Treasurer; Minister for Energy</i>	76
<i>Minister for Agriculture; Forestry and Fisheries; The Mid-West, Wheatbelt and</i> <i>Great Southern</i>	77
<i>Minister for Housing and Works; Local Government and Regional Development;</i> <i>The Kimberley, Pilbara and Gascoyne</i>	79
<i>Minister for Consumer and Employment Protection; Training</i>	81
<i>Attorney General; Minister for Justice and Legal Affairs; Electoral Affairs;</i> <i>Peel and the South West</i>	85
<i>Minister for the Environment and Heritage</i>	87
<i>Minister for Police and Emergency Services; Minister Assisting the Minister for</i> <i>Planning and Infrastructure</i>	92
<i>Minister for Planning and Infrastructure</i>	96
<i>Minister for State Development; Tourism; Small Business Industry and Technology</i>	108
<i>Minister for Education; Sport and Recreation; Indigenous Affairs</i>	112
<i>Minister for Community Development; Women’s Interests; Seniors and Youth;</i> <i>Disability Services; Culture and the Arts</i>	119
<i>Minister for Health</i>	125
<i>Minister for Racing and Gaming; Government Enterprises; Goldfields-Esperance</i>	133

SAVINGS INITIATIVES	134
OTHER INITIATIVES	138
CHAPTER 4: THE WESTERN AUSTRALIAN ECONOMY	
SUMMARY	139
OVERVIEW	140
RECENT DEVELOPMENTS	140
OUTLOOK.....	140
STATE FINAL DEMAND	143
HOUSEHOLD CONSUMPTION.....	143
PUBLIC CONSUMPTION	144
DWELLING INVESTMENT	144
BUSINESS INVESTMENT	145
PUBLIC INVESTMENT.....	147
NET EXPORTS	147
EXPORTS	147
IMPORTS.....	149
LABOUR MARKET	149
EMPLOYMENT	149
UNEMPLOYMENT.....	150
WAGES	150
PRICES	151
POPULATION GROWTH	151
RISKS TO THE OUTLOOK	151
INTERNATIONAL.....	152
APPRECIATION OF THE \$A.....	153
NEW PROJECTS.....	153
GREENHOUSE GAS ABATEMENT	153

CHAPTER 5: FEDERAL AFFAIRS

SUMMARY	155
FUNDAMENTALS OF THE COMMONWEALTH-STATE RELATIONSHIP	155
VERTICAL FISCAL IMBALANCE	155
HORIZONTAL FISCAL EQUALISATION	158
GST AND BUDGET BALANCING ASSISTANCE	160
COMMONWEALTH GRANTS COMMISSION	162
2001 UPDATE.....	163
2004 REVIEW	164
COMPETITION PAYMENTS	164
SPECIFIC PURPOSE PAYMENTS	165
SPP GUARANTEE	167
SPP REFORM.....	167
DEVELOPMENTS IN MAJOR SPPS	168
FISCAL SUBSIDIES WITHIN THE FEDERATION	169

CHAPTER 6: STRUCTURAL REFORM

INTRODUCTION	173
REFORMING THE PUBLIC SECTOR	174
ECONOMIC REGULATION	176
SHAREHOLDER FUNCTIONS	177
UTILITIES REFORM	178
ELECTRICITY MARKET REFORM.....	178
GAS MARKET REFORM.....	181
WATER MARKET REFORM	183
PETROL PRICING REFORM	184

APPENDIX 1: DETAILED FINANCIAL PROJECTIONS	
GENERAL GOVERNMENT	186
PUBLIC NON-FINANCIAL CORPORATIONS	189
TOTAL NON-FINANCIAL PUBLIC SECTOR	192
PUBLIC FINANCIAL CORPORATIONS	195
TOTAL PUBLIC SECTOR	198
LOAN COUNCIL ALLOCATIONS	201
AGENCY CLASSIFICATION	202
APPENDIX 2: GENERAL GOVERNMENT OPERATING REVENUE	205
APPENDIX 3: TAX AND ROYALTY EXPENDITURE STATEMENT	209
APPENDIX 4: STATE GOVERNMENT SOCIAL CONCESSIONS STATEMENT	213
APPENDIX 5: CAPITAL WORKS PROGRAM – SUMMARY OF EXPENDITURE AND SOURCE OF FUNDS	223
TABLE 1: CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDS	224
TABLE 2: CAPITAL WORKS PROGRAM SOURCE OF FUNDS	230
APPENDIX 6: PUBLIC CORPORATIONS – REVENUE AND EXPENSES	231
TABLE 1: REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS	232
TABLE 2: EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS	234

Under Treasurer's Certification

This *Government Financial Projections Statement* is based upon Government decisions I was aware of or that were made available to me by the Treasurer on or before the budget planning cut off date of 21 August 2001 and which had a material effect on the Government's financial projections.

It has been prepared in accordance with applicable Australian Accounting Standards and government finance statistics principles and is based on the economic assumptions outlined in Chapter 4. These assumptions were finalised on 21 August 2001.



J L Langoulant
UNDER TREASURER

13 September 2001

CHAPTER 1

Economic and Fiscal Outlook - Summary

Overview

This budget is the first of the Labor Government, elected on 10 February 2001. The budget funds the Government's election commitments, other new output initiatives and cost pressures to a value of \$1.4 billion which will improve public services to all Western Australians, within a responsible financial framework.

A general government operating surplus of \$51.6 million is forecast for 2001-02 with increasing surpluses projected in each of the forward years. This is a small improvement on the election time outlook for the general government operating balance but a substantial turnaround in the medium term outlook, which was for significant deficits.

This turnaround in the financial outlook is the result of a rigorous budget process that has reprioritised operating and capital investment spending for public sector agencies. That task, promised by the Government in its election campaign, involved an unprecedented \$852 million reprioritisation of expenses. Savings found from existing budgets exceed the cost of new commitments. The process also identified other expense pressures which had emerged and could no longer be ignored. These measures added \$529 million to expenses in the forward estimates period.

Some revenue measures have been necessary to accommodate these expenses. The revenue measures are moderate in scope and do not compromise Western Australia's tax competitiveness status.

The revenue measures address a structural imbalance that is evident in the bases for general government revenue and expenses. While that imbalance has been veiled by exceptional one-off revenue in 2000-01, it has been evident in the four preceding years and in the forward estimates shown in the *2000-01 Pre-election Financial Projections Statement* (PFPS).

The Budget is framed on the expectation of a rebound in economic growth in 2001-02, buoyed by a resurgence in business investments and strong growth throughout the projection period. A steady fall in unemployment is expected over the out-years.

Financial Projections

General Government Sector

The \$51.6 million general government operating surplus projected for 2001-02 indicates that the State's finances have returned to a more sustainable trajectory following the deficits achieved in 1998-99 and 1999-2000. The \$255.1 million surplus estimated for 2000-01 was largely the result of one-off, or temporary, revenue factors. These include the benefit of the AlintaGas and Westrail Freight sales and gains in royalties from the historically high world oil price and low Australian dollar. Revenue is forecast to return to a lower rate of growth over the forward estimates period.

Similarly, following recent years of high growth in expenses, lower rates of expense growth are expected over the forward estimates period.

The following table summarises the financial outlook.

Table 1

GENERAL GOVERNMENT SECTOR
Summary Financial Statements

	1999-00 Actual \$m	2000-01 Estimated Actual \$m	2001-02 Budget Estimate \$m	2002-03 Forward Estimate \$m	2003-04 Forward Estimate \$m	2004-05 Forward Estimate \$m
OPERATING STATEMENT						
Revenue	9,692.8	10,531.5	10,713.5	10,846.0	11,120.5	11,564.4
Expenses	9,723.0	10,276.4	10,661.9	10,669.4	10,936.8	11,303.6
Net Operating Balance	-30.2	255.1	51.6	176.6	183.8	260.8
BALANCE SHEET						
Assets	41,127.2	42,801.9	43,463.5	44,108.0	44,733.7	45,360.0
Liabilities	9,436.2	9,783.5	9,846.0	9,829.2	9,783.0	9,638.0
Net Worth	31,691.0	33,018.4	33,617.4	34,278.8	34,950.6	35,721.9
STATEMENT OF CASH FLOWS						
Change in net cash held	27.4	368.6	-272.7	-96.8	-66.1	-18.8
GFS Cash Surplus	-386.2	-159.6	-380.3	-62.7	29.8	-51.8
<i>Memorandum Item: Net Debt</i>	726.5	451.6	925.9	1,122.1	1,167.9	1,172.0

Note: Columns may not add due to rounding.

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

- A general government operating surplus growing in each year, to \$260.8 million by 2004-05;
- Net worth of \$33.6 billion at 30 June 2002 rising to \$35.7 billion at 30 June 2005; and

- General government net debt rising moderately over the forward estimate period, from \$925.9 million at 30 June 2002 to stand at \$1,172.0 million at 30 June 2005.

Total Public Sector

The total public sector (comprising the general government sector, public non-financial corporations (PNFC) and public financial corporations (PFC)) is forecast to achieve strong operating results over the forward estimates period, reflecting operating surpluses from all sectors.

The surplus for the total public sector is projected to rise from \$232.7 million in 2001-02 to \$501.6 million by the end of the projection period.

Total public sector net debt is expected to rise marginally over the projection period, from \$5.2 billion at 30 June 2002 to \$5.5 billion at 30 June 2004, a level maintained thereafter. The State's net debt is expected to fall relative to the size of the economy over the projection period, falling from 6.4% of GSP in 2001-02 to 5.5% of GSP in 2004-05.

Most of the State's net debt is held by the PNFC sector which it services through its commercial operations.

More details on the State's financial outlook are provided in Chapter 2: *Fiscal Strategy and Financial Projections* and in the appendices.

Policy Measures Summary

The following table shows the impact of policy decisions taken since the last budget, separated into pre-election and post-election decisions. The effect of policy decisions on agency budgets is shown as the variation to the appropriation for outputs. The effect of the introduction of accrual appropriations and the capital user charge, along with parameter effects on agency budgets, are excluded from the table. The revenue effects shown represent the impact of the relevant policy decision on the aggregate revenue of the general government sector.

Individual policy decisions that comprise the agency totals in the following table are detailed in Chapter 3: *Delivering our Commitments* and in Budget Paper No.2. Revenue policy measures are described in Chapter 2: *Fiscal Strategy and Financial Projections*.

Table 2

**IMPACT ON AGENCIES' STATEMENT OF FINANCIAL PERFORMANCE
OF POLICY DECISIONS TAKEN SINCE THE 2000-01 BUDGET ^(a)**

	2001-02 \$m	2002-03 \$m	2003-04 \$m	2004-05 \$m
EXPENSES - POST ELECTION				
Agriculture	0.8	9.2	8.2	7.6
Agricultural Protection Board	-11.4	-11.4	-11.7	-11.9
Anti-Corruption Commission	-0.6	-0.8	-0.8	-0.8
Botanic Gardens and Parks Authority	-0.3	-0.2	-0.2	-0.2
Community Development	5.1	3.9	4.2	5.0
Conservation and Land Management	3.4	1.6	1.3	1.3
Consumer and Employment Protection	3.2	6.2	6.5	9.7
Country High School Hostels Authority	-0.1	0.2	0.3	0.2
Culture and the Arts	4.6	4.2	4.1	4.2
Curriculum Council	-0.1	0.1	0.1	0.1
Disability Services Commission	6.2	6.7	6.8	7.0
Education	8.6	16.6	35.3	40.1
Education Services	-3.0	-5.9	2.0	26.1
Environmental Protection	3.4	-0.2	-	0.4
Fire and Emergency Services Authority	0.7	0.2	1.0	1.4
Fisheries	-0.4	0.3	0.7	1.0
Gascoyne Development Commission	-0.2	-0.2	-0.1	-0.1
Goldfields-Esperance Development Commission	0.2	0.1	0.1	0.1
Governor's Establishment	0.1	-	-	-
Great Southern Development Commission	-0.1	-0.1	-0.1	-0.1
Health	79.2	74.0	82.2	149.9
Heritage Council of Western Australia	0.3	0.1	-	-
Housing and Works	-0.1	-0.1	-0.1	-0.1
Indigenous Affairs	-1.1	-1.3	-1.4	-1.4
Industry and Technology	7.8	1.6	1.2	1.3
Justice	7.7	-6.6	-12.4	-11.9
Kimberley Development Commission	-0.1	-0.1	-0.1	-0.1
Land Administration (including Valuer General)	-0.9	-1.7	-1.5	-1.8
Local Government and Regional Development	26.3	15.9	20.4	15.4
Main Roads	-4.4	-4.0	-3.1	-3.1
Mid West Development Commission	-0.1	-0.1	-0.1	-0.1
Mineral and Petroleum Resources	0.3	-5.6	2.8	3.1
Office of the Auditor General	-0.1	-0.1	-0.1	0.1
Office of the Commissioner for Public Sector Standards	-0.2	-0.2	-0.2	-0.2
Office of the Director of Public Prosecutions	-0.2	-0.3	-0.3	-0.2
Office of Energy	0.5	0.2	0.2	-0.1
Office of the Information Commissioner	-0.1	-0.1	-0.1	-0.1
Office of Water Regulation	-1.9	-1.6	-1.7	-1.7
Parliament	0.1	0.1	0.1	0.3
Parliamentary Commissioner for Administrative Investigations	-0.1	-0.2	-0.2	-0.2
Peel Development Commission	-0.1	-0.1	-0.1	-0.1
Perth International Centre for Application of Solar Energy	-0.1	-0.2	-0.2	-0.2
Pilbara Development Commission	0.9	0.2	-0.1	-0.1
Planning and Infrastructure	-14.6	-30.3	-34.1	-27.7
Police Service	6.5	11.9	12.8	13.1
Premier and Cabinet	0.7	0.7	-9.5	-8.9
Racing, Gaming and Liquor ^(b)	4.1	4.3	4.5	4.8
Small Business Development Corporation	-0.6	-0.7	-0.7	-0.7
South West Development Commission	-0.3	-0.4	-0.2	-0.2
Sport and Recreation	2.3	2.3	2.3	2.4
State Supply Commission	-0.1	-0.2	-0.2	-0.2
Swan River Trust	-0.2	-0.3	-0.3	-0.3

Table 2 (cont)

**IMPACT ON AGENCIES' STATEMENT OF FINANCIAL PERFORMANCE
OF POLICY DECISIONS TAKEN SINCE THE 2000-01 BUDGET ^(a)**

	2001-02	2002-03	2003-04	2004-05
	\$m	\$m	\$m	\$m
Training	41.0	29.0	25.9	17.1
Transport	-6.0	-6.0	-6.0	-6.0
Treasury and Finance - Controlled	0.2	0.2	-0.1	-0.1
Water and Rivers Commission	2.0	1.4	1.0	0.6
WA Building Management Authority	-0.3	-0.6	-0.6	-0.7
Western Australian Electoral Commission	0.7	1.5	0.4	11.4
Western Australian Planning Commission	-0.1	-0.1	-0.1	-0.1
Western Australian Sports Centre Trust	0.8	0.9	0.7	0.7
Western Australian Tourism Commission	-0.9	-1.3	-1.4	-1.4
Wheatbelt Development Commission	-0.1	-0.1	-0.1	-0.1
Zoological Gardens Board	0.6	0.7	0.7	0.7
Total Expenses Post Election	169.8	113.4	138.4	244.4
REVENUE – POST ELECTION				
Taxation ^(b)	35.6	147.0	154.9	164.0
Mining Lease Rentals	1.2	1.4	1.4	1.4
Total Revenue Post Election	36.8	148.4	156.3	165.4
EXPENSES – PRE ELECTION				
Agriculture	4.1	0.6	-	-
Conservation and Land Management	8.5	9.4	0.1	0.1
Consumer and Employment Protection	3.0	1.4	1.4	1.4
Culture and the Arts	1.0	1.2	1.0	1.1
Education	4.2	35.2	54.6	61.2
Education Services	0.7	3.2	14.2	14.2
Environmental Protection	0.2	0.2	0.2	0.2
Health	35.0	35.0	35.0	32.0
Industry and Technology	6.1	6.6	6.7	1.9
Justice	4.4	3.5	1.5	1.5
Mineral and Petroleum Resources	11.0	6.5	2.0	-
National Trust of Australia (WA)	3.5	2.3	-	-
Office of the Director of Public Prosecutions	0.3	0.3	0.3	0.3
Planning and Infrastructure	21.0	-	-	-
Police Service	4.2	8.3	12.3	16.3
Sport and Recreation	1.2	0.9	0.9	0.9
Treasury and Finance - Controlled	4.9	13.2	12.3	12.7
Western Australian Tourism Commission	3.8	3.8	4.5	4.5
Total Expenses Pre Election	116.9	131.6	147.2	148.5
REVENUE – PRE ELECTION				
Nil	-	-	-	-

(a) Comprises variations in agencies appropriation for output except for revenue, which is centrally received. For further details refer to relevant agencies in Budget Paper 2.

(b) Includes tax rebates which are also accounted for as expenditures in agencies' statement of operating performance.

Note: Columns may not add due to rounding.

Economic Outlook

The Western Australian economy is forecast to grow by 4.0% in 2001-02, compared to (estimated) growth of 1.75% in 2000-01. This forecast rate of growth remains below the long-term average rate of 4.5%. However, growth is expected to strengthen further, peaking at 5.0% in 2002-03.

Domestic demand, led by business investment, is expected to drive growth in 2001-02, with net exports actually detracting from growth. Business investment is forecast to increase by 16.5% in 2001-02, largely fuelled by several major resource projects. The resultant increase in production capacity, along with an expected recovery in international demand, is expected to lead to a surge in exports over the forward estimates period.

Despite the pick-up in domestic demand in 2001-02, employment growth is expected to remain weak, but should recover strongly in 2002-03. The unemployment rate is forecast to average 7.0% over 2001-02, but fall back to 6.5% the following year.

A moderation in wages is forecast for 2001-02, with growth averaging around 3.0% over the medium term. Underlying inflation is expected to increase to 3.0% in 2001-02, before easing back to 2.5%-2.75% in the out-years.

The main risk to the economic outlook is the international economy, particularly the economies of Japan (Western Australia's largest trading partner) and the United States. Both economies remain fragile.

MAJOR ECONOMIC AGGREGATES

Table 3

Western Australia

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	%	%	Estimate	Estimate	Estimate	Estimate
			%	%	%	%
Real Gross State Product Growth	4.6	1.75	4.0	5.0	4.75	4.75
Employment Growth	3.0	1.5	1.25	3.25	2.75	2.75
Unemployment Rate	6.3	6.5	7.0	6.5	6.5	6.25
Wages Growth ^(a)	2.7	3.6	3.0	3.25	3.0	2.75
Underlying Consumer Price Index ^(b)	2.3	2.5	3.0	2.75	2.75	2.5
GSP Implicit Price Deflator	4.0	8.5	2.75	2.25	2.0	2.0

(a) Wages growth now refers to growth in the wage cost index (previously average weekly earnings).

(b) Does not incorporate any impact of the introduction of the GST.

Government Objectives and Financial Targets

The measures contained in this budget serve the seven objectives that were adopted in the Government's election platform:

- Sound Financial Management;
- A Growing and Diversified Economy;
- Safe, Healthy and Supportive Communities;
- An Educated and Skilled Future for all Western Australians;
- A Valued and Protected Environment.
- Strong and Vibrant Regions; and
- Honest, Accountable and Inclusive Government.

The budget as a whole contributes to the objective of sound financial management. This is achieved by adopting broad fiscal targets and ensuring that the individual decisions and strategies of the Government combine to achieve those targets. Policy decisions themselves contribute directly to meeting the other objectives mentioned above. For those objectives, a brief description of the Government's broad approach is mentioned below. Information on delivery of election commitments is included in Chapter 3: *Delivering our Commitments*. Policy measures by agency were shown earlier in this Chapter.

Sound Financial Management (Financial Targets)

The *Government Financial Responsibility Act 2000* requires the Government to release a Government Financial Strategy Statement at least once each calendar year. That requirement is fulfilled in the remainder of this section.

The Government's financial targets, that form the basis for its medium term financial planning framework, are as follows:

- Retain Western Australia's triple-A credit rating;
- Maintain or increase the net worth of the public sector;
- Achieve an operating surplus for the general government sector; and
- Maintain Western Australia's tax competitiveness.

These targets are consistent with those announced during the election. However, the retention of the triple-A credit rating is not a measurable financial aggregate and, in any case, is not directly under the control of the Government. Key factors relevant to maintaining the triple-A credit rating can be quantified, however, and this financial target is able to be expressed in terms of the following two specific targets:

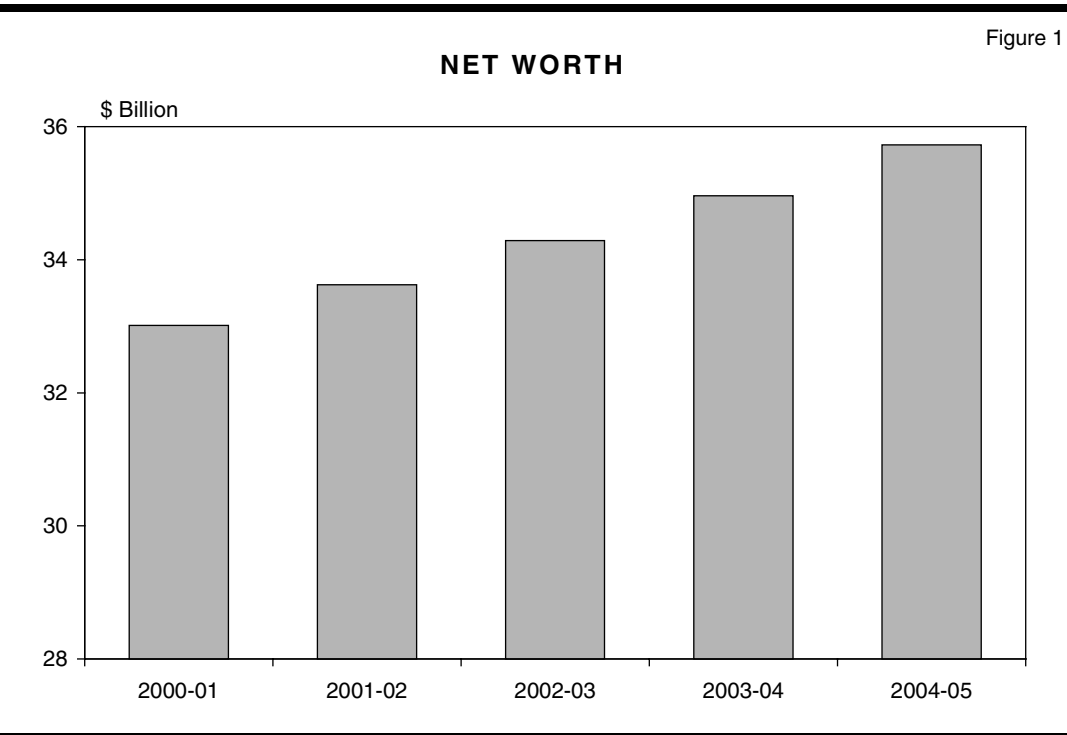
- Maintain net debt to public sector revenue for the total non-financial public sector¹ at or below 45 percent; and
- Real per capita expenses for the general government sector not to increase.

The following discussion relates to the five specific targets of the Government.

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

Net worth comprises total assets (both financial and non-financial) less total liabilities and provides a comprehensive picture of a government’s overall financial position. Positive net worth indicates that there are more assets at the disposal of the government than the liabilities it must satisfy in the future.

As illustrated below, this target is expected to be achieved in the budget year and each of the forward estimate years, reflecting operating surpluses and revaluations.



¹ Comprises the general government and public non-financial corporations sectors.

Operating Result: Achieve a net operating surplus for the general government sector

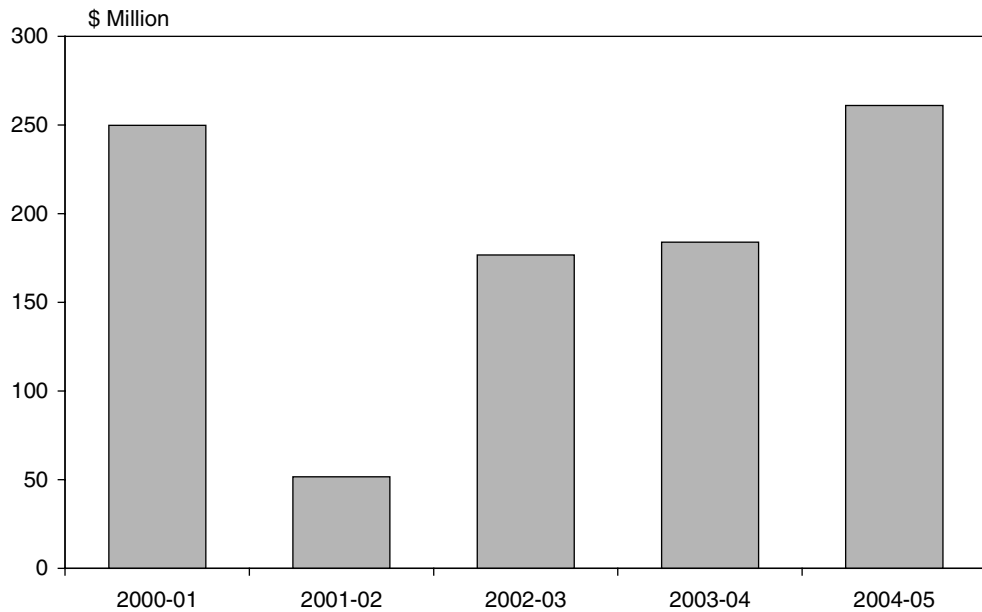
The net operating result is the excess of revenue over expenses and is the principal budget ‘bottom line’. It excludes expenditure on the acquisition of capital assets but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation).

By including all accruing costs, the net operating result encompasses the full costs of providing government services, making it a good measure of the sustainability of the Government’s operations over time.

This target is expected to be achieved as revenue exceeds expenses in each year. This represents a significant turnaround from the outlook at the time of the PFPS.

NET OPERATING BALANCE
General Government

Figure 2



Retain triple-A credit rating - Net Debt: Maintain net debt to revenue for the total non-financial public sector at or below 45 percent

This is the Government’s target to manage net debt levels and effects, along with the real per capita expenses target, the objective to maintain the triple-A credit rating.

A ratio of net debt to revenue for the total non-financial public sector that increases above 45% may cause concern with credit rating agencies. Without specific ameliorating factors, a ratio significantly above 45% would be unlikely to be consistent with a triple-A credit rating.

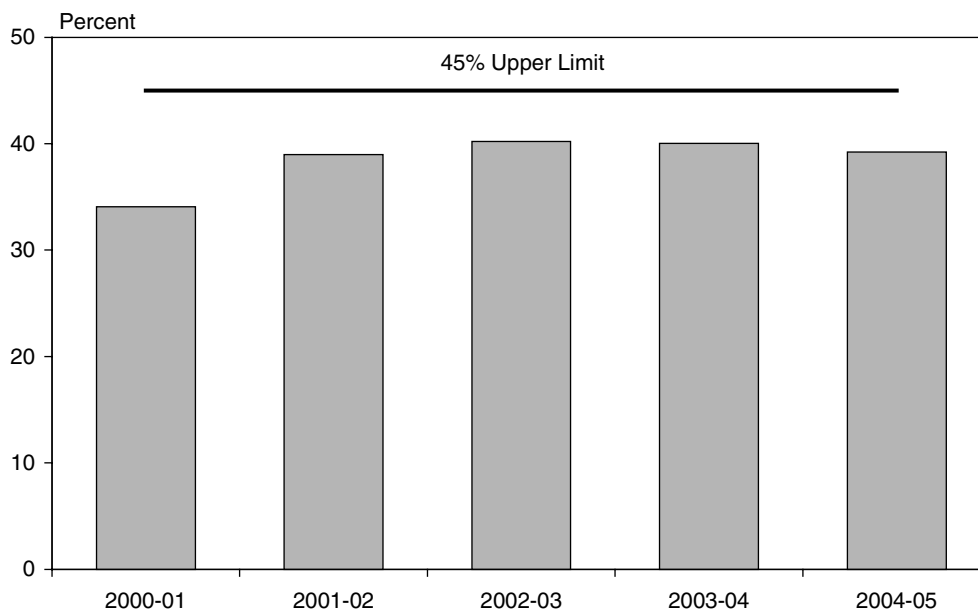
The 45% target was not met in the early 1990s, a time when rating agencies conferred a lower rating on the State. However, this target has been met since 1996-97 reflecting the significant reductions in net debt in the mid to late 1990s.

At the time of the PFPS, this ratio was forecast to increase from 36% in 2000-01 to 45% by 2003-04. This rapid acceleration to “high” debt levels in a relatively short period of time was of particular concern, including to credit rating agencies.

On the basis of the budget projections, however, this target is forecast to be met in the budget and forward estimates years due to lower (than previously forecast) debt and higher revenue forecasts, with the ratio stable at around 40% in each year.

Figure 3

NET DEBT AS A SHARE OF REVENUE
Total Non-Financial Public Sector

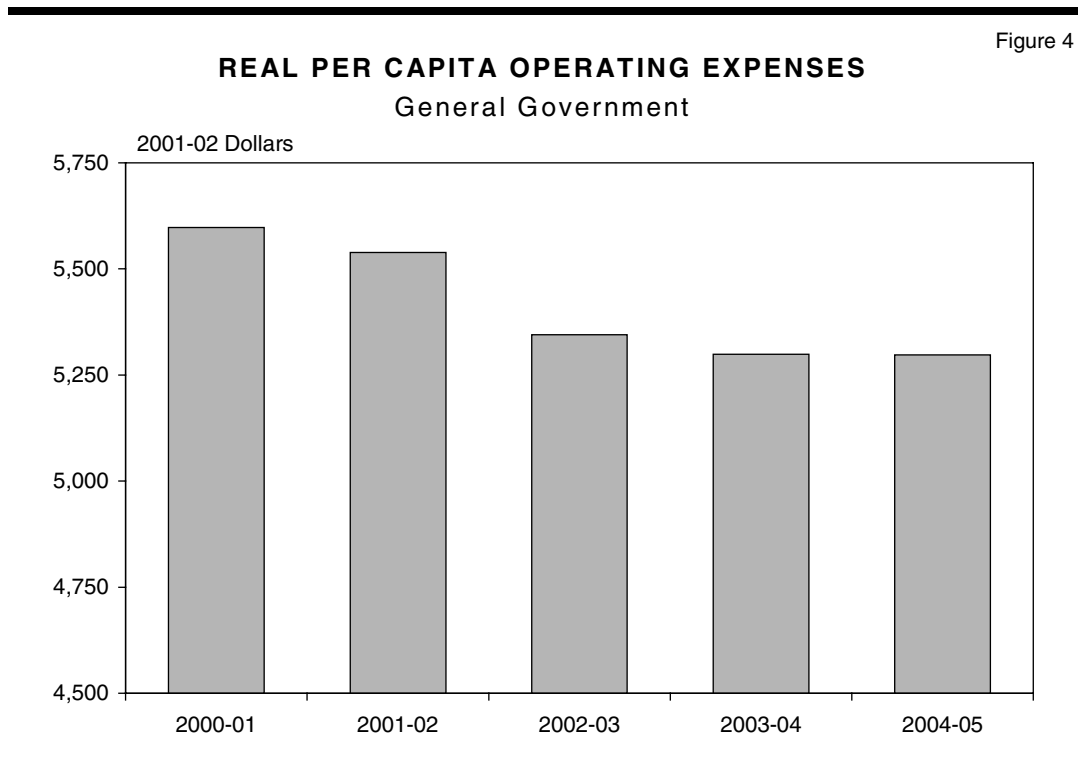


Retain triple-A credit rating - Operating Expenses: Real per capita expenses for the general government sector to not increase

This target is aimed at capping expense growth. Strong growth in operating expenses has been the primary reason that the general government operating result has achieved (or been forecast to return to) deficit results.

The target allows agencies to increase expenses up to, but not exceeding, the combined growth in population and inflation. In this environment, improved service provision arises through improved efficiency and productivity. The general government sector is the sector over which the Government has the most policy control and is therefore the appropriate scope of the target.

As the following chart illustrates, the target is expected to be achieved in the budget year and for the remainder of the projection period with mildly falling operating expenses on a real per capita basis.



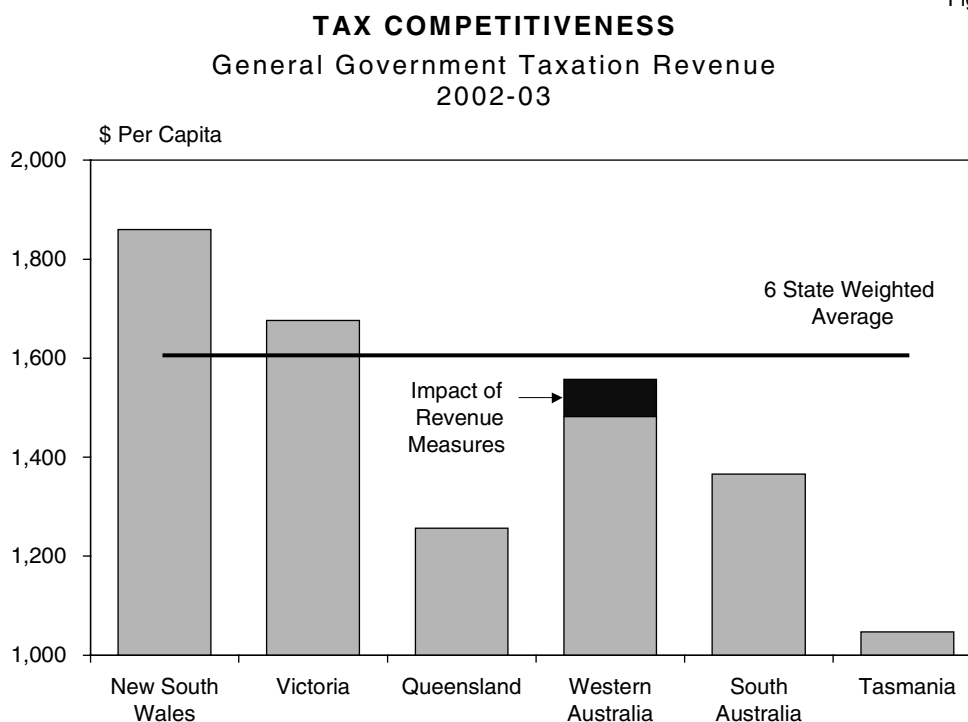
Tax Competitiveness: Maintain Western Australia’s tax competitiveness

The Government recognises the importance of taxation levels in providing incentive and a competitive advantage to Western Australian business.

Reflecting this, it made a commitment to maintain Western Australia’s tax competitiveness, as measured by taxation revenue per capita.

The following chart illustrates the level of general government taxation revenue per capita for each State in 2002-03 (the first full year of the revenue measures introduced in this Budget). Estimates in the chart are based on financial publications for all States and population projections from the Australian Bureau of Statistics. Importantly, the ranking of Western Australia is maintained throughout the forward estimates period, even after taking account of the new measures introduced in this Budget and tax reduction initiatives introduced in other States’ 2001-02 Budgets.

Figure 5



A Growing and Diversified Economy

The Government is committed to fostering employment and economic growth by broadening the State’s industry base. Some of the key policies include the Innovate WA strategy and the establishment of the Regional Investment Fund. In addition, the new Cabinet Standing Committee on Economic Policy is currently developing an industry policy to encourage both new and existing businesses and to deliver new jobs and higher standards of living across the community. A key plank of the industry policy will be to improve the competitiveness of the State’s business environment.

The Government is also contributing to economic growth through \$3.3 billion of investment in infrastructure and other capital works

Safe, Healthy and Supportive Communities

Reflecting the Government's priorities, the Departments of Health and Education, and the Police Service were freed from the productivity dividend requirements designed to help fund election commitments of the Government. The new Community Development Department and Disability Services Commission also received favourable treatment.

In the health sector, the Government has commissioned the Health Administrative Review Committee (HARC) with the objective of achieving a more efficient and effective health system. An additional \$385 million has been provided to the health budget over four years to improve service delivery, respond to growing demand and cost pressures and fund a large number of new initiatives.

The Government is committed to maximising the operational impact of Police funding and has committed to the implementation of DNA legislation to assist in solving and preventing crimes.

An Educated and Skilled Future for all Western Australians

As a key priority agency, the Education Department was freed from the need to provide a productivity dividend. The Government is focused on providing better public sector education outcomes through the addition of 200 teachers to support literacy and numeracy programs and through its behaviour management initiative. The contribution of technology to the development of children will be enhanced by assisting teachers to access laptop computers.

The prosperity of the State is dependent on the skills of its workforce. This is addressed with additional funds made available for apprenticeships, traineeships, short training courses and cutting edge technology to assist young people with their career choices

A Valued and Protected Environment

The Government places a strong focus on protecting the natural environment and has ceased logging in Western Australia's old growth forests. Better management of productive land, targeted use of preservation areas and leveraging of natural assets into ecologically friendly and sustainable jobs are key components of the Government's strategy.

Strong and Vibrant Regions

The Government has funded new initiatives in all regions of the State and is committed to restoring the Government's role in supporting country areas. The Growing Our State document (released with the 2001-02 Budget) describes the main projects underway or to begin in each region in the budget year. A formal process of regional impact assessment has been instituted for all issues considered by the Cabinet.

The Government has established the Regional Investment Fund to facilitate infrastructure projects that build on local strengths.

Honest, Accountable and Inclusive Government

The Government introduced a Ministerial Code of Conduct as one of its first initiatives.

Another early focus of the Government was to get its Machinery right. The recommendations of the Taskforce which was established to review the Machinery of the Western Australian Government, chaired by Stuart Hicks (“Hicks Committee”), have been accepted by the Government. Implementation has begun with a restatement of ministerial responsibilities suggested by the Committee. The Committee’s recommendations on the structure and amalgamation of government agencies which did not require statutory amendment have been reflected in these Budget Papers. Where statutory amendment is required, the review will be completed by 30 June 2002 and a program of legislative amendments to reflect the Hicks Committee recommendations will be introduced as legislation is prepared.

In terms of these Budget Papers, the financial management reforms of recent years have been maintained and enhanced. The Government is funding the full cost of agency outputs as they arise through “accrual” appropriations. The full cost of government services is being recognised by incorporation of the capital user charge in agency budgets.

The Government articulated a full program of commitments to the community preceding the last election. To assist in establishing the accountability of the Government in ensuring these commitments have been delivered a full description is included in Chapter 3: *Delivering our Commitments*.

The inclusive nature of the Government’s policy development process is reflected in its approach to the Drug Summit which will result in action at the executive and legislative levels.

Expenditure Review Process

The Government committed to the establishment of an Expenditure Review Committee of Cabinet in its election platform. The purpose of the Committee is to oversee the budget process and ongoing government expenses and revenue, while ensuring that budget allocations reflect the Government’s service delivery priorities and financial targets. The Expenditure Review Committee comprises five Cabinet members including the Premier and Deputy Premier (Treasurer).

The Committee met with all government Ministers through the budget process and established a rigid protocol of information sharing, analysis and decision making to achieve the Government’s election commitments, savings targets and financial targets.

All decisions of the Expenditure Review Committee are considered by Cabinet. These decisions include individual budget decisions and approval of the financial targets and projections.

Budget Presentation

The *Government Financial Responsibility Act 2000* requires that the budget be prepared based on external reporting standards, specifically the concepts and classifications set out in GFS Australia and/or the Australian Accounting Standards.

This is the second budget that is formulated 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 current UPF format was approved at the June 1999 Council of Australian Governments meeting.

CHAPTER 2

Fiscal Strategy and Financial Projections

Fiscal Strategy

At the broadest level, the Government's fiscal strategy is to implement measures which achieve the fiscal targets outlined in the previous Chapter. The imperatives of the strategy were to return the financial outlook to one of annual net operating surpluses and remove an unsustainable acceleration in net debt. Within these imperatives the key considerations in compiling the 2001-02 Budget were:

- Delivering the election commitments and funding initiatives announced by the Government in the last election campaign; and
- Repairing a structural imbalance between the revenue and expense bases of the general government.

In the document *Labor's Financial Management Plan: Getting Value for Money*, released prior to the last election, operating expense initiatives of \$756 million and savings of \$976 million were identified along with a reprioritisation of the capital works program. These amounts were across the period of the Government's plan, which broadly aligned with the forward estimates period. The fact that the savings measures were larger than the new expense initiatives was intended to achieve a small net operating surplus in each year of the forward estimates. This contrasted with the outlook of the *2000-01 Pre-election Financial Projections Statement (PFPS)* which projected a trend of net operating deficits in the forward years.

The Expenditure Review Committee process described in the previous Chapter identified that the cost of the Government's expense commitments would vary from their original \$756 million estimated total cost. In addition, the Government chose to extend the forests initiative, from a cost of \$18 million to a total cost of \$61 million to improve the package of assistance for workers and industry. Including these factors, the total cost of election commitments was \$785 million – still less than the projected savings target.

The election plan funded these commitments by way of a number of specific savings measures (such as reducing the number of Ministers and through reductions in advertising, consultants and travel expenses) and through the implementation of a priority dividend across the public sector. The priority dividend was set at 1.5% of an agency's total operating expenses in 2001-02 and 2% in the following years. The Government subsequently extended the dividend task by \$50 million a year with the aim of generating sustainable operating surpluses across the forward estimates. The Departments of Health and Education and the Police Service were quarantined from these priority dividends, although these agencies were required to reduce overhead costs to contribute to service delivery and election commitments. Through the Expenditure Review Committee process it was decided to extend the quarantining to the Disability Services Commission and in large measure to the Department for Community Development.

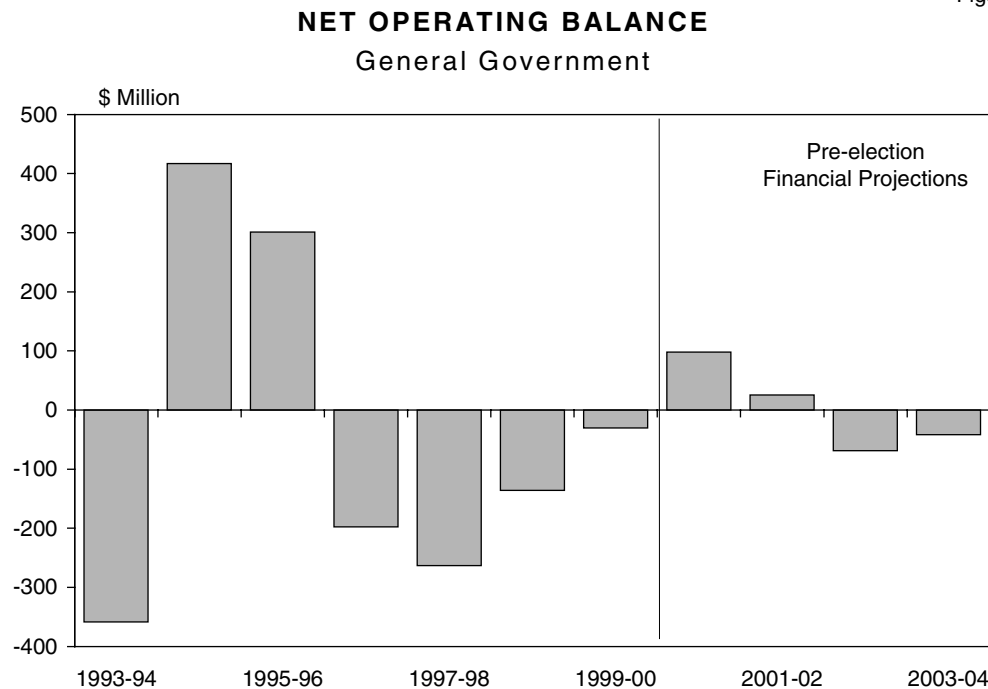
In applying its savings measures, the Government also undertook a thorough review of agency expenditures. The result of that process was the identification of \$852 million in savings which were used to fund all of the Government's election commitments of \$785 million. This was an unprecedented reprioritisation of expenses.

In addition to its election commitments, the Government has implemented new initiatives to the value of \$79 million in the budget.

A range of additional expense items also arose through the Expenditure Review Committee process. A number of cost and demand pressures upon which Government funding decisions had not been made prior to the election, and which were therefore not included in forward estimates, required additional funding. There were also cases where agency commitments to incur expenses had progressed to the degree where additional costs were unavoidable. Funding decisions to the amount of \$529 million were made to accommodate such cases across the forward estimates. This figure compares to an earlier estimate of \$485 million and reflects classification refinements through the budget process.

The additional measures mentioned in the last paragraph are one component of a generalised imbalance between general government revenue and expenses that has developed over recent years. Over the four years to 1999-2000, the general government sector recorded four consecutive net operating deficits. This is illustrated in the following chart which also shows how the outlook for the sector was for further deficits as estimated in the PFPS.

Figure 1



In 2000-01 this imbalance was masked by an unusually strong revenue performance. This arose from the historically weak Australian dollar and strong oil price, and a number of one-off revenue factors, the largest of which is the approximately \$250 million revenue component of proceeds¹ from AlintaGas and Westrail Freight sales. Had the dollar and oil price remained at the level forecast at the time of the previous budget, revenue would have been around \$227 million lower. In addition, there is a projected reduction in revenue from 2001-02 onwards as a result of the loss of dividend and tax equivalent revenue that would have been received from those enterprises had they continued in public ownership.

The one-off nature of the revenue growth in 2000-01 meant that it was appropriate to ensure as much of the resulting operating surplus as possible was applied to debt reduction rather than to fund new recurrent outlays.

The revenue/expense imbalance which underlays the State's finances is largely attributable to growth in expenses. These trends are discussed later in this Chapter in *Trends in Public Sector Finances*.

Combined with temporarily strong revenue but secular expense growth, the debt and operating balance implications of capital investment in the Perth Urban Rail Development (PURD), both north and south of the city, the convention centre and other major infrastructure requirements also weigh heavily in the forward estimates period.

¹ Although the total proceeds from the sales of AlintaGas and Westrail Freight were \$971.4 million and \$585.0 million respectively, only part of these monies are included in general government revenue for 2000-01. Under GFS, the majority of the proceeds are treated as equity transactions (impacting upon the balance sheet) rather than as operating revenue. For AlintaGas, \$224.2 million of revenue was brought through on the operating statement, comprising \$131.1 million in tax equivalent revenue, \$45.7 million in stamp duties levied on the sale and \$47.4 million in dividends. For Westrail Freight, \$27.9 million in stamp duties were received.

In response, the Government has introduced a range of new revenue measures in this budget. Without these measures, the Government would have been unable to ensure appropriate provision of public services in the future without having to resort to substantial borrowings. The resulting growth in net debt would have exposed the State to large increases in interest costs and the real risk of losing its triple-A credit rating. The tax measures address avoidance issues by broadening the base as well as seeking additional revenue to fund on-going services. They are equitable responses to the fiscal imperatives facing the State, which do not burden the vast majority of Western Australian households.

In summary, the core features of the fiscal strategy contained in the 2001-02 Budget are:

- Introduction of the Government's election commitments in a fully funded manner;
- Achievement of the Government's election platform within a framework of fiscal targets, including maintenance of measures to retain the State's triple-A credit rating (see Chapter 1: *Economic and Fiscal Outlook – Summary*);
- Repair of a growing imbalance between revenue and expenses which resulted in four consecutive operating deficits to 1999-2000, and was masked in 2000-01 by unusually strong growth in revenue parameters and one-off factors including asset sales; and
- The implementation of revenue measures which contribute to the equity and efficiency of the tax system to address the imbalance.

Financial Projections

General Government

Summary

The general government sector represents the area of public sector operations over which the government has most control. Accordingly, financial projections of the operating statement for this sector are the primary focus of the annual budget.

The general government sector's finances are projected to strengthen across the budget projection period. A net operating surplus of \$51.6 million is forecast for the budget year (2001-02), increasing to be in the range of \$170 million to \$260 million in the medium term.

The sustainability of the forward estimates is due to an easing in the high growth in expenses of recent years along with the introduction of revenue raising initiatives.

The sector's net worth is expected to increase over the forward estimates period, in line with the overall strengthening in operating performance. At 30 June 2002, net worth is forecast to stand at \$33.6 billion, increasing further to \$35.7 billion by 30 June 2005.

Reflecting significant capital investment spending, general government net debt is forecast to rise from \$451.6 million at 30 June 2001 to \$1,122.1 million by 30 June 2003. Easings in capital spending, along with the ability to fund such investment through internally generated funds (via the improved operating position) rather than borrowings, enables net debt to stabilise around this level thereafter.

Operating Statement

The operating surplus of \$51.6 million for 2001-02 is higher than forecast at the time of the PFPS. As the following table shows, the surplus is then projected to increase in each of the forward estimates years.

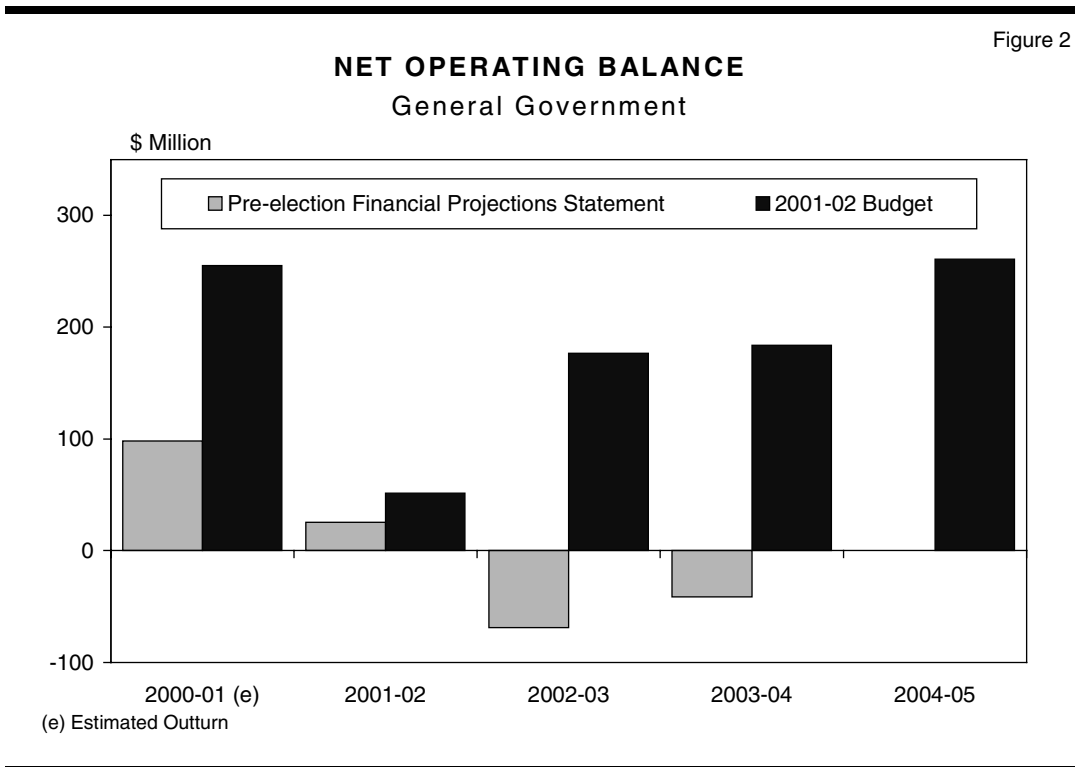
GENERAL GOVERNMENT						
Operating Statement						
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
REVENUE						
Taxation	3,421.7	2,861.1	2,775.5	3,039.8	3,218.1	3,392.8
Current grants and subsidies	3,673.6	4,772.3	5,157.0	5,096.6	5,162.4	5,456.0
Capital grants	202.7	255.4	287.0	280.2	256.8	231.9
Sales of goods and services	1,047.9	914.9	851.7	839.4	853.1	856.3
Interest income	118.8	130.4	136.0	128.0	121.2	108.4
Revenue from public corporations						
Dividends	381.4	398.3	421.9	414.9	431.1	448.7
Tax equivalent payments	214.3	357.5	232.8	257.5	260.9	270.2
Royalty income	468.7	685.5	643.9	647.1	644.5	626.6
Other	163.7	156.2	207.7	142.3	172.4	173.6
<i>Total</i>	<i>9,692.8</i>	<i>10,531.5</i>	<i>10,713.5</i>	<i>10,846.0</i>	<i>11,120.5</i>	<i>11,564.4</i>
EXPENSES						
Gross operating expenses						
Salaries	3,759.9	3,901.0	4,034.7	4,145.7	4,264.7	4,364.5
Depreciation and amortisation	453.7	443.0	496.0	516.4	537.7	561.8
Superannuation	332.8	353.0	364.3	395.9	406.2	416.3
Other	2,656.7	2,677.8	2,667.3	2,618.9	2,695.1	2,853.0
Nominal superannuation interest	296.7	304.1	274.4	277.4	281.4	285.3
Other interest	235.7	244.5	252.7	260.8	245.5	233.7
Current transfers	1,720.2	2,123.5	2,331.8	2,215.0	2,270.6	2,340.6
Capital transfers	267.3	229.4	240.8	239.4	235.5	248.5
<i>Total</i>	<i>9,723.0</i>	<i>10,276.4</i>	<i>10,661.9</i>	<i>10,669.4</i>	<i>10,936.8</i>	<i>11,303.6</i>
NET OPERATING BALANCE	-30.2	255.1	51.6	176.6	183.8	260.8

Note: Columns may not add due to rounding.

The \$255.1 million surplus expected for 2000-01 reflects the above average revenue growth experienced in the year. As mentioned earlier, this was due to parameter effects such as the historically low exchange rate and high oil price (which resulted in additional revenue of \$226.5 million compared to the estimating assumptions contained in the 2000-01 Budget) and the previous Government's policy decision to sell assets (\$252.1 million additional revenue).

The increasing net operating surplus for the general government sector over the three outyears is a result of revenue growth, which is forecast to be 2.6% per annum, exceeding average expenses growth of 2.0% per annum.

As illustrated in the following chart, the financial outlook is a turnaround from the projections at the time of the PFPS in which net operating deficits were forecast for 2002-03 and 2003-04.

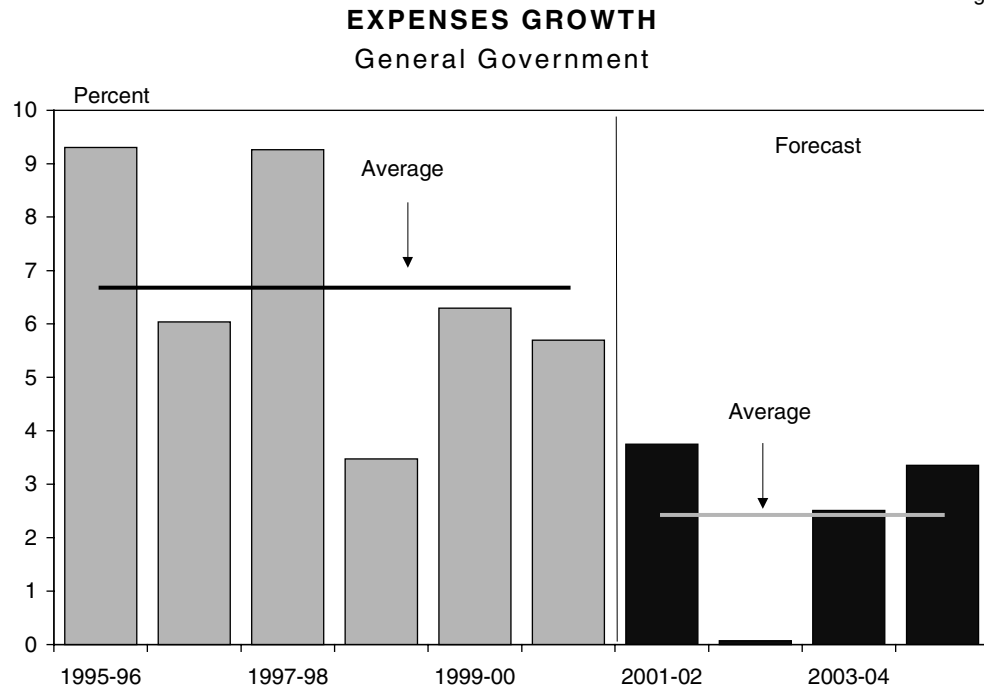


Expenses

Total operating expenses of the general government sector are expected to be \$10.7 billion in 2001-02. This is \$386 million (or 3.8% nominal) greater than estimated expenses in 2000-01. This will be the lowest growth in expenses since 1998-99 and, as illustrated in the following chart, compares to 6.7% growth per annum over the past six years.

Low growth in total expenses in 2002-03 of \$7.5 million (or 0.1%) reflects the cessation of a large number of one-off grants which are forecast to occur in 2001-02. These include drought-related grants to farmers and funds for the forests initiative. The reduction in grants in 2002-03 almost completely offsets low forecast growth in salaries, depreciation and other expenses.

Figure 3



Across the three outyears, expenses are projected to grow by an average of 2.0% (nominal) a year. This rate of growth is required if the State is to maintain sustainable operating surpluses and contain the growth in debt. Achieving this outcome will depend on a range of factors (discussed in the risks section below) but predominant amongst the pressures will be wage growth and health expenditure control.

Unsustainable growth in expenses has been the major fiscal policy issue facing Western Australia in recent years, (see *Trends in Public Sector Finances*). The Government has made a concerted effort in the 2001-02 Budget to address the ‘structural imbalance’ that has arisen in general government finances as a result of the significant historical expenses growth.

The general government’s largest operating expense is salaries. The Government’s Parity and Wages Policy, provides an integrated strategy to restore parity and provide for wage increases over the forward estimates period. Reflecting this, the total wages bill for the sector is expected to increase by 2.7% per annum on average over the projection period. In 2001-02, salaries are forecast to rise by 3.4%, affected by the Government’s decision to grant wage increases to a large number of government employees, for example, in the health sector.

The Government's labour relations policy provides for the discontinuance of workplace agreements, the introduction of collective arrangements and the restoration of parity of public sector pay and conditions between like employees. Implementation of the policy is based on the setting of benchmark parity rates of pay and providing increases to those who have been disadvantaged by the previous bargaining process. Thereafter, it is proposed that a general wages policy will be applied to the benchmark, progressively lifting all like employees to the same rate of pay and conditions. The estimated total cost of implementing of the Government's parity and wages policy is \$31.5 million over the forward estimate years.

Other gross operating expenses include the purchase of goods and services by government agencies. As such, a wide variety of items incidental to the day to day operations are covered by this item. Following growth of 0.8% in 2000-01, these expenses are forecast to decline by 0.4% in 2001-02 reflecting reductions across a range of agencies. Over the projection period, other gross operating expenses are forecast to grow by 2.3% per annum on average. This compares to growth of around 8% per annum over the term of the previous Government.

Included within this aggregate are expenses on advertising, promotion, consultants and travel. Reflecting the Government's election commitment to reduce expenses in these areas, expenditures on these items are estimated to decline by \$117.4 million over the four year projection period, including \$29.4 million in the budget year.

The Government concurrently funds the West State Super Scheme expense through payments to the Government Employees Superannuation Board. This is the only scheme open to new members. As at 1 July 2001, and in conjunction with the introduction of West State Super Scheme Member Investment Choice, the Government has introduced an arrangement for accelerated payment of the unfunded liability in relation to the West State Super Scheme.

These new arrangements amortise the \$632 million unfunded balance in West State Super Scheme member accounts as at 1 July 2001.

The total expenses relating to superannuation comprise the expense related to employment in the year of estimate and the "nominal superannuation interest". The latter amount has fallen in the budget year as a result of the arrangements to accelerate the payout of the unfunded liability under the West State Super Scheme.

Depreciation expense increases by \$53.0 million in 2001-02. Against a background of annual increases less than \$30 million, a number of one-off adjustments have influenced the 2001-02 estimate. The largest of these is the introduction of \$45.3 million depreciation on the government car fleet as a result of the cessation of private lease financing arrangements (the cost of which is offset by the termination of loan repayments to private financiers). Partially offsetting this increase is a reduction in depreciation on the road asset arising from revised estimates of the overall rate of deterioration of State roads.

Current transfers are forecast to increase by \$208.3 million (or 9.8%) in 2001-02, with increases in a broad range of areas including funding for vocational education and training, non-government schools, forests and emergency relief for drought affected farmers. A substantial portion of these grants are one-off in nature occurring in the budget year only. Accordingly, in 2002-03 current transfers decline by \$116.8 million (or 5.0%).

Also increasing in the budget year are funds provided to the PNFC sector in the form of community service obligations (CSOs). In particular, CSOs to the Water Corporation total \$238.8 million (up \$12.8 million from 2000-01), Western Australian Government Railways Commission \$49.8 million (up \$10.1 million), and Western Power \$32.1 million (up \$3.8 million). Further details on CSOs, and other payments to the PNFC sector, are contained in Appendix 6: *Public Corporations - Revenue and Expenses*.

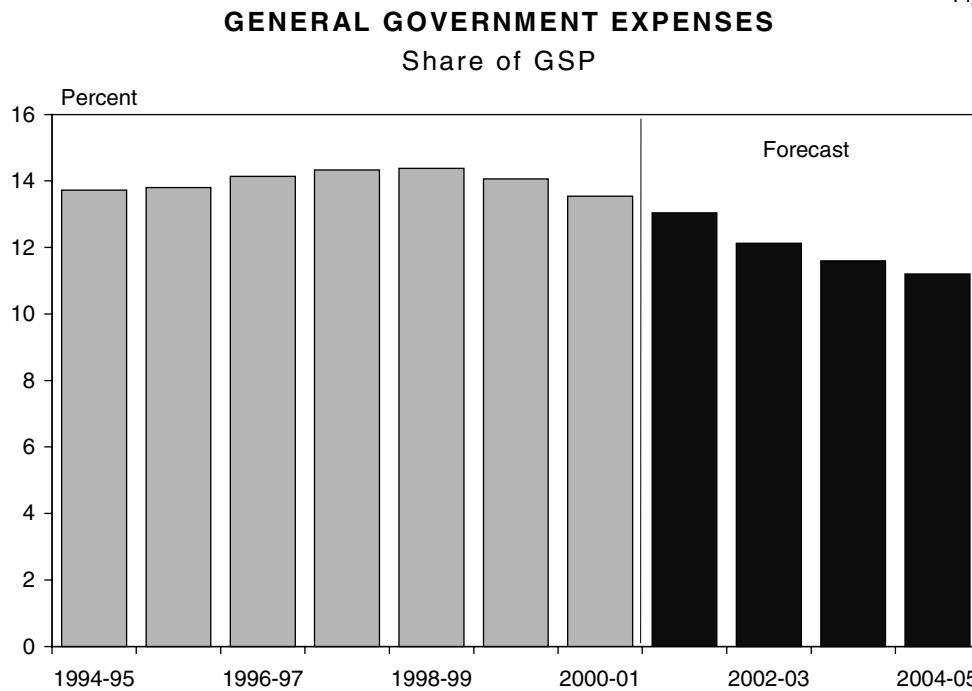
Funding under the Commonwealth-State Housing Agreement and for local government roads are the largest capital transfer items, totalling \$108.4 million and \$65.5 million respectively in 2001-02. These are estimated to remain relatively unchanged over time. In 2002-03 and 2003-04, a total of \$65.9 million in capital transfers is expensed for the Perth Convention and Exhibition Centre (PCEC)².

The level of interest expense reflects movements in borrowings outstanding and the average rate of interest on those borrowings. After increasing by around \$8 million per annum between 1999-2000 and 2002-03, interest expenses are forecast to fall in the last two outyears reflecting lower levels of debt. Interest expenses are at historically low levels and are expected to account for around 2.3% of total expenses on average over the forward estimate period.

Although general government expenses increase over the projection period, they are expected to decline relative to the size of the economy. In the budget year, expenses as a share of gross State product (GSP) are forecast to be 13%. This is expected to decline consistently to stand at just above 11% by 2004-05. As the following chart illustrates, this reduction continues the downward trend evident in the ratio since the peak of 14.4% in 1998-99.

² A total amount of \$122.0 million is provided in cash terms for the PCEC. The operating expenses portion of this is treated as a grant provided to the developer. The balance represents the State's acquisition of the future rights to the PCEC.

Figure 4



Revenue

Total operating revenue for the general government sector is expected to be \$10.7 billion in 2001-02. This represents an increase of \$181.9 million (or 1.7%) on 2000-01 estimated outturn revenue.

The low revenue growth in 2001-02 is due primarily to the windfall nature of the revenue growth in 2000-01. Reflecting large “one-off” revenue (mainly related to the sales of AlintaGas and Westrail Freight), together with the impact on mining royalties of a lower \$A/\$US exchange rate and a historically high level of oil prices, total revenue grew by \$839 million or 8.7% in 2000-01, the largest yearly since 1997-98. Abstracting from the impact of national tax reform, taxation revenue grew by 6.4% in 2000-01, approximately twice the rate of growth in the domestic economy (measured by nominal State final demand).

In 2001-02, the abolition of financial institutions duty and stamp duty on listed marketable securities, as part of national tax reform, will reduce the State’s total amount of tax collections (but will be offset by increased grants from the Commonwealth Government). This is despite the introduction of a number of taxation revenue raising measures, which have only a part-year effect in 2001-02. In addition, lower oil prices and subdued price conditions for most major mineral commodities are expected to result in a slight fall in mining royalties revenue.

The revenue raising measures being introduced as part of this Budget are necessary to address the structural problems in the State’s finances inherited from the previous Government. The Government’s election commitments have been funded through reprioritisation (see Chapter 3: *Delivering Our Commitments*).

Payments from the Commonwealth are expected to rise by \$416.2 million in 2001-02. This growth includes additional grants of \$153.2 million to offset the abolition by the State of financial institutions duty and stamp duty on listed marketable securities. Abstracting from the grants to compensate for this loss of taxation revenue, Commonwealth grants are expected to increase by a net \$263.0 million in 2001-02.

The remainder of this section outlines the new taxation revenue measures and the revenue estimates through to 2004-05 in each of the major categories. Information on major exemptions and concessions is included in the *Tax and Royalty Expenditure Statement* in Appendix 3.

New Taxation Measures

The table below summarises the impact on taxation revenue of new measures which have been introduced by the Government since the election in February 2001, or are part of the 2001-02 Budget.

SUMMARY OF TAXATION REVENUE MEASURES					
	2000-01 Estimated Actual \$m	2001-02 Budget Estimate \$m	2002-03 Forward Estimate \$m	2003-04 Forward Estimate \$m	2004-05 Forward Estimate \$m
Stamp Duty on Workers' Compensation Insurance – reduction for small business	-	-5.4	-5.7	-6.1	-6.5
TAB Betting Tax – reduction	-1.7	-4.3	-4.5	-4.6	-4.8
Improved Taxation Compliance	-	-	10.0	10.0	10.0
Payroll Tax:					
Grossing up the value of taxable fringe benefits	-	6.2	16.1	17.2	18.2
Extending payroll tax base to employee-like contractors	-	-	20.0	20.0	20.0
Increase in top payroll tax rate	-	27.0	63.0	67.0	72.0
Land Tax					
Removal of principal place of residence exemption for property held by companies and trusts	-	-	10.7	11.4	12.3
Revised land tax scale	-	-	28.6	30.6	32.7
Premium Property Tax	-	12.1	8.8	9.4	10.1
TOTAL IMPACT	-1.7	35.6	147.0	154.9	164.0

Note: Columns may not add due to rounding.

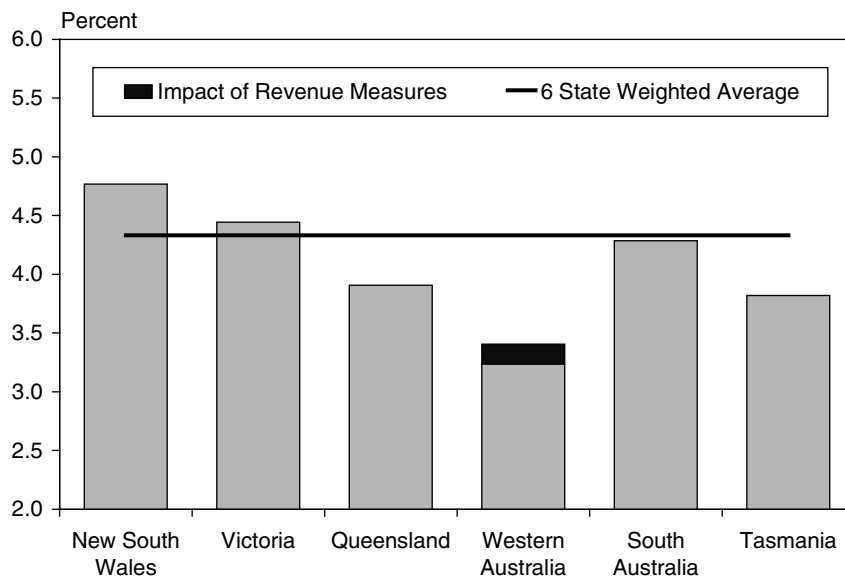
In general, the revenue raising measures are in the areas of payroll tax and land tax, which are two of the broader and more efficient tax bases available to the State. The other relatively broad tax bases available to the State are stamp duty on property conveyances, stamp duty on motor vehicles and stamp duty on insurance. However, each of these taxes was increased significantly in the 1998-99 or 1999-2000 budgets. More generally, transactions-based taxes such as stamp duties are often inefficient and distortionary, and directly impact on households. In contrast, the revenue raising measures introduced in this Budget will have no direct impact on ordinary Western Australian households.

Importantly, these measures are also consistent with the Government’s commitment to maintain Western Australia’s tax competitiveness. In 2002-03 (the first full year of the revenue raising measures), the measures are estimated to have no impact on Western Australia’s interstate ranking – in terms of both taxation revenue per capita and as a share of gross State product (GSP) – compared to the ranking that would have been observed in the absence of these measures. This is even after taking into account the tax reduction measures announced in other States’ budgets.

Specifically, in 2002-03, Western Australia is estimated to continue to be the fourth lowest taxing State on a per capita basis. When measured as a share of GSP (which is a better indicator of the tax burden because it reflects the capacity to pay tax, as measured by GSP per capita), Western Australia’s taxation level is projected to be the lowest of all States in 2002-03.

Figure 5

TAX COMPETITIVENESS
 General Government Taxation Revenue as a Percent of GSP,
 2002-03



The following provides further details on each of the Government’s new taxation revenue measures.

Stamp duty on workers' compensation insurance – reduction for small business

The Government's election commitment to assist small business by reducing the stamp duty rate for workers' compensation insurance was given effect on 30 June 2001 through a reduction in the stamp duty rate from 5% to 3% for businesses with an annual payroll below the payroll tax exemption threshold (currently \$675,000). This measure has alleviated a substantial burden which was imposed on small business by the increase in stamp duty on insurance (including workers' compensation insurance) introduced by the previous Government in 1998-99.

TAB betting tax – reduction

Commencing in March 2001, the racing industry has been receiving a rebate equivalent to 0.5% of TAB betting turnover, in line with the Government's election commitment to reduce the TAB betting tax rate from 5.0% of turnover to 4.5%. The additional funding to be received by the racing industry as a result of this measure is estimated to be around \$4.5 million per annum. This is distributed between the racing codes on the basis of the existing distribution of TAB funds to the racing industry.

Improved taxation compliance

The Government's election commitments incorporated an additional \$10 million per annum from improved taxation compliance. As a first step, the Government has established a working party (comprising the Department of Treasury and Finance, the Department of Mineral and Petroleum Resources and the Pastoral Lands Board) to examine available information on indirect transfers of ownership of mining and pastoral leases. Improved information on such transfers is expected to lead to improved compliance in the area of conveyance duty.

The working party is expected to finalise its report by 31 October 2001.

A range of other strategies aimed at improving compliance, particularly in the areas of stamp duty, land tax and payroll tax, are also being examined by the Office of State Revenue.

Payroll tax – grossing up the value of taxable fringe benefits

The payroll tax base will be extended to include the "grossed up" component of taxable fringe benefits from 1 January 2002. This measure will remove a current distortion that unfairly favours fringe benefits over cash wages, and is consistent with the Commonwealth's Fringe Benefits Tax (FBT) arrangements and similar measures announced by Victoria, Queensland and South Australia in their 2001-02 budgets. Remote area housing benefits and certain other prescribed fringe benefits paid by employers to employees in remote areas will continue to be exempt from payroll tax.

Payroll tax – extending payroll tax base to employee-like contractors

From 1 July 2002, the payroll tax base is to be extended to payments under contracts which are wholly or principally for the labour of “employee-like” contractors. This will improve the equity and efficiency of payroll tax and protect the payroll tax base from common law employees “converting” to contractors. It will also be consistent with arrangements in New South Wales, Victoria, South Australia and the ACT, which all have contractor provisions in their payroll tax legislation.

Only the labour component of payments to relevant contractors will be subject to payroll tax. Furthermore, a number of tests will be developed to ensure that payments to contractors who operate as independent businesses will not be subject to payroll tax. The Government will consult with tax professionals and relevant industry groups in the development of these tests.

Payroll tax – increase in top payroll tax rate

From 1 January 2002, the top payroll tax rate will be increased from 5.56% to 6.0%. This is around the average of the top payroll tax rates currently applying in the other States and Territories (see table below).

Importantly, this measure will only impact on medium to large employers with annual payrolls in excess of \$4.5 million. Based on average earnings, these employers would generally employ at least 100 employees.

Table 3

PAYROLL TAX SCALES AS AT 1 JANUARY 2002								
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
Exemption Threshold (\$)	600,000	515,000	850,000	675,000	456,000	1,000,000	1,250,000	600,000
Maximum Rate (%)	6.20	5.45	4.80	6.00	5.75	6.60	6.85	6.50

Land tax – removal of principal place of residence exemption for property held by companies and trusts

From 1 July 2002, the land tax base will be extended by removing the principal place of residence exemption for properties held by companies and trusts. This measure will confine the principal place of residence exemption to direct ownership-occupation, as distinct from indirect ownership structures (which are often adopted for tax minimisation purposes). Nevertheless, an exemption will continue to apply in limited circumstances, such as where a trust is established because the beneficiary is under a legal disability.

Land tax – revised land tax scale

From 1 July 2002, a more progressive land tax scale will be introduced which applies a new tax rate of 2.3% to land with an unimproved value between \$2 million and \$5 million, and a new rate of 2.5% to land with an unimproved value exceeding \$5 million. For land with an unimproved value of (say) \$5 million, the increase in annual land tax will be around \$9,000.

The new scale will also incorporate a five-fold increase in the land tax exemption threshold, from \$10,000 to \$50,000. This will result in an estimated 52,000 taxpayers, or nearly 30% of all land tax payers, being freed from paying land tax. A comparison of the current and proposed land tax scales is provided in the table below.

Table 4

LAND TAX SCALE				
Unimproved Value of Land (\$,000)	CURRENT SCALE		NEW SCALE (to apply from 1 July 2002)	
		Land Tax Payable		Land Tax Payable
0-10		Nil		Nil
10-50	\$15.00 + 0.15c per \$1 above \$10,000			Nil
50-100	\$75.00 + 0.15c per \$1 above \$50,000		\$75.00 + 0.15c per \$1 above \$50,000	
100-190	\$150.00 + 0.25c per \$1 above \$100,000		\$150.00 + 0.25c per \$1 above \$100,000	
190-325	\$375.00 + 0.45c per \$1 above \$190,000		\$375.00 + 0.45c per \$1 above \$190,000	
325-550	\$982.50 + 0.80c per \$1 above \$325,000		\$982.50 + 0.80c per \$1 above \$325,000	
550-850	\$2,782.50 + 1.20c per \$1 above \$550,000		\$2,782.50 + 1.20c per \$1 above \$550,000	
850-1,250	\$6,382.50 + 1.60c per \$1 above \$850,000		\$6,382.50 + 1.60c per \$1 above \$850,000	
1,250-2,000	\$12,782.50 + 2.00c per \$1 above \$1,250,000		\$12,782.50 + 2.00c per \$1 above \$1,250,000	
2,000-5,000		As above	\$27,782.50 + 2.30c per \$1 above \$2,000,000	
Over 5,000		As above	\$96,782.50 + 2.50c per \$1 above \$5,000,000	

An interstate comparison of land tax scales is provided in the following table.

Table 5

LAND TAX SCALES AS AT 1 JULY 2002

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
Exemption Threshold (\$)	205,000	125,000	200,000	50,000	50,000	1,000	0	Not Levied
Maximum Threshold (\$)	205,000	2,700,000	1,500,000	5,000,000	1,000,000	500,000	200,000	
Minimum Rate (%)	1.70	0.10	0.20	0.15	0.35	0.75	1.00	
Maximum Rate (%)	1.70	5.00	1.80	2.50	3.70	2.50	1.50	

Premium Property Tax

From 1 January 2002, a Premium Property Tax will be introduced for properties with an *unimproved land value* in excess of \$1 million and which are eligible for a principal place of residence land tax exemption. This tax will be applied at a rate of 2% on the portion of the unimproved land value in excess of \$1 million, with the threshold to be indexed annually in line with the Perth Consumer Price Index.

It is estimated that around 900 properties will be affected by this measure. Arrangements will be put in place to allow a deferral of the tax in circumstances where the owner of the property holds a Pensioner Concession Card, both a Commonwealth Seniors Health Card and a State Seniors Card, or a State Concession Card.

Review of State Business Taxes

The Government has also decided to conduct a review of the State's taxation system, with a particular focus on business taxes. While the revenue measures outlined above assist in broadening the State's revenue base and ensuring that revenue growth keeps up with growth in demand for government services and infrastructure, there remains significant scope to improve the overall efficiency, equity and simplicity of the State's tax system.

Accordingly, the Department of Treasury and Finance has been requested to undertake, in consultation with industry, a review of State taxes. The terms of reference for the review are as follows:

1. the review will examine all State taxes in Western Australia;
2. the review's overall objective will be to make recommendations on how to improve the efficiency, equity and simplicity of the State's tax system, with a particular focus on minimising compliance costs;
3. the review recommendations must have no net budgetary implications (ie. must be revenue neutral);

4. the review will be conducted by the Department of Treasury and Finance, with submissions being sought from key industry groups; and
5. the final report of the review is to be submitted to the Government by 28 February 2002.

Written submissions will be sought from around 20 industry and taxpayer associations, which will provide these groups with the opportunity to have a say on the appropriate design and structure of the State's tax system.

Taxation Revenue Estimates

The following table summarises the budget projections for State taxes, incorporating the revenue measures outlined above and forecast economic parameters.

Table 6						
TAXATION REVENUE						
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
TAXES ON EMPLOYERS' PAYROLL AND LABOUR FORCE						
Payroll taxes	765.7	822.6	910.4	1,044.6	1,112.9	1,183.8
TAXES ON PROPERTY						
Land taxes	195.5	217.3	238.6	290.6	310.9	332.6
Stamp duties on financial and capital transactions	672.3	707.4	656.4	709.4	761.4	802.9
Financial institutions transaction taxes	235.0	237.7	112.0	99.5	99.5	99.5
Other	40.1	44.7	47.4	49.5	53.2	56.3
Total	1,142.9	1,207.1	1,054.3	1,149.0	1,225.0	1,291.2
TAXES ON PROVISION OF GOODS AND SERVICES						
Taxes on gambling	170.1	121.6	114.1	115.5	114.5	115.3
Taxes on insurance	197.4	217.2	222.4	232.0	241.1	251.4
Other	2.7	-	-	-	-	-
Total	370.1	338.9	336.5	347.4	355.6	366.7
TAXES ON USE OF GOODS AND PERFORMANCE OF ACTIVITIES						
Motor vehicle taxes	389.7	450.1	474.3	498.8	524.6	551.0
Franchise fees	753.4	42.3	-	-	-	-
Other	-	0.1	0.1	0.1	0.1	0.1
Total	1,143.0	492.5	474.3	498.8	524.7	551.1
TOTAL TAXES	3,421.7	2,861.1^(a)	2,775.5	3,039.8	3,218.1	3,392.8

(a) The fall in taxation revenue in 2000-01 reflects the abolition of franchise fee replacement revenues and the reimbursement of GST on gambling operators' margins (which is treated as an offset to gambling tax revenue) under the national tax reform program.

Note: Columns may not add due to rounding.

The fall in total tax revenue in 2001-02 reflects the abolition of financial institutions duty and stamp duty on listed marketable securities (both from 1 July 2001) as part of national tax reform. These revenue losses are offset by GST revenue grants and budget balancing assistance from the Commonwealth. Details of these arrangements are outlined in the section below on Commonwealth grants and in Chapter 5: *Federal Affairs*.

Abstracting from the impact of tax reform, growth in tax revenues is expected to ease from 6.4% in 2000-01 to around 4.1% in 2001-02, then increase to 8.2% in 2002-03, reflecting the impact of economic growth on the State's tax bases and the net impact of new taxation revenue measures.

Beyond 2002-03, the growth in tax revenue is expected to stabilise at around 5.5% per annum, compared to economic growth (in nominal terms) of around 7% per annum and average annual growth in tax revenue of 7.8% over the period 1993-94 to 2000-01 (abstracting from the impact of national tax reform).

Additional information on the assumptions underlying the estimates for each of the major tax revenue categories is 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 32.8% of total taxation revenue in 2001-02.

The growth in payroll tax collections is expected to exceed 10% in both 2001-02 and 2002-03, reflecting forecast increases in employment and earnings, and measures to increase the top rate of payroll tax and extend the payroll tax base.

Taxes on property

This category comprises land taxes, stamp duties on financial and other capital transactions, financial institutions transaction taxes and other property-related taxes (such as the Metropolitan Region Improvement Tax). These taxes are estimated to account for around 38.0% of total taxation revenue in 2001-02.

The growth in land taxes is estimated to be around 9.8% in 2001-02 and 21.8% in 2002-03. The growth in 2001-02 reflects moderately low underlying growth in land valuations (of around 4%) and the introduction of the Premium Property Tax. The strong estimated growth in 2002-03 reflects the introduction of a new land tax scale and the extension of the land tax base to principal places of residence held by companies and trusts.

Stamp duties on financial and other capital transactions include stamp duties on property conveyances, mortgages and marketable securities. In 2000-01, collections were bolstered by the receipt of very large stamp duty payments related to the sales of AlintaGas and Westrail Freight and stronger than expected share market activity. These factors substantially offset the impact on conveyance duty collections of a sharp decline in housing purchases in the first half of 2000-01, which followed a surge in new housing construction ahead of the introduction of the GST on 1 July 2000. However, a recovery in conveyance duty collections was evident in the second half of 2000-01, reflecting the impact on property activity of the temporary \$7,000 increase in the First Home Owner Grant for new homes and successive reductions in interest rates.

Although the abolition of stamp duty on listed marketable securities will reduce total collections from stamp duties on financial and other capital transactions in 2001-02, conveyance duty collections are expected to continue to grow in response to the recovery in property activity. In line with the Government's election commitment to improve taxation compliance, the forward estimates of conveyance duty also incorporate an additional \$10 million per annum (from 2002-03) as a result of additional compliance activity.

Financial institutions transaction taxes comprise financial institutions duty (FID) and debits tax. The estimated fall in financial institutions transaction taxes in 2001-02 is due to the abolition of FID. Debits tax is expected to continue to decline in real terms, reflecting the deterioration of this tax base as alternatives to cheque account facilities become more widespread. Under the national tax reform program, debits tax is earmarked for abolition in 2005-06, subject to review by the Ministerial Council.

The growth in other property taxes mainly reflects expected growth in Metropolitan Region Improvement Tax collections.

Taxes on the provision of goods and services

This category includes taxes on gambling and insurance, and some minor levies. These tax revenues are expected to account for around 12.1% of total taxation revenue in 2001-02.

Taxes on gambling mainly comprise lotteries, casino tax and the TAB betting tax. The reduction in revenues from gambling after 1999-2000 is due to the reimbursement of GST on gambling operators' margins under the national tax reform program, to ensure that the net tax impost on gambling does not increase.

The estimates for lotteries revenue are based on the Lotteries Commission's projections of turnover for existing games, with no provision for the introduction of new games which may boost turnover. Casino tax revenue is projected to grow at a relatively slow pace, mainly reflecting continuing subdued growth in "high roller" activity. However, the domestic segment of Burswood Casino's turnover is expected to continue to grow steadily. TAB betting tax revenue is expected to fall by around 5% in net terms in 2001-02, reflecting the full year impact of the introduction of a rebate to return an additional 0.5% of betting turnover to the racing industry. Abstracting from the rebate, TAB betting tax revenue is expected to grow by around 2% in 2001-02 and around 3% per annum over the forward estimates period.

Taxes on insurance comprise stamp duty on insurance policies and the fire brigade levy paid by insurance companies. These revenues are expected to grow broadly in line with economic growth across the forward estimates period. The slower growth in 2001-02 reflects the impact of the Government's commitment to reduce the stamp duty rate on workers' compensation insurance for small businesses (from 5% to 3%).

Taxes on the use of goods and performance of activities

This category will mainly comprise motor vehicle taxes in 2001-02 and is expected to account for around 17.1% of total taxation revenue (the franchise fee component was abolished as part of national tax reform from 1 July 2000, with some lagged collections received during 2000-01 which related to transactions in the final weeks of 1999-2000).

Motor vehicle taxes comprise stamp duty on the registration and transfer of vehicle licences and revenue from annual vehicle registration fees. Motor vehicle stamp duty collections increased at a relatively slow rate (around 2%) in 2000-01, reflecting a smaller than expected boost to new motor vehicle sales from the abolition of wholesale sales tax on 1 July 2000. In 2001-02 and beyond, motor vehicle stamp duty collections are expected to increase by around 6% per annum, reflecting an expected moderate improvement in motor vehicle sales and prices.

Revenue from annual motor vehicle licence fees is estimated by the Department for Planning and Infrastructure to increase by around 5.5% per annum. This revenue is earmarked for road construction and maintenance.

Hypothecated revenues

This category includes a number of taxes which are applied to a trust fund for expenditure on a specific purpose. A summary of these hypothecated revenues in 2000-01 and 2001-02 is shown in the table below.

Table 7

HYPOTHECATED REVENUES^(a)

	2000-01 Estimated Actual \$m	2001-02 Budget Estimate \$m
MAIN ROADS TRUST FUND		
Permit Fees	1.8	1.6
Motor Vehicle Licences	288.9	303.8
METROPOLITAN REGION IMPROVEMENT FUND		
Metropolitan Region Improvement Tax	36.2	39.0
LOTTERIES COMMISSION		
Sports Lotteries Account	9.0	8.9
Arts Lotteries Account	9.0	8.9
Hospital Fund	72.2	67.4
TOTAL	417.1	429.6

(a) Permit fees and annual motor vehicle licence fees are classified as taxes on the 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.

Note: Columns may not add due to rounding.

*Other Own Source Revenue**Mining royalties*

Mining royalties are the price paid to the community by mining companies for the right to extract resources which are owned by the community.

Iron ore accounts for the largest share of mining royalties. Although the North West Shelf revenues which the State receives under royalty sharing arrangements with the Commonwealth are currently greater than the amount of 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 8

MINING ROYALTIES						
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
Iron Ore ^(a)	208.7	279.0	305.3	310.3	322.0	322.5
Petroleum – excluding North West Shelf ^(b)	10.3	45.5	33.1	27.3	18.5	13.1
Alumina	42.3	62.0	63.0	62.5	63.5	64.0
Diamonds	66.7	83.0	54.5	54.5	53.0	39.5
Mineral Sands	19.0	24.5	22.0	23.0	22.0	22.0
Nickel	42.0	62.5	55.5	58.5	60.5	61.0
Gold	33.9	78.5	69.0	68.0	61.5	61.0
Other	46.0	50.5	41.5	43.0	43.5	43.5
TOTAL ROYALTIES	468.7	685.5	643.9	647.1	644.5	626.6
Petroleum – North West Shelf	344.1	473.5	415.0	322.5	282.0	324.5
TOTAL ROYALTIES – INCLUDING NORTH WEST SHELF PETROLEUM	813.0	1,159.0	1,058.9	969.6	926.5	951.1
Lease Rentals ^(c)	35.6	36.0	38.2	38.4	38.4	38.4
TOTAL ROYALTIES – INCLUDING LEASE RENTALS	848.5	1,195.0	1,101.3	1,008.0	964.9	989.5

(a) Net amount which incorporates refunds and subsidy payments.

(b) Net amount which incorporates refunds and petroleum related payments to the Commonwealth.

(c) Lease rentals on mining and petroleum tenements. Classified as land rent under GFS classifications.

Note: Columns may not add due to rounding.

Mining royalties (including North West Shelf royalties) rose to above \$1 billion for the first time in 2000-01. This increase mainly reflected a 14% fall in the average \$A/\$US exchange rate from 62.9 in 1999-2000 to 53.8 in 2000-01 (all major mineral categories, except mineral sands, are sold under \$US contracts, but royalties apply to the \$A value), and the impact on petroleum royalties of a very high average oil price of around \$US30 per barrel. Other major contributing factors were solid growth in iron ore export volumes to Asian markets, an increase in the concessional gold royalty rate from 1.25% to 2.5% and improved diamond prices.

The projected falls in mining royalty revenue in 2001-02 and across the forward estimates period incorporate:

- individual mining company projections of sales, prices and operating costs supplied to the Department of Mineral and Petroleum Resources;
- an assumed \$A/\$US exchange rate across the forward estimates period of 51.5 (the average rate in the lead-up to the estimates being finalised); 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 continue to increase in 2001-02. In this regard, the most recent contract negotiations between major producers and Asian buyers resulted in higher prices of around 4% and moderate increases in export volumes.

Petroleum - Western Australia's off-shore petroleum royalties are largely received as a specific purpose payment from the Commonwealth in relation to the North West Shelf project area. As a result of Commonwealth Grants Commission assessments, increases in petroleum royalties have a negative impact on Western Australia's share of GST revenue grants in future years.

The petroleum royalty estimates incorporate additional output from the Legendre field in the North West Shelf project area (which commenced production in May 2001) and the recently committed 4th LNG train (commencing production in 2004-05). Nonetheless, a decline in petroleum royalties is expected in 2001-02 and across the forward estimates period, due largely to an easing in oil prices from an average price of around \$US30 per barrel in 2000-01 to projected averages of \$US25-26 per barrel in 2001-02, \$US21-22 per barrel in 2002-03 and \$US19-20 per barrel thereafter. There have also been significant upward revisions to estimated cost deductions from royalty payments by the North West Shelf project, reflecting a reassessment by project operators of the maintenance costs associated with the continued operation of existing production facilities.

In addition, a commercial arrangement between the North West Shelf Joint Venture and the permit holders of a tenement which adjoins the North West Shelf project area (the Athena field tenement) is expected to involve the processing of gas sourced from outside the North West Shelf project area at the North Rankin A facility for a 20 year period. The substitution of non-North West Shelf gas for gas from within the North West Shelf project area is estimated to reduce petroleum royalties by around \$22 million in 2001-02, \$20 million in 2002-03, \$14 million in 2003-04 and \$12 million in 2004-05.

Alumina - Alumina prices and export volumes are expected to increase in 2001-02, building on the boost provided by better than expected prices during 2000-01. However, downward pressure on prices is expected to be exerted by high levels of world alumina output and capacity in following years.

Diamonds - Higher than expected sale prices triggered a substantial profit-based diamond royalty payment by the Ashton Joint Venture in 2000-01. While prices are expected to remain around current levels, reduced production and increased operating costs are expected to result in lower diamond royalties in 2001-02 and across the forward estimates period.

Mineral sands - Production and prices are expected to be generally subdued in 2001-02 and across the forward estimates period, primarily reflecting expected international demand conditions.

Nickel - The generally flat outlook for nickel royalties in 2001-02 and across the forward estimates period reflects producers' expectations of an easing of prices, although the outlook also incorporates increased production from laterite mines.

Gold - Under the gold royalty arrangements, the royalty rate increased from 1.25% to 2.5% on 1 July 2000. The 2.5% royalty rate will continue to apply if the average gold price in each quarter is at least \$A450/oz, otherwise the lower concessionary rate of 1.25% applies. This price condition lasts until 30 June 2005, after which the royalty rate will be 2.5% irrespective of the gold price.

Consistent with industry expectations, the budget and forward estimates assume that the gold price will remain above \$A450/oz. The decline in gold royalties across the forward estimates period largely reflects an expected fall in production capacity at existing operations.

Lease rentals - These mining-related charges are essentially for exploration and production licences. An increase in the annual rental for mining leases from \$11.33 per hectare to \$12.00 per hectare was introduced in August 2001, and is estimated to raise around \$1.4 million in a full year. This measure will assist the Department of Mineral and Petroleum Resources to maintain its current level of services, particularly its title, safety and environmental management programs.

Public Corporations

The State's major public corporations are liable for income tax equivalent and dividend payments. A number of public corporations are also liable for local government rate 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.

Table 9

PUBLIC CORPORATIONS						
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
Income Tax Equivalent	192.4	349.4	225.7	250.3	253.5	262.7
Sales Tax Equivalent	17.6	1.8	-	-	-	-
Local Government Rates Equivalent	3.8	6.3	7.1	7.3	7.4	7.5
Dividends ^(a)	381.4	809.2	421.9	414.9	431.1	448.7
TOTAL	595.7	1,166.6	654.7	672.5	692.0	719.0

(a) Includes \$392.4 million and \$18.5 million from the sales of AlintaGas and Westrail Freight respectively in 2000-01. These amounts are treated as dividends for accounting purposes but as returns of equity in the GFS sectoral consolidation.

Note: Columns may not add due to rounding.

Revenue from public corporations in 2001-02 is estimated at \$654.7 million, which represents a decrease of \$511.9 million, or 44%, from the previous year. However, revenue in 2000-01 was unusually high, largely as a result of the sale of AlintaGas, which contributed to a one-off increase in dividend payments of around \$400 million, and in a one-off (capital gains) tax equivalent payment of \$131 million.

Revenue growth from public corporations in the outyears is driven largely by a forecast upward trend in the profitability of the Water Corporation.

The sale of AlintaGas and of Westrail Freight operations effectively reduced the number of agencies paying tax equivalents. Payments from the Water Corporation and Western Power are now forecast to account for more than 90% of the government's total income tax equivalent receipts in the 2001-02 budget and forward years.

The reduction in the company tax rate to 30% from 1 July 2001, which stemmed from the Ralph Review of Business Taxation and followed a previous decrease from 36% to 34% effective 1 July 2000, also placed further downward pressure on income tax equivalent receipts in the 2001-02 budget and forward years.

While wholesale sales tax (WST), and consequently WST equivalents, was abolished from 30 June 2000, some minor residual payments associated with motor vehicle leases entered into prior to that date continued to be made in 2000-01.

As with tax equivalent payments, the Water Corporation and Western Power represent more than 90% of the government's dividend receipts. The continued increase in estimated dividend payments in the outyears predominantly reflects higher forecast profitability by the Water Corporation. However, an increase in Western Power's dividend pay out ratio from 30% to 50%, which is more in accordance with the practice of commercial private sector corporations, also contributed to an overall increase in dividend payments from 2000-01.

The overall revenue receipts from public corporations is therefore even more dependent on the Water Corporation and Western Power, and subject to the factors impacting on these agencies' profitability. A more detailed overview of payments by individual public corporations can be found in Appendix 6: *Public Corporations – Revenue and Expenses*.

Commonwealth Grants

Commonwealth grants to the States take two forms:

- general purpose grants - which have no restrictions on how the money may be spent; and
- specific purpose payments - which must be applied to specific activities and have various other conditions attached.

In 2001-02, general purpose grants will consist of GST revenue grants, associated budget balancing assistance and 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 budget balancing assistance, on the premise of ensuring that no State budget is worse off as a result of the national tax reform arrangements.

General purpose grants are projected to increase significantly in 2001-02. However, this is partly to cover the abolition of financial institutions duty and stamp duty on listed marketable securities.

Excluding the impact of tax reform, general purpose grants to Western Australia are estimated to increase by \$78.2 million, an increase of 0.5% in real per capita terms. The real per capita increase is primarily due to the introduction of the third tranche of competition payments.

Unlike previous years, the Commonwealth Grants Commission ultimately did not recommend a reduction in Western Australia's grant share in 2001-02. However, forecasts of general purpose grants beyond 2001-02 reflect expectations of further declines in the State's share of grants through the Grants Commission process.

Western Australia is expected to continue to receive budget balancing assistance until 2004-05, when GST revenues are forecast to be larger than the grants and other State revenues (adjusted for changes in expenditure responsibilities) they have replaced.

Specific purpose payments (SPPs) to Western Australia are expected to increase by 13.5% in 2001-02, excluding payments through the State (ie. the payments on-passed to local government, private schools and first home buyers) and North West Shelf royalties received through the Commonwealth. In real per capita terms, these SPPs are expected to increase by 8.7% in 2001-02. This reflects a number of one-off payments, as well as growth in health and roads funding in that year (see also Chapter 5: *Federal Affairs*).

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

Table 10

COMMONWEALTH GRANTS

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Actual	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
GENERAL PURPOSE GRANTS ^(a)						
Financial assistance grants	1,591.4	-	-	-	-	-
GST revenue						
Grant	-	2,374.6	2,641.8	2,785.1	2,898.1	3,090.0
Budget balancing assistance	-	213.0	181.4	113.4	34.7	-
Competition payments	43.2	45.5	70.6	72.4	74.5	76.7
<i>Total General Purpose Grants</i>	<i>1,634.6</i>	<i>2,633.1</i>	<i>2,893.8</i>	<i>2,970.9</i>	<i>3,007.3</i>	<i>3,166.7</i>
SPECIFIC PURPOSE PAYMENTS						
SPPs "to" the State ^(b)	1,344.5	1,430.2	1,622.6	1,551.3	1,560.1	1,595.1
SPPs "through" the State ^(c)	410.3	490.9	512.6	532.2	569.8	601.6
North West Shelf Royalties	487.0	473.5	415.0	322.5	282.0	324.5
<i>Total SPPs</i>	<i>2,241.7</i>	<i>2,394.6</i>	<i>2,550.1</i>	<i>2,405.9</i>	<i>2,411.9</i>	<i>2,521.2</i>
TOTAL GRANTS	3,876.3	5,027.7	5,443.9	5,376.8	5,419.2	5,687.9

(a) Safety net revenues received in 1999-2000 and 2000-01 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, private schools and first home buyers; and North West Shelf royalty payments received from the Commonwealth.

(c) Payments on passed to local government, private schools and, from 2001-02, first home owners (ie. recipients of the additional \$7,000 for new home construction).

Sales of Goods and Services

The amounts that general government agencies charge the public for their goods and services, including recoupable works in the case of some agencies, is categorised as goods and services revenue.

Estimated revenue from the sale of goods and services are forecast to decline from an estimated outturn of \$914.9 million in 2000-01 to an expected \$851.7 million in 2001-02. The \$63.2 million decline is predominantly due to the removal from the general government sector of the commercial forest activities of the former Department of Conservation and Land Management. The Forest Products Commission, a PNFC, has undertaken these activities since 2 November 2000.

Departmental revenue 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 monies in the public bank account and other governmental trust accounts. The amount of these cash holdings and investments is expected to decline marginally over the forward estimates, with a corresponding fall in interest income from \$136.0 million in 2001-02 to \$108.4 million in 2004-05.

Balance Sheet

The general government balance sheet records the government's stocks of assets (financial and non-financial) and liabilities, and is shown in the following table.

The general government's net worth (ie. net assets adjusted for liabilities) is expected to increase over the budget projection period, rising from \$33.0 billion at 30 June 2001 to \$35.7 billion by 30 June 2005.

Total assets are projected to increase by \$661.6 million in 2001-02. Reflecting the high level of capital investment spending, \$669 million of this total increase in assets is accounted for by increases land and fixed assets (e.g. buildings, roads and other infrastructure).

Offsetting this to a degree is a fall in investments, loans and placements (down \$455.3 million). This largely relates to the proceeds from the sale of AlintaGas which are held and drawn down over the year to fund capital investment spending for projects such as the PURD and in other sectors such as health.

The general government's equity in other sectors of government, for example ownership interests in Western Power and the Water Corporation, is the other large asset on the general government balance sheet. This equity is forecast to increase by an average \$500 million each year over the projection period, largely reflecting the operating performance of these sectors.

General government liabilities are expected to rise in the budget year before falling moderately over the projections period. This mirrors movements in outstanding borrowings. Net debt, of which borrowings are a major component, is discussed later in this chapter.

Table 11

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2000 Actual \$m	2001 Estimated Actual \$m	2002 Budget Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m	2005 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	227.0	166.3	149.0	156.2	148.3	139.8
Advances paid	858.4	862.5	866.7	856.1	843.9	830.7
Investments, loans and placements	1,094.1	1,661.3	1,206.0	994.6	853.3	754.6
Other non-equity assets	767.5	719.7	661.2	672.0	699.9	698.1
Equity	14,757.5	15,258.4	15,717.1	16,261.9	16,794.9	17,246.3
<i>Total</i>	<i>17,704.6</i>	<i>18,668.2</i>	<i>18,599.9</i>	<i>18,940.7</i>	<i>19,340.3</i>	<i>19,669.4</i>
<i>Non-Financial assets</i>						
Land and fixed assets	23,259.5	24,067.2	24,736.2	25,039.2	25,264.8	25,561.6
Other non-financial assets	163.2	66.6	127.4	128.1	128.6	129.0
<i>Total</i>	<i>23,422.7</i>	<i>24,133.7</i>	<i>24,863.6</i>	<i>25,167.3</i>	<i>25,393.4</i>	<i>25,690.6</i>
TOTAL ASSETS	41,127.2	42,801.9	43,463.5	44,108.0	44,733.7	45,360.0
LIABILITIES						
Deposits held	150.8	213.0	176.3	189.5	186.8	171.4
Advances received	732.5	620.9	593.2	581.5	561.2	549.2
Borrowings	2,022.7	2,307.7	2,377.9	2,357.9	2,265.3	2,176.4
Unfunded superannuation liabilities	5,069.1	5,150.6	5,216.1	5,228.2	5,240.6	5,235.8
Other employee entitlements and provisions	976.2	999.6	1,026.9	1,060.9	1,108.6	967.8
Non-equity liabilities	484.9	491.6	455.6	411.2	420.4	537.5
TOTAL LIABILITIES	9,436.2	9,783.5	9,846.0	9,829.2	9,783.0	9,638.0
NET WORTH	31,691.0	33,018.4	33,617.4	34,278.8	34,950.6	35,721.9
<i>Memorandum Item: Net Debt</i>	<i>726.5</i>	<i>451.6</i>	<i>925.9</i>	<i>1,122.1</i>	<i>1,167.9</i>	<i>1,172.0</i>

Note: Columns may not add due to rounding.

Cash Flow Statement

The way the government acquires and spends cash is recorded in Table 12. Flows of cash in operating, investing and financing activities result in a fall in net cash held of \$272.7 million in 2001-02.

Net cash flows from operating activities (ie. current operations) are expected to be in surplus throughout the projection period, increasing from \$595.6 million in 2001-02 to a level of just under \$700 million thereafter.

Cash operating payments are expected to increase by an average 2.0% per annum (in nominal terms) between 2001-02 and 2004-05, reflecting increasing demand for government services. Receipts from operating activities are expected to increase marginally greater (2.2%) due to increases in tax receipts and grants from the Commonwealth.

The general government sector is forecast to record a cash deficit of \$380.3 million in 2001-02, falling to \$62.7 million in 2002-03. In 2003-04, the general government is expecting a cash surplus of \$29.8 million, the first cash surplus since 1996-97.

GENERAL GOVERNMENT
Cash Flow Statement

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	3,333.7	2,857.1	2,850.1	3,106.8	3,287.1	3,462.6
Receipts from sales of goods and services	1,131.5	889.0	876.6	815.7	811.1	818.7
Grants and subsidies received	3,811.4	5,088.7	5,444.5	5,388.9	5,439.4	5,708.6
Other receipts	1,187.0	2,266.2	2,160.6	2,105.5	2,112.7	2,107.7
<i>Total</i>	<i>9,463.5</i>	<i>11,101.0</i>	<i>11,331.8</i>	<i>11,416.8</i>	<i>11,650.3</i>	<i>12,097.6</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-6,818.1	-7,073.3	-7,299.3	-7,433.6	-7,622.0	-8,024.1
Grants and subsidies paid	-1,941.2	-2,203.1	-2,503.5	-2,414.0	-2,471.3	-2,525.4
Interest paid	-226.7	-240.3	-257.3	-261.1	-247.4	-238.1
Other payments	-121.8	-707.7	-676.1	-613.1	-612.4	-614.5
<i>Total</i>	<i>-9,107.8</i>	<i>-10,224.4</i>	<i>-10,736.2</i>	<i>-10,721.8</i>	<i>-10,953.1</i>	<i>-11,402.0</i>
Net Cash Flow from Operating Activities	355.7	876.6	595.6	695.0	697.2	695.5
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-841.7	-1,100.7	-1,112.7	-829.4	-776.0	-855.8
Sales of non-financial assets	99.7	64.5	136.9	71.7	108.5	108.5
<i>Total</i>	<i>-742.0</i>	<i>-1,036.2</i>	<i>-975.8</i>	<i>-757.7</i>	<i>-667.5</i>	<i>-747.3</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	280.5	445.9	-99.2	-99.8	-89.2	5.9
Liquidity purposes	-3.6	-74.7	51.2	47.3	23.8	15.2
<i>Total</i>	<i>276.8</i>	<i>371.2</i>	<i>-47.9</i>	<i>-52.5</i>	<i>-65.3</i>	<i>21.1</i>
Net Cash Flow from Investing Activities	-465.1	-665.0	-1,023.8	-810.2	-732.8	-726.1
FINANCING ACTIVITIES						
Advances received (net)	-202.1	-113.8	81.0	58.1	82.2	93.1
Borrowings (net)	286.6	283.4	129.3	-17.8	-90.4	-86.4
Deposits received (net)	-	32.4	-14.2	-	-	-
Distributions paid	-	-	-	-	-	-
Other financing	52.3	-45.0	-40.6	-21.9	-22.3	5.1
<i>Total</i>	<i>136.8</i>	<i>157.1</i>	<i>155.5</i>	<i>18.4</i>	<i>-30.5</i>	<i>11.8</i>
<i>Opening cash balance</i>	<i>742.0</i>	<i>769.4</i>	<i>1,138.0</i>	<i>865.4</i>	<i>768.6</i>	<i>702.5</i>
NET INCREASE IN CASH HELD	27.4	368.6	-272.7	-96.8	-66.1	-18.8
<i>Closing cash balance</i>	<i>769.4</i>	<i>1,138.0</i>	<i>865.4</i>	<i>768.6</i>	<i>702.5</i>	<i>683.6</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>-386.2</i>	<i>-159.6</i>	<i>-380.3</i>	<i>-62.7</i>	<i>29.8</i>	<i>-51.8</i>
<i>Surplus</i>	<i>-386.2</i>	<i>-159.6</i>	<i>-380.3</i>	<i>-62.7</i>	<i>29.8</i>	<i>-51.8</i>

Note: Columns may not add due to rounding.

Total Public Sector

The total public sector consolidates the general government, public non-financial corporations (PNFC) and public financial corporations (PFC) sectors. Full financial statements for all sectors are at Appendix 1.

Summary

The following table provides a summary of the total public sector's financial statements.

Table 13

TOTAL PUBLIC SECTOR						
Summary Financial Statements						
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
<u>OPERATING STATEMENT</u>						
Revenue	15,361.0	15,353.5	15,645.3	16,008.0	16,490.6	17,045.9
Expenses	15,064.1	15,023.8	15,412.7	15,567.7	16,061.2	16,544.3
Net Operating Balance	296.9	329.7	232.7	440.3	429.5	501.6
<u>BALANCE SHEET</u>						
Assets	53,468.5	55,455.7	57,684.4	58,797.5	59,968.5	60,457.4
Liabilities	21,777.5	22,437.3	24,067.0	24,518.7	25,017.9	24,735.5
Net Worth	31,691.0	33,018.4	33,617.4	34,278.7	34,950.6	35,721.9
<u>STATEMENT OF CASH FLOWS</u>						
Change in net cash held	530.6	477.2	-159.0	17.4	102.9	51.7
GFS Cash Surplus	-194.9	-586.6	-598.6	-201.0	21.7	72.8
<i>Memorandum Item: Net Debt</i>	4,974.3	4,429.6	5,186.1	5,424.2	5,508.1	5,507.3

Note: Columns may not add due to rounding.

The total public sector is forecast to record operating surpluses throughout the budget projection period, reflecting surpluses in all three sectors of government. In 2001-02, a total public sector operating surplus of \$232.7 million is forecast.

As outlined earlier, the net worth of the general government sector includes the net worth of the PNFC and PFC sectors. Accordingly, the total public sector's net worth is identical to that of the general government sector, with identical movements over the projection period.

Public Non-Financial Corporations

The PNFC sector is expected to record an operating surplus of \$131.8 million in 2001-02, up from the estimated outturn of \$8.4 million for 2000-01. While revenue is expected to decline by a marginal 1.5% (\$88.8 million), expenses are forecast to fall by 3.6% (\$212.3 million).

2001-02 Economic and Fiscal Outlook

The removal of AlintaGas and Westrail Freight revenue was the main driver behind the low estimated surplus for 2000-01. Compared with 1999-2000, revenue was around \$520 million lower while expenses were down \$290 million, reducing the net operating surplus by \$230 million. Beyond 2001-02, the net operating surplus for the PNFC sector is forecast to increase to above \$170 million.

The sector's net worth is expected to increase over the projection period. Although assets (and liabilities) related to AlintaGas and Westrail Freight were removed in 2000-01, investment in infrastructure such as the PURD project, water and wastewater services projects and power generation and distribution projects over the forward estimate period results in net worth increasing by \$425 million per annum on average.

Reflecting the substantial capital works spending of the sector, cash deficits are forecast over the medium term although they are expected to decline from \$452.9 million in 2001-02 to \$173.1 million by 2004-05.

Public Financial Corporations

The State's public financial corporations are forecast to remain in surplus throughout the forward estimates period. Operating expenses and revenue are strongly influenced by interest payments and receipts for the PFC sector.

Capital Investment

Summary

The capital works presentation aims to identify significant projects of a capital nature that are funded either directly or indirectly by government agencies. The program reflects the total investment undertaken by the Western Australian public sector, encompassing both the general government sector and public corporations such as Western Power, the Water Corporation and Port Authorities.

The criteria for projects included in the presentation are:

- Expenditure by the government sector that creates, or maintains the value of, an asset on the balance sheet of the agency; and/or
- Assistance provided by State Government departments or statutory authorities to a capital project (regardless of its accounting treatment by the provider of the assistance).

Examples of the investments by agencies include facilities such as schools, hospitals, roads, power, water, and parks available to the community. It also includes projects required to maintain the State's asset base and promote economic development.

Definitional issues related to the introduction of accrual appropriations in 2001-02 have resulted in some minor adjustments to the mix between recurrent and capital appropriations for some general government agencies in the forward years. In most cases this is the result of the accounting guideline that a capital appropriation (ie capital contribution) will only be made where the expenditure results in the creation or maintenance of an asset for the agency concerned.

2001-02 Capital Works Program

The State’s total planned 2001-02 Capital Works Program, including public corporations, is \$3.3 billion, \$155 million more than the estimated 2000-01 outturn of \$3.1 billion. The planned expenditure in 2001-02 reflects 4.6% as a proportion of gross State product.

A number of adjustments have been made to the capital forward estimates since the State Election. The changes made fall into two main categories. The first category was the accommodation of the Government’s election commitments, and the second related to other significant projects that represent priorities to the Government.

The accommodation of election commitments required additional funding of \$19.5 million between 2001-02 and 2003-04, after allowing for a \$31.7 million reduction in the scope of the Jervoise Bay Infrastructure project.

The other priorities resulted in the addition of \$97 million over the same period. This included the Geraldton Southern Transport Corridor, which the previous administration had identified to be funded from asset sales that are now unlikely. It also included provision for a replacement Fisheries Research facility and prison facilities around the State.

The Capital Works Program for 2001-02 is compared to 1999-2000 and 2000-01 in Table 14 below. The Program is predicated on works in progress and new works as set out for each agency in Budget Paper 2.

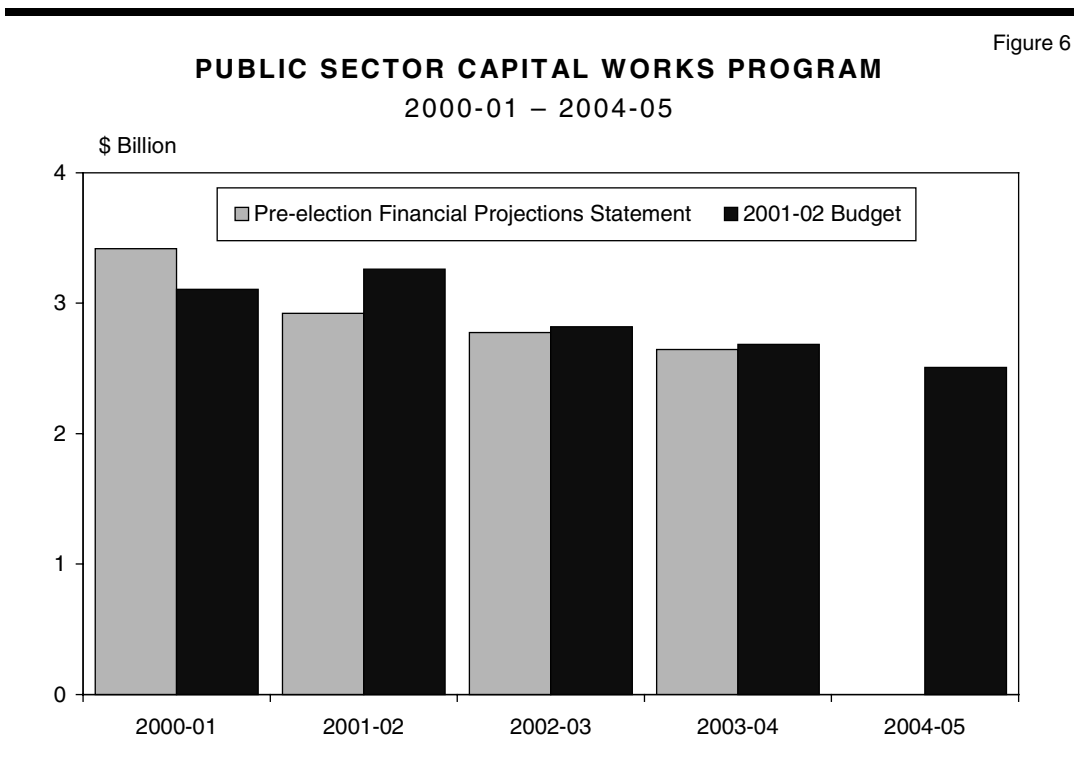
Table 14

PUBLIC SECTOR CAPITAL WORKS PROGRAM			
Sector	1999-00 Actual \$m	2000-01 Estimated Actual \$m	2001-02 Budget Estimate \$m
General Government	1,239.4	1,297.5	1,249.6
Public Corporations	1,642.9	1,809.3	2,012.5
GRAND TOTAL	2,882.3	3,106.8	3,262.1

Note: Columns may not add due to rounding.

In regard to the forward estimate years, total expenditures in 2002-03, 2003-04 and 2004-05 are expected to decrease when compared to the previous year, mainly due to a progressive decline in the capital programs of the public corporations. This is consistent with trends in previous presentations.

Figure 6 below illustrates this pattern by comparing the level of capital works over the forward estimates period to that which applied at the time of PFPS. As can be noted, the Capital Works Program over the period compares favourably with that which applied at the time of the PFPS.



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.

Key Expenditures

The following is a summary of key expenditures.

Health

It is projected that \$103 million will be spent on metropolitan and regional projects in 2001-02, including works on the following major hospital developments/upgrades:

- the completion of the Armadale/Kelmscott Hospital Redevelopment;

- the commencement of the Geraldton Hospital Redevelopment; and
- the commencement of proposed Women and Children's Health Service Developments.

Education

A total of \$140 million will be spent in 2001-02 on government school infrastructure, including:

- the commencement of the Mindarie Senior Campus;
- the commencement of the Eaton High School; and
- the construction of the Stamford Gardens Primary School.

Public Order and Safety

Expenditure in this sector in 2001-02 totals \$87 million, including \$50 million by the Department of Justice and \$37 million by the Police Service. Projects include:

- the upgrade of the Bandyup prison facility;
- the redevelopment of the Nyandi/Longmore Centre;
- the completion of the new Police Academy at Joondalup; and
- the Police Operations Support Facility at Midland.

Transport

A total of \$698 million will be spent on the Transport sector in 2001-02, including:

- \$388 million by Main Roads on a number of strategic road projects;
- \$142 million by the Western Australian Government Railways Commission, including the PURD and the upgrade of various railway stations in the metropolitan area;
- \$98 million by the eight regional Port Authorities; and
- \$70 million by the Department of Planning and Infrastructure, including the ongoing Bus Acquisition Program, expansion of dedicated cycleways at Perth and regional centres and the upgrade of the Boddington to Pinjarra Railway.

Housing and Community Services

- \$649 million will be spent by the State Housing Commission, including \$426 million on Keystart Loans; and
- \$411 million will be spent by the Water Corporation.

Recreation and Culture

- \$6 million has been allocated for expenditure on the Broome Cultural Centres and the Bunbury Heritage Centre.

Fuel and Energy

- Western Power will invest \$386 million on various power generation and distribution projects.

Funding Sources

The State's total 2001-02 Capital Works Program is financed from capital contribution (20%), funds included in output appropriations (3%), borrowings by authorities (15%), Commonwealth grants (8%), specific contributions (4%), asset sales (6%) internal funds and balances (4%) and other funds generated by agencies (40%).

The funding of the total public sector Capital Works Program is summarised in Table 15.

Table 15

FUNDING - PUBLIC SECTOR CAPITAL WORKS PROGRAM

	1999-00 Actual \$m	2000-01 Estimated Actual \$m	2001-02 Budget Estimate \$m
Sources			
APPROPRIATIONS			
Capital contribution	482.9	761.9	637.6
Funding included in output appropriations	-	-	106.6
OTHER FUNDING			
Holding Account	-	-	1.5
Borrowings	431.9	504.5	478.3
Commonwealth grants	179.6	193.4	263.0
Specific contributions	96.8	25.6	140.4
Land and Property Sales	226.9	234.6	211.7
Internal funds and balances	(26.3)	177.5	118.3
Other	1,490.5	1,209.3	1,304.7
GRAND TOTAL	2,882.3	3,106.8	3,262.1

Note: Columns may not add due to rounding.

Financing arrangements for individual agencies during 2001-02 and the three outyears, along with details of capital expenditure and other funding sources are summarised in Appendix 5.

The capital contribution represents the annual contribution from general revenue sources, primarily to general government sector agencies such as Health, Education, Police, and the like.

Over the forward estimates these contributions are influenced by the introduction of accrual appropriations, which requires that a capital contribution is only made where an asset is created on the balance sheet of the respective agency. All other expenditure (such as the nature of capital grants or the acquisition of information technology and other minor equipment) should be included in the agency appropriation for the delivery of outputs. Therefore, from 2001-02, a significant portion of the capital works presentation (around \$107 million in that year) will be identified as being funded from appropriations made for the delivery of outputs.

In addition, as agencies accumulate funds from the depreciation of assets in the Holding Account held by Treasury, the portion of the capital works program funded from the Holding Account over the forward estimates will increase. In 2001-02, this is not significant, however, it increases to around \$75 million in 2002-03.

Despite the impact on capital spending of the sale of AlintaGas and the Westrail Freight Business, capital expenditure by agencies that are funded from sources other than appropriations remains at high levels in 2001-02. This is primarily due to major expenditure on a number of strategic projects by Western Power (including the replacement of the Kwinana Power Station and improvements to the transmission and distribution systems) and the Water Corporation (including the Stirling Harvey Redevelopment Scheme and Trunk Main Extension project, and the upgrading of waste water treatment plants). These agencies use internal sources of funds and borrowings.

Borrowings, shown in Table 15, represent new borrowings raised to fund the required capital works³. The borrowings are primarily associated with the programs of:

- the Water Corporation - \$200 million;
- Main Roads WA - \$69 million; and
- the Western Australian Government Railways Commission - \$64 million.

Total public sector net debt is estimated to increase by \$756.5 million in 2001-02 to stand at \$5.2 billion by 30 June 2002. Over the three outyears, debt is forecast to remain relatively stable at around \$5.5 billion (more details are provided in the following section on net debt).

In addition to the above, the Commonwealth contributes funding to agencies such as Education, Health, State Housing, Main Roads, and Training and Employment under specific programs, usually involving dollar for dollar matching funding arrangements. These total \$263 million in 2001-02.

A further funding source is specific contributions. These are primarily funds forwarded to agencies such as Western Power by developers as their capital contribution to the capital cost of headworks and services.

³ As this does not take into account repayment of capital, it will not necessarily reconcile with the movement in net debt across the sector.

2001-02 Economic and Fiscal Outlook

Asset sales in 2001-02 of \$212 million will be used to fund the construction of new infrastructure and represent 6% of capital funding sources.

In 2001-02 the State Housing Commission proposes to finance capital investment by selling land estimated at \$139 million, while the East Perth Redevelopment Authority seeks to spend over \$20 million acquiring properties prior to resale for development.

The “Internal funds and balances” and “Other” funding source categories generally refer to funds accumulated by agencies such as cash surpluses and the carryover of funds not expended on projects in the prior year. However, these categories may also include minor asset sales or agency revenue set aside for expenditure of a capital nature.

Net Debt

For investment in economic and social infrastructure, which yields benefits over many years, debt funding is consistent, in broad terms, with sound financial management principles, as long as debt servicing and depreciation costs are covered by revenue over the useful life of the infrastructure. In this case service delivery levels may be indefinitely maintained.

Total Public Sector

At the time of the PFPS, the level of net debt was projected to increase significantly over the period to 2003-04. Net debt as a proportion of State revenue for the total public sector was estimated to grow from 30.3% in 2000-01 to 37.2% in 2003-04. At this level and given the rate of growth in debt it was highly probable that the State’s triple-A credit rating was at risk.

Against this background the Government has undertaken a comprehensive review of State finances. It has restored operating surpluses over the forward estimates and has restructured the capital works program to provide for a more sustained growth in net debt. The following chart compares the outlook for the level of total public sector net debt at the time of the PFPS with 2001-02 Budget projections. Importantly, the alarming rise in the ratio of net debt to revenue has been arrested, with the ratio forecast to remain stable at around 33% on average over the projection period.

Table 16 shows a breakdown of the projections for Western Australia’s level of net debt by sector and composition.

Figure 7

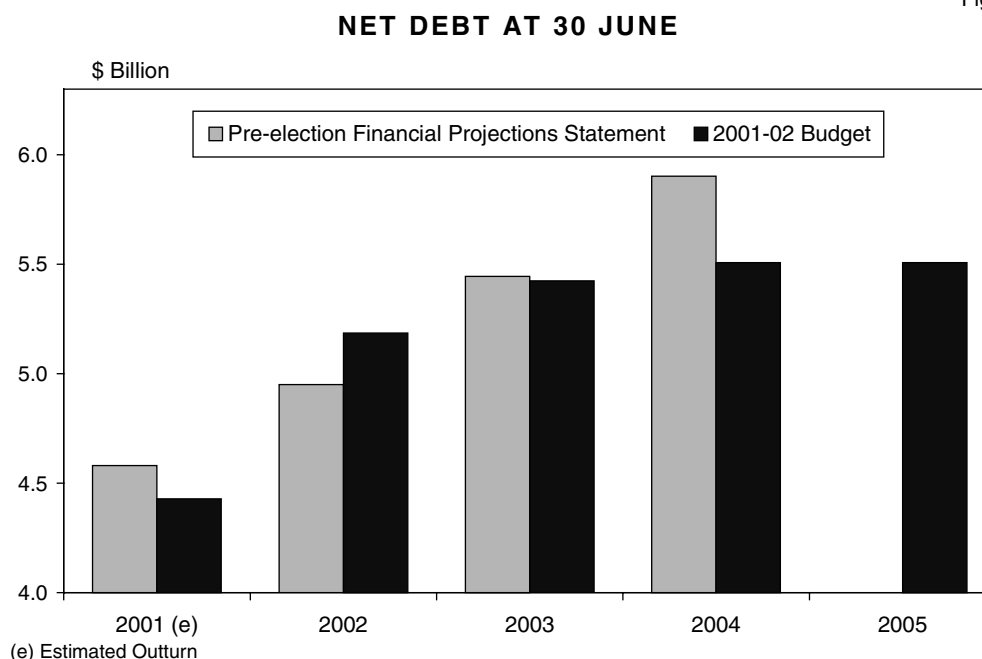


Table 16

NET DEBT OF THE PUBLIC SECTOR AT 30 JUNE
Summary Financial Statements

	2000 Actual \$m	2001 Estimated Actual \$m	2002 Budget Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m	2005 Forward Estimate \$m
GENERAL GOVERNMENT						
Gross Debt ^(a)	2,906.0	3,141.6	3,147.5	3,128.9	3,013.3	2,897.0
Cash, Deposits and Lending ^(b)	2,179.5	2,690.0	2,221.6	2,006.8	1,845.4	1,725.0
Net Debt	726.5	451.6	925.9	1,122.1	1,167.9	1,172.0
PUBLIC NON-FINANCIAL CORPORATIONS						
Gross Debt ^(a)	6,461.2	6,135.1	6,395.2	6,523.8	6,648.3	6,695.8
Cash, Deposits and Lending ^(b)	1,589.7	1,542.9	1,488.8	1,524.7	1,554.6	1,537.5
Net Debt	4,871.5	4,592.2	4,906.4	4,999.1	5,093.7	5,158.2
TOTAL NON-FINANCIAL PUBLIC SECTOR ^(c)						
Gross Debt ^(a)	8,643.8	8,570.3	8,871.8	8,981.8	9,003.4	8,959.9
Cash, Deposits and Lending ^(b)	3,045.9	3,526.5	3,039.5	2,860.6	2,741.8	2,629.7
Net Debt	5,597.9	5,043.8	5,832.2	6,121.1	6,261.6	6,330.2
PUBLIC FINANCIAL CORPORATIONS						
Gross Debt ^(a)	12,288.7	12,493.6	14,062.0	14,369.6	14,595.6	14,128.3
Cash, Deposits and Lending ^(b)	12,912.8	13,107.8	14,708.1	15,066.6	15,349.1	14,951.2
Net Debt	-624.1	-614.1	-646.2	-697.0	-753.5	-822.9
TOTAL PUBLIC SECTOR ^(c)						
Gross Debt ^(a)	12,462.6	12,646.7	14,115.3	14,403.1	14,594.5	14,085.0
Cash, Deposits and Lending ^(b)	7,488.3	8,217.1	8,929.2	8,979.0	9,086.4	8,577.6
Net Debt	4,974.3	4,429.6	5,186.1	5,424.2	5,508.1	5,507.3

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

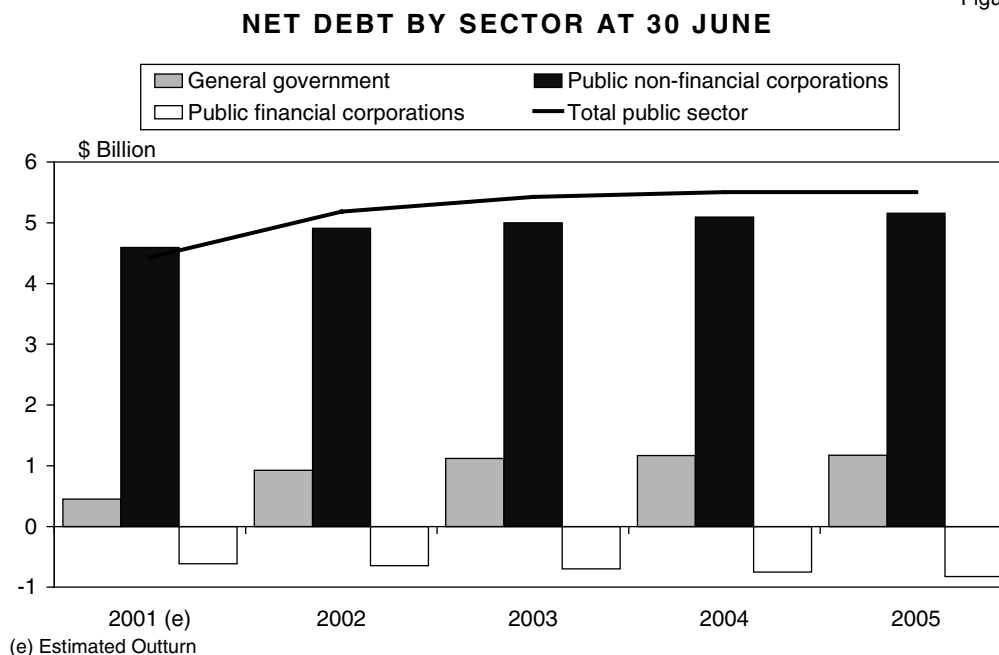
(b) Includes loans and debt securities and derivatives in a net asset position. Excludes accounts receivable, prepayments and equities.

(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.

Overall, the level of total public sector net debt is forecast to stand at \$5.2 billion at 30 June 2002. This is \$756.5 million higher than the estimated outturn at 30 June 2001 and is due to increases in general government and PNFC debt levels, details of which are discussed below. As a share of gross State product, net debt is expected to fall steadily over the projection period, from 6.4% in 2001-02 to 5.5% in 2004-05.

Figure 8



General Government

General government net debt is expected to increase by \$474.3 million in the budget year to stand at \$925.9 million at 30 June 2002. This is a result of ongoing capital investment in the areas of health, education and law and order, and increased levels of investment by agencies such as the Planning Commission and the Department of Industry and Technology (Jervis Bay infrastructure project).

The level of net debt achieved in 2000-01 was near the historical low of \$400 million recorded in 1997-98 and reflected the use of \$121.4 million of the proceeds from the sale of AlintaGas to retire debt.

Over the projection period, the level of general government net debt is expected to rise marginally, with less reliance on borrowings to fund capital works given the higher surpluses on operations which, in turn, increases the availability of internally generated funds.

The cost of servicing net debt is represented by interest expense. As a proportion of general government expenses, interest expenses are clearly manageable, averaging between 2.1% and 2.4% per annum over the projection period.

Public Non-Financial Corporations

The PNFC sector holds the majority of total public sector net debt. Agencies within this sector service this debt through normal commercial operations.

Net debt of the PNFC sector is expected to increase by \$314.2 million in 2001-02 and by an average \$80 million per annum thereafter. These increases reflect investment in a number of projects, including rolling stock and infrastructure related to the PURD project.

Public Financial Corporations

The PFCs are forecast to be in a net creditor position over the budget projections period. In this sector, large gross debt figures are more than offset by financial assets and thus make a negative contribution to total public sector net debt.

PFCs are expected to achieve a credit of \$646.2 million in 2001-02, up from \$614.1 million in 2000-01. The size of this credit is forecast to increase steadily over time.

Trends in Public Sector Finances

Introduction

This is the second year that the State budget has been formulated in accordance with the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) accrual methodology⁴. This methodology has been adopted by all Australian Governments for the purpose of Uniform Presentation Framework (UPF) of public finances. The current UPF format was approved at the June 1999 Council of Australian Governments meeting.

Western Australia has been presenting accrual whole of government accounts under accounting standards since 1993-94. Utilising this information, and other unpublished data, Treasury has recast the financial data for each year from 1993-94 into the current framework for all sectors of the Government (see *Accrual Budget Background Information, Government of Western Australia, 11 May 2000*).⁵

The following section looks at recent trends in public sector finances for the general government and total public sectors, with references, to the public corporations sectors (financial and non-financial). Specifically, operating statement measures (revenue, expenses and the net operating results), balance sheet measures (such as net worth and net debt) and the GFS cash surplus are analysed.

⁴ Further information on the conceptual framework of accrual GFS is contained in the *Reader's Guide to the 2001-02 Budget Papers*.

⁵ Since *Accrual Budget Background Information* was prepared, minor classification changes have been made relating to net interest and tax revenue. These have no impact upon the bottom line measures on each statement but result in minor changes to the mix of revenue and expenses aggregates.

Operating Statement

The operating statement records ‘flows’ information, showing revenues and expenses arising from the government’s operations in that year. These flows are influenced by the cost and demand environment within which government services are delivered, the macroeconomic environment within which revenues are collected, government policy decisions relating to revenues and expenses and the financial relations between the different levels of government.

The following table provides historical data for the major aggregates of the operating statement for both the general government and total public sectors.

Table 17								
OPERATING STATEMENT								
Major Aggregates								
	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	Actual
								\$m
GENERAL GOVERNMENT								
Revenue	6,755.6	7,397.0	7,930.3	7,892.1	8,575.7	9,012.4	9,692.8	10,531.5
Expenses	7,114.4	6,979.7	7,629.2	8,090.0	8,839.2	9,147.4	9,723.0	10,276.4
Net Operating Result	-358.8	417.3	301.1	-197.9	-263.5	-135.0	-30.2	255.1
TOTAL PUBLIC SECTOR								
Revenue	12,777.3	13,481.4	13,474.8	13,330.3	14,635.5	14,437.3	15,361.0	15,353.5
Expenses	12,298.9	12,414.6	12,840.7	12,983.0	14,458.4	13,947.0	15,064.1	15,023.8
Net Operating Result	478.4	1,067.5	634.1	347.5	176.6	490.3	296.9	329.7

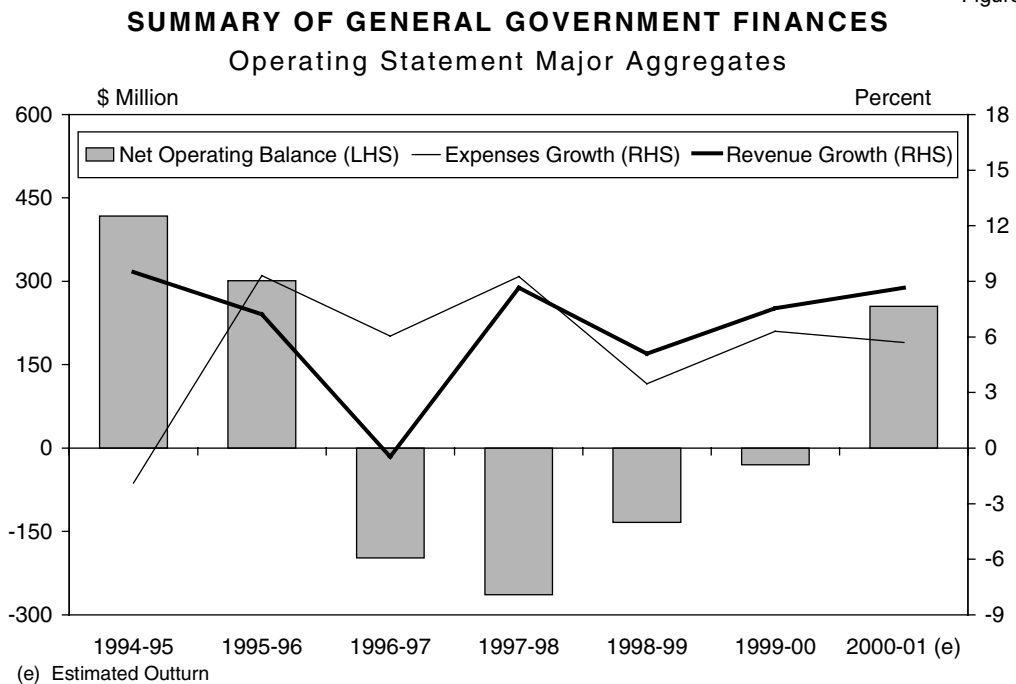
Note: Columns may not add due to rounding.

General Government

The general government sector operating balance is the “headline” focus of the Budget Papers and financial reporting through the year. General government agencies operate mainly with central funding by Government and provide core community service and government administration functions. In recent years, a structural imbalance between general government revenue and expenses has developed, which is particularly apparent when unusual revenue movements and one-off factors such as asset sales are taken into consideration.

As the chart below illustrates, following two surpluses in 1994-95 and 1995-96, the general government sector turned to deficit for the four years from 1996-97 to 1999-2000.

Figure 9



Those deficits were largely the result of expense growth exceeding revenue growth in the years 1995-96 to 1997-98. Over this period, expenses grew, on average, by 3 percentage points per annum faster than revenue. Expenses grew by a nominal 8.2% per annum over the three years, while revenue rose at an annual average rate of 5.1%.

Expense growth in this period was boosted by a number of one-off factors, including:

- the impact of the first round of workplace and enterprise agreements, which were registered in 1995-96 and 1996-97; and
- the introduction of community service obligation payments to the public non-financial corporations sector.

While the impact of these one-off factors has diminished over time, expense growth was still 5.2% per annum in the years 1998-99 to 2000-01 (estimated outcome).

However, estimated expense growth was lower than estimated revenue growth of 7.1% in these same years, resulting in a movement of the general government sector operating balance back into surplus in 2000-01.

However, revenue growth in recent years has incorporated the benefit of the AlintaGas and Westrail Freight sales (in 2000-01) of \$252.1 million and the gains in royalties from the higher than forecast world oil price and lower than forecast value of the Australian dollar (in 1999-2000 and 2000-01). For example, the latter revenue parameters added \$226.5 million between the 2000-01 Budget estimate and the estimated outcome.

The revenue boost from the sales of AlintaGas and Westrail Freight account for almost the entire 2000-01 surplus. Further, the sale of AlintaGas and Westrail Freight have removed revenue of around \$90 million per annum over the forward estimates period.

The contributors to expenses growth over time can be classified into:

- policy decisions announced in budgets;
- policy decisions made between budgets; and
- parameter effects (accounting classifications effects have been excluded for the following analysis).

Policy measures⁶ announced in budgets often have financial impacts for the budget year, the three forward years and beyond as they are built into the funding base of agencies.

Between 1996-97 and 2000-01, new policy decisions amounted to a cumulative \$1.8 billion in additional operating expenses, or around 83% of the total change in expense over the four years. In contrast, parameter⁷ influences contributed only around \$445 million to additional expenses over the same period. The policy decisions mentioned above flow into the current budget year, causing expenses to be about \$1 billion higher in that year than if those decisions had not been made.

In contrast to expenses, revenue policy decisions accounted for 37% of the total change in revenue over the same period, amounting to a cumulative \$915 million. In particular, debits tax rates were doubled in 1997-98 while rises in motor vehicle licence fees and stamp duties on conveyances and insurance occurred in 1998-99. For revenue as a whole, the main source of variation has been parameter influences, accounting for over \$1.5 billion of the additional operating revenue achieved between 1996-97 and 2000-01.

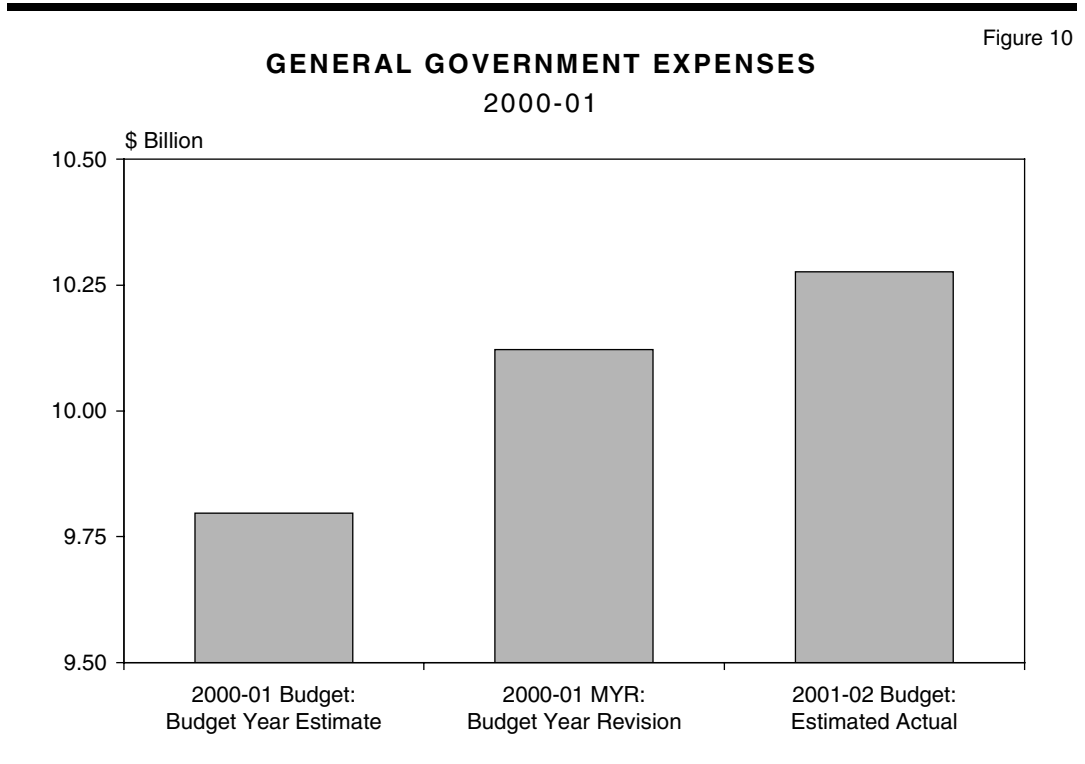
These parameter revenue variations can disappear at any time, unlike the expense policy decisions that add to the base and flow into forward estimate years. Except for cases where policy decisions taken in this Budget have their first impact after the budget year (eg the extension of the payroll tax base to employee-like contractors) forward estimates variations from year to year comprise entirely parameter effects.

Strong growth in expenses over recent years has been partly due to expense commitments made between budgets. Under the *Financial Administration and Audit Act 1985*, the Treasurer, via the Treasurer's Advance Account (TAA), is able to authorise payments that are deemed to be of an extraordinary or unforeseen nature. Between 1996-97 and 2000-01 appropriations have increased by more than \$200 million relative to budget estimates in each year, as a result of the unbudgeted factors.

⁶ Variations referred to as "policy" measures are those reflecting decisions of the Government of the day. A large proportion of policy measures reflect additional funding allocated by the Government to meet increased demand in the key service delivery areas of government. The amounts involved can be considered as either parameter changes or policy decisions however, historically they have been treated as policy decisions in Western Australia. This is consistent with the vast majority of expenditure being authorised by annual Appropriation Acts rather than Standing Acts which provide entitlements to particular services.

⁷ "Parameter" changes reflect revisions to economic aggregates and/or the timing or magnitude of financial estimates. "Other" changes (excluded from this analysis) are generally changes in accounting treatments and transfers of responsibilities between agencies.

To illustrate the chain of events described above, the following chart tracks general government expenses for the 2000-01 financial year from when it was first published as a budget year estimate to its current status as an estimated outturn in this Budget's financial projections. The gradual shift upwards is clearly apparent, with the estimated outturn figure around \$550 million higher than when it was the budget estimate.



Total Public Sector

The total public sector⁸ operating result consolidates the results from transactions of all sectors of government - general government, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector. (In the table below, this result is not equal to the addition of the results for the individual sectors as intersectoral transactions are eliminated.)

⁸ Total public sector reporting is also known as 'whole of government' reporting.

Table 18

NET OPERATING RESULTS								
Total Public Sector								
	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
General government	-358.8	417.3	301.1	-197.9	-263.5	-135.0	-30.2	255.1
Public non-financial corporations	589.6	469.5	205.8	301.2	389.1	337.6	238.6	8.4
Public financial corporations	247.5	180.7	127.1	244.2	51.1	287.7	87.7	66.2
Total public sector	478.4	1,067.5	634.1	347.5	176.6	490.3	196.9	329.7

Note: Columns may not add due to rounding.

Historically, the largest contributor to the substantial surpluses recorded by the total public sector is the net operating result from the PNFC sector. This largely reflects the revenue and expenses related to the sale of goods and services such as electricity, gas, water, housing and other major products offered by agencies within the sector.

The PFC sector has also generally achieved operating surpluses over time. The investing and borrowing activities of the State's central financing entity, the Western Australian Treasury Corporation, is the main contributor to the result of this sector.

The Balance Sheet

The balance sheet records 'stocks' information which highlights the fiscal position of a government at a point in time, and provides information on the results of past decisions. Stocks at the beginning of a period, plus the cumulative result of flows in the period are equal to stocks at the end of the period.

The key aggregates of the balance sheet are net worth and net debt, trends in which are summarised below.

Net Worth

Net worth provides a comprehensive picture of the overall financial position and is calculated as total assets (both financial and non-financial) less total liabilities.

Under GFS principles, net worth of the total public sector is the same as net worth of the general government sector in the case of all State Governments.⁵ This is because the general government sector holds equity in the public corporations sectors. PNFC equity appears in the general government balance sheet as a financial asset.

For analytical purposes, the total public sector balance sheet provides more meaningful information than the general government balance sheet as the equity holding mentioned above is split across the individual assets and liabilities classes held by PNFCs.

⁵ An exception occurs in the case of the Commonwealth Government because PNFC's (Telstra) shares are traded and a different asset value is recorded as general government net assets.

The following table provides historical data for major aggregates from the total public sector balance sheet.

Table 19

TOTAL PUBLIC SECTOR BALANCE SHEET
Major Aggregates at 30 June

	1994	1995	1996	1997	1998	1999	2000	2001 Estimated
	Actual \$m	Actual \$m	Actual \$m	Actual \$m	Actual \$m	Actual \$m	Actual \$m	Actual \$m
Financial assets	18,383.2	16,384.1	7,157.7	7,284.8	7,673.5	8,721.8	9,328.4	10,262.8
Non-financial assets	29,482.3	36,061.2	39,329.8	42,720.0	42,701.1	43,510.4	44,140.0	45,192.9
<i>Includes:</i>								
Land and fixed assets	29,461.5	36,008.7	39,301.2	42,702.1	42,134.0	43,224.9	43,975.0	45,116.8
<i>Total assets</i>	<i>47,865.6</i>	<i>52,445.3</i>	<i>46,487.5</i>	<i>50,004.9</i>	<i>50,374.5</i>	<i>52,232.2</i>	<i>53,468.5</i>	<i>55,455.7</i>
<i>Total liabilities</i>	<i>32,370.3</i>	<i>29,456.3</i>	<i>19,660.5</i>	<i>20,268.6</i>	<i>19,454.2</i>	<i>20,746.1</i>	<i>21,778.0</i>	<i>22,438.3</i>
Net Worth	15,495.3	22,989.0	26,827.0	29,736.2	30,920.3	31,486.2	31,690.5	33,017.4

Note: Columns may not add due to rounding.

Between 30 June 1994 and 30 June 2001 (estimated outturn), the net worth of the total public sector more than doubled, rising from \$15.5 billion to \$33.0 billion.

Over that period the total assets of the government have increased from \$47.9 billion to \$55.5 billion. However, this overall increase comprises changes that have occurred in the classes of assets held.

The sale of BankWest in December 1995 resulted in a large decline in the value of financial assets, down from \$16.4 billion at 30 June 1995 to \$7.2 billion at 30 June 1996. This was due to the transfer from the public to the private sector of investment monies held by BankWest. Since 30 June 1996, the value of financial assets has grown steadily, rising to \$10.3 billion at 30 June 2001.

The (almost) halving in the value of financial assets since 30 June 1994 has been more than offset by strong growth in the value of non-financial or physical assets. These have increased from \$29.5 billion to \$45.1 billion at 30 June 2001, reflecting rises in the value of land (\$4.3 billion) and capital investment in power stations, dams, roads and other infrastructure.

Total liabilities of the public sector have decreased substantially over the past seven years, falling from \$32.4 billion at 30 June 1994 to an estimated \$22.4 billion at 30 June 2001. This primarily reflects a large reduction in gross borrowings, enabled by the sale of government assets (BankWest and the Dampier to Bunbury natural gas pipeline in the mid 1990s, and more recently AlintaGas and Westrail Freight) as well as surpluses earned throughout the period. Superannuation liabilities have virtually ceased to grow, as a result of government's decision to concurrently fund the West State Superannuation Scheme.

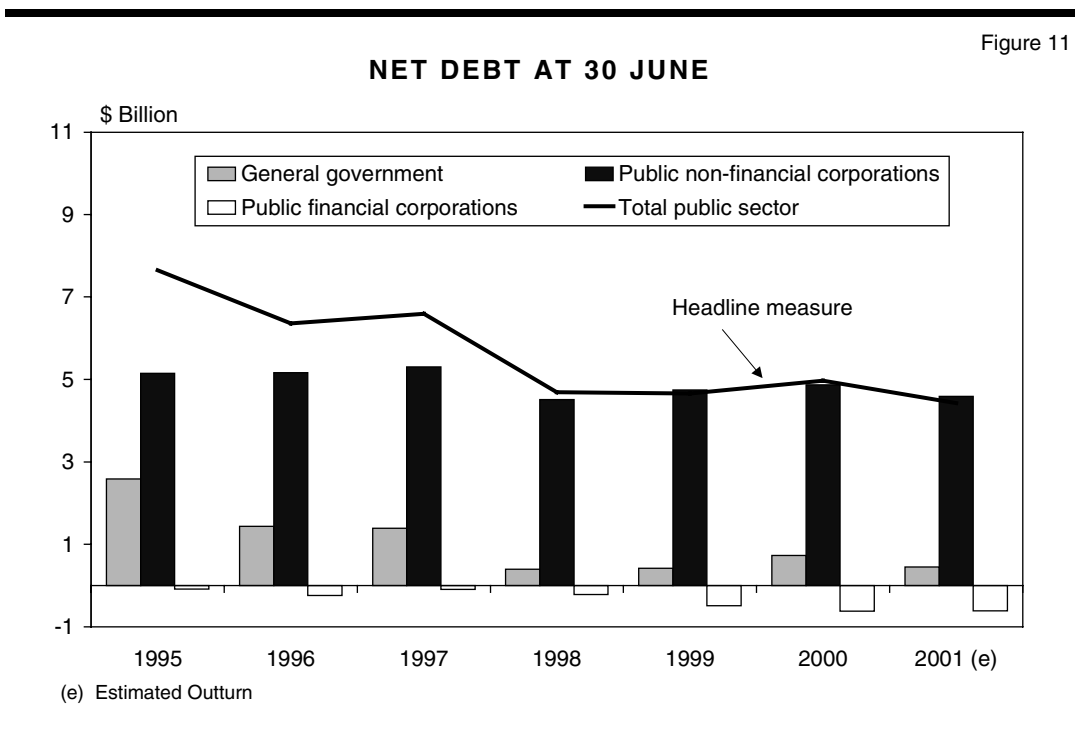
Net Debt

Increases in net debt levels impact directly upon the operating position of the public sector *via* interest payments. Higher debt can, therefore, limit government flexibility in providing services. Further debt can affect the overall sustainability of operations.

Net debt comprises the stock of selected gross financial liabilities (deposits held, advances received and borrowings) less certain financial assets (cash and deposits, advances paid and investments, loans and placements).

The ‘headline’ net debt figure, referred to in financial reports for Western Australia, is for the total public sector. Within the total public sector, the majority of net debt resides in PNFCs. However, the level of general government net debt is also important as this debt is a direct result of decisions on the operating expenses, capital investment spending and revenue on core government services. Moreover, the servicing of general government net debt interest costs falls directly on the taxpayer.

The following chart shows the level of net debt across sectors over the last seven years.



General government net debt fell substantially during the early to mid 1990s due to the combination of the use of sale proceeds from government assets to retire gross debt and the improved financial performance of the sector.

After falling to around \$400 million at 30 June 1998, general government net debt increased in the years that followed and stood at \$726.5 million at 30 June 2000. This increase was largely due to gross borrowings undertaken to fund capital works such as the TransformWA road program. The sale of AlintaGas in October 2000 enabled the retirement of a further \$121.4 million of general government debt, in addition to the extinguishment of AlintaGas debt held at the time of the sale.

Most of the State's net debt is held by the PNFCs, which service that debt through commercial operations. Significant declines in gross borrowings, a component of net debt, have occurred over time, due to the sale of government enterprises and retirement of their attendant debt. The sale of the Dampier to Bunbury natural gas pipeline allowed the net debt for the PNFC sector to fall by around \$800 million in 1997-98.

In recent years, the PNFCs have undertaken major improvements in the sector's infrastructure, including rail rolling stock, dams and water distribution investments, a sewerage infill program and a new power station in Collie. This has resulted in both net debt and physical assets increasing between 1997-98 and 1999-2000. However, the sales of AlintaGas and Westrail Freight in 2000-01 allowed for significant reductions in net debt in 2000-01, of around \$320 million and \$489 million respectively.

The PFCs have historically been net creditors. In the PFC sector, large gross debt figures are more than offset by financial assets to make a negative contribution to net debt.

The Cash Flow Statement

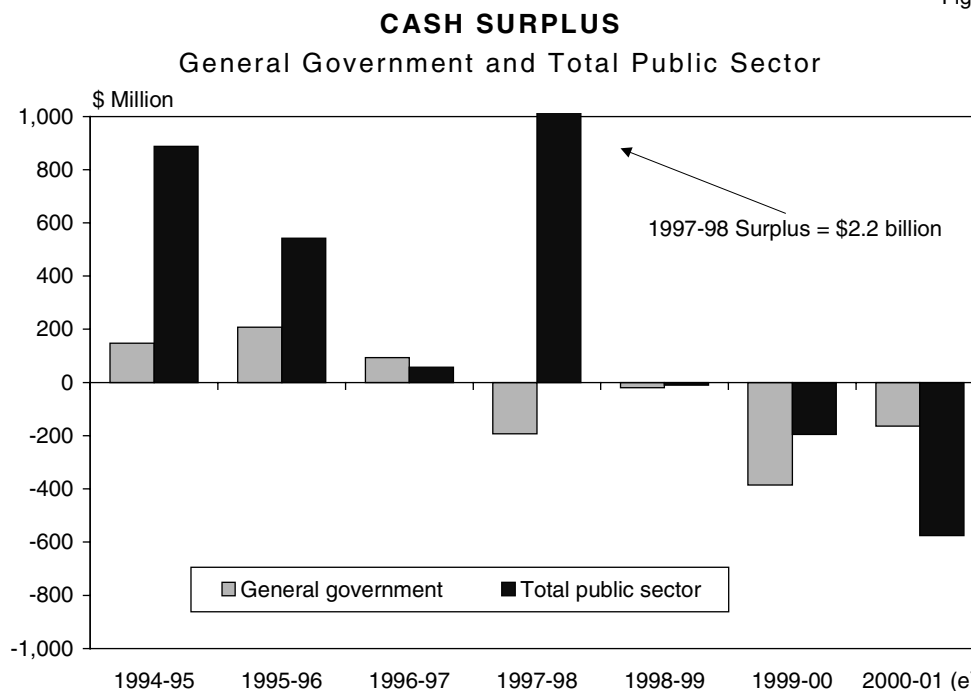
The cash flow statement records a government's cash receipts and payments, categorised into operating, investing and financing activities.

Cash Surplus

The cash surplus is conceptually equivalent under the previous cash GFS framework and the new accrual GFS framework, and provides an indication of a government's need to call on financial markets to meet its obligations.

Between 1993-94 and the estimated outturn for 2000-01, the general government sector achieved only three cash surplus results. For the total public sector, only four surplus results have occurred. The ongoing capital works program and growing operating expenses have placed significant pressure on the State's cash surplus for some time.

Figure 12



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 these 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.

An important step in managing risk is comprehensive identification and timely reporting of financial risks. This allows them to be managed in conjunction with the 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 relevant department or statutory authority, together with suitable risk management policies and practices.

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 discussed in this section.

Estimating Assumptions

The 2001-02 Budget's major economic parameters are detailed in the following table. From a macroeconomic point of view the primary risk is lower economic growth than forecast as a result of weak growth in the United States and Japan. These risks are discussed in Chapter 4: *The Western Australian Economy*.

MAJOR ECONOMIC AGGREGATES					
	2000-01 Estimated Actual	2001-02 Budget Estimate	2002-03 Forward Estimate	2003-04 Forward Estimate	2004-05 Forward Estimate
Real gross State product ^(a) (%)	1.75	4.0	5.00	4.75	4.75
Real State final demand ^(b) (%)	-0.5	4.5	4.00	3.75	3.25
Consumer price index ^(c) (%)	2.5	3.0	2.75	2.75	2.5
Wages growth ^(d) (%)	6.0	4.75	3.5	3.5	3.5
Employment growth (%)	1.5	1.25	3.25	2.75	2.75
\$A/\$US	53.8	51.5 ^(e)	51.5	51.5	51.5
Oil Price \$US per barrel	30.0	25.0 ^(e)	21.0	19.0	19.0

(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 the 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 analysing movements in major budget aggregates.

(b) State final demand (SFD) measures total domestic spending within the State. SFD is used in forecasting a number of taxes, including stamp duties and financial transaction taxes.

(c) Does not incorporate any impact of the introduction of the GST.

(d) This table shows average weekly earnings (AWE) growth (which is used in forecasting payroll tax revenue) rather than the wage cost index measure which is reported in Chapter 4: *The Western Australian Economy*.

(e) Forecast for remainder of 2001-02.

Parameter Sensitivity of Revenue Estimates

The estimated effects on revenue estimates of variations in State final demand, wages and employment growth, the national Consumer Price Index, the \$A/\$US exchange rate and oil prices are as follows:

- the annual total tax estimate varies by around \$8 million for each 1.0 percentage point variation in nominal State final demand growth;
- the annual payroll tax estimate varies by around \$9 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 \$17.0 million for each 1.0 cent change in the \$A/\$US exchange rate;
- the annual petroleum royalty estimate (including North West Shelf petroleum royalties) varies by around \$19.0 million for each \$US1 variation in the price of a barrel of oil;
- Commonwealth general purpose grants vary by around \$24 million for each 1.0 percentage point variation in the national Consumer Price Index; and
- revenue from public corporations is sensitive to the business environment of operations of the relevant enterprise.

Commonwealth Grants

General Purpose Grants

The State is currently receiving “budget balancing assistance” from the Commonwealth. The level of this assistance is determined according to a methodology agreed between the previous State Government and the Commonwealth. It is based on the premise that the assistance will be paid at a level to ensure that the State is “no worse off” under the GST-based national tax changes. It is intended to offset any GST revenue shortfall.

As long as the State requires budget balancing assistance (currently expected until 2004-05), growth in total general purpose grants to the State will depend on parameters such as the national Consumer Price Index and population growth (which were used to index financial assistance grants under the pre-tax reform arrangements), rather than actual GST collections.

If GST revenue growth is higher than projected, budget balancing assistance may cease (with the State then being in a net positive financial position compared to the old arrangements) earlier than 2004-05.

Western Australia’s share of GST revenue grants and budget balancing assistance is based on annual recommendations by the Commonwealth Grants Commission. These recommendations incorporate the State’s population share and the Commission’s estimates of the State’s capacity to raise revenue from its own sources and its per capita cost of providing services, compared to other States.

Western Australia’s share is forecast to decline over the forward estimates period. However, experience shows that the annual change in Western Australia’s share can be quite significant and is difficult to predict.

Competition payments are conditional on the State satisfying the Commonwealth on its progress in implementing National Competition Policy and related reforms. Western Australia's progress in 2000-01 has been assessed as satisfactory by the National Competition Council (NCC) and, subject to the Commonwealth Treasurer agreeing with the NCC, the full payment will be received in 2001-02. Payments in future years will also depend on whether the NCC concludes that our obligations have been met and the Commonwealth Treasurer accepts that assessment. If not, funding from this source would be reduced.

Specific Purpose Payments (SPPs)

In the Intergovernmental Agreement on the GST-based national tax changes, the Commonwealth has indicated that it has no intention of cutting aggregate SPPs as a result of tax reform, reflecting the intention that the States should be better off under the new arrangements. However, should GST revenues grow substantially in future years, there is a risk that the Commonwealth may allow SPPs to be eroded.

The forward estimates for SPPs also have a margin of uncertainty (particularly for new SPPs and in later years), reflecting the potential for Commonwealth policy changes, the reliance in some cases on successful State submissions for funding, the outcome of negotiations on detailed funding arrangements and parameter uncertainties (such as indexation for inflation and population growth).

State Taxes

As noted above, the forward estimates of taxation revenue are based on projected growth in key economic parameters such as employment, wages and State final demand. Risk factors in these assessments include international developments and the outlook for business investment (which, by virtue of its "lumpy" nature, is very difficult to forecast).

Stamp duties linked to the historically volatile property and share markets are difficult to forecast, although this risk has been lessened by the abolition of stamp duty on listed marketable securities from 1 July 2001.

The outlook for debits tax is also relatively uncertain, due to more widespread use of alternatives to cheque facilities and New South Wales' intention to remove debits tax in January 2002.

Mining Royalties

As noted above, the mining royalty estimates are sensitive to 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 \$A450/oz will trigger the full royalty rate of 2.5% for the whole of 2001-02 and the forward estimates period.

Revenue from Public Corporations

A particular risk to the business environment of the Water Corporation relates to the possibility of ongoing restrictions on the use of water. The size of this effect depends on the severity of the restrictions, the response of water users and any other changes to forecast business parameters.

Expenses

Two important parameter influences on the course of expenses are growth in wages and the effects of inflation on the cost of goods and services. To the extent that estimated parameters do not occur, there may be pressure for supplementary funding or on service delivery levels. The 2001-02 Budget is based on agency funding sufficient to accommodate the wages policy described in the *Expenses* section of Chapter 2: *Fiscal Strategy and Financial Projections*. Non-wage components of agency funding have been inflated at 2.5% in 2001-02.

The Government has agreed a certain level of savings across operating expenses over the forward estimates period. To the extent that there is any slippage in agencies not achieving the agreed level of savings, including by seeking to fund savings through the running down of cash or build up of liabilities, there is likely to be upward pressure on expenses.

Some areas of general government expenses are more susceptible to external pressures than others. For example, health sector demand pressures and funding requirements are currently difficult to estimate. Significant management and policy changes are also being implemented in this sector.

Demand for public sector services is to a large extent driven by economic and population 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).

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.

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 2000, the latest date at which published figures are available, quantified contingent liabilities of the Treasurer⁹ were in the order of \$1,436.5 million comprising:

- Contingent liabilities under guarantees, indemnities and sureties (\$410.5 million); and
- Guaranteed obligations of the Bank of Western Australia Ltd (\$1,026 million at credit risk equivalent)¹⁰.

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.

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.

During the process of the sale of AlintaGas, the State issued the following indemnities:

- the provision of various indemnities to the directors of AlintaGas Limited, the directors of the Gas Corporation, certain employees of AlintaGas and representatives of the AlintaGas Sale Steering Committee in relation to matters pertaining to the sale of AlintaGas.
- the provision of an indemnity to certain other persons acting on behalf of the State in respect of the sale of AlintaGas.

⁹ 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.

¹⁰ 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.

CHAPTER 3

Delivering Our Commitments

Summary

This chapter provides information on how the Government's election commitments are to be funded and delivered in the budget year and the forward estimate period.

During the election campaign the Government released information on the costing of its election commitments and how these commitments would be funded. New initiatives totalling \$756.3 million in operating expenses over the four years to 2004-05 were identified. These initiatives were to be funded through a number of savings measures, the largest single measure being a priority dividend. The purpose of this measure was to reprioritise expenses by seeking a dividend payment from agencies, for redirection to the highest priority areas of education, health and law and order. There were also a large number of specific savings measures.

The Government subsequently extended the dividend task by \$50.0 million a year with the aim of securing sustainable operating surpluses across the forward estimate period.

In addition, the Government reassessed the costing of its election commitments. The most significant amendment to those costings was due to the further development of the 'Protecting Our Old Growth Forests' commitment. This decision increased the original additional funding requirement of \$18.0 million across the forward estimate period to a total additional requirement of \$61.1 million. This increase was partially offset by \$20.0 million reduction as a result of the decision to review the establishment of an LPG conversion program. In total the operating election commitments were costed at \$785.3 million, an increase of \$29.0 million over the pre-election estimates.

The Government also committed to a total of \$461.1 million in new capital expenditure based on the *Pre-election Financial Projections Statement* (PFPS). After further analysis of the cost of some of the proposals, this cost was estimated at \$478.0 million.

The overall funding strategy for the capital commitments was for agencies to re-allocate funds within their existing capital works programs which had not been specifically allocated to projects. However, it was also acknowledged that some re-prioritisation across agencies would be required.

In summary, the Government accommodated most of its specific election commitments by reprioritising expenditures within the parameters of the capital forward estimates that applied at the time of the PFPS. However, an additional net \$19.5 million has been added to capital works between 2001-02 and 2003-04 largely due to the incapacity to re-prioritise Culture and the Arts and Transport projects, due to the circumstance faced by the respective agencies. The major saving in the capital works program was due to a reduction in the scope of the Jervoise Bay Infrastructure Project of \$31.7 million. In the road program the completion of the election commitments will involve a carryover of \$87.0 million in 2005-06.

In addition the Government committed to developing the Geraldton Southern Transport Corridor on the basis that funds were available in the forward estimate period. However, the previous administration had planned to fund the rail component of the project from asset sales. This is now not likely to eventuate. Accordingly, the Western Australian Government Railways Commission has authority to borrow \$53.0 million to fund the rail component, with \$40.0 million to be spent over the current forward estimate period.

The following table compares the costings of the Government's election commitments pre-election with the actual costings as reflected in this budget.

GENERAL GOVERNMENT		
Implementation of the Election Commitments and Savings Initiatives		
	Budget Impact over 4 years (\$m)	
	Strategy	Outcome
Election expenditure initiatives	756.3	785.3
Priority, assurance and other savings	-1,176.3	-851.5
Capital election initiatives (additional cost)	-	19.5

The projected financial impact of implementing election commitments and savings initiatives on the operating surplus in 2001-02 was estimated pre-election to be an improvement by \$11.8 million. The actual impact as reflected in this budget is an improvement of \$65.5 million.

Election and Other Major Commitments

Details of the Government's costed election commitments and other major budget commitments for each of the Government's new 14 ministerial portfolios are provided below.

The following tables in most instances, together with the costing booklet released during the election campaign, contain commitments that were not understood to be specifically funded in the existing forward estimate period with the exception of minor capital works.

Premier; Minister for Public Sector Management; Federal Affairs; Science; Citizenship and Multicultural Interests

Table 2

PREMIER; MINISTER FOR PUBLIC SECTOR MANAGEMENT; FEDERAL AFFAIRS; SCIENCE; CITIZENSHIP AND MULTICULTURAL INTERESTS
Election Commitments

	Pre-election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Premier and Cabinet				
- Royal Commission into Finance Brokers	2,500	5,000	4,750	4,750
- Royal Commission into WA Police Service	5,000	15,000	5,000	15,000
- Crime Prevention Office and Associated Projects	823	3,292	823	3,292
TOTAL (OPERATING)	8,323	23,292	10,573	23,292

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

Election Commitments

Premier and Cabinet

Royal Commission into Finance Brokers scandal

An amount of \$4.7 million has been provided in 2001-02 for the establishment of the judicial inquiry into the finance broking scandal. An amount of \$250,000 was expended in 2000-01 on the inquiry.

Royal Commission into Western Australian Police Service

A Royal Commission into the Western Australian Police Service will be held, with expenditure of \$5.0 million in 2001-02 and \$10.0 million in 2002-03 provided.

Crime Prevention Office and Associated Projects

Funding of \$125,000 per annum has been provided for the establishment of a Crime Prevention Office, and \$698,000 per annum for additional crime prevention projects.

Other Major Commitments

Premier and Cabinet

Electorate Office Upgrades

The Government has provided \$400,000 over four years for Electorate Offices' Information Systems. The allocation will assist Electorate Offices upgrade to new technology that will be of benefit to both members of Parliament and their constituents through a faster communications network.

Deputy Premier; Treasurer; Minister for Energy

Table 3

DEPUTY PREMIER; TREASURER; MINISTER FOR ENERGY
Election Commitments

	Pre-election Estimate		Budget Estimate	
	2001-02	Total Cost ^(a)	2001-02	Total Cost ^(a)
	\$'000	\$'000	\$'000	\$'000
OPERATING EXPENDITURE				
Treasury and Finance				
- Stamp Duty on Workers' Compensation Insurance	4,625	18,500	5,400	23,700
Office of Energy				
- Sustainable Energy Development Authority	1,250	5,000	1,250	5,000
TOTAL (OPERATING)	5,875	23,500	6,650	28,700

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

Election Commitments

Treasury and Finance

Stamp Duty on Workers' Compensation Insurance – Reduction for Small Businesses

The Government's election commitment to assist small businesses by reducing the stamp duty rate for workers' compensation insurance (from 5% to 3%) was given effect on 30 June 2001. Eligible small businesses are those with an annual payroll below the payroll tax exemption threshold (currently \$675,000).

The cost of this measure is estimated to be \$23.7 million over four years (\$5.4 million in 2001-02, \$5.7 million in 2002-03, \$6.1 million in 2003-04 and \$6.5 million in 2004-05), compared to the pre-election estimate of \$18.5 million.

Office of Energy

Sustainable Energy Programs

A commitment of \$5.0 million, including \$1.2 million in 2001-02, has been provided for the implementation of sustainable energy programs.

Other Major Commitments

Western Power

The Government has committed to reform of the Western Australian electricity industry and maintaining Western Power in public ownership. An independent Electricity Reform Taskforce has been established to make recommendations on the best means of implementing greater competition while guaranteeing reliability and safety of electricity supply. A total of \$950,000 has been allocated to meet the cost of establishing and running this taskforce. Further information on this and a number of reform initiatives can be found in Chapter 6: *Structural Reform*.

Minister for Agriculture; Forestry and Fisheries; The Mid-West, Wheatbelt and Great Southern

Table 4

MINISTER FOR AGRICULTURE; FORESTRY AND FISHERIES; THE MID-WEST, WHEATBELT AND GREAT SOUTHERN
Election Commitments

	Pre-election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Agriculture				
- Multi-Peril Crop Insurance	625	2,500	500	800 ^(b)
- Regional Landcare Co-ordinators	375	1,500	-	1,125
- Rural Leadership Program	250	1,000	-	750
- Establish Demonstration Sub-catchments and Engineering Pilot Projects On Drainage and Pumping	321	1,285	321	1,285
TOTAL (OPERATING)	1,571	6,285	821	3,960

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

(b) Based on a revised estimate of the commitment. Further funding will be considered if necessary.

Election Commitments

Agriculture

Multi-Peril Crop Insurance

The Government has provided a total of \$800,000 over the next two years (\$500,000 in 2001-02 and \$300,000 in 2002-03) to fund a feasibility study for the establishment of a national Multi-Peril Crop Insurance Policy. The development and introduction of a Multi-Peril Crop Insurance scheme would significantly benefit agricultural producers when unexpected events occur, such as the recent adverse seasons. Such an insurance scheme would provide some certainty to farmers by securing their input costs in the event of expected agricultural returns not being realised.

Regional Landcare Co-ordinators

Commencing in 2002-03, the Government has provided \$375,000 per annum for the appointment of five regional landcare co-ordinators. The co-ordinators will provide support and guidance to Land Conservation District Committees and landcare groups in the development of sustainable and profitable agricultural systems.

Rural Leadership Program

Also starting in 2002-03, \$250,000 per annum has been provided for the delivery of a Rural Leadership Program. This program will provide training opportunities in leadership skills and community development to rural and regional Western Australians. These development opportunities will support the emergence of community leaders to create the future of their own communities. Primary producers, rural women, youth and Aboriginal people will be targeted as participants in this program.

Establish Demonstration Sub-catchments and Engineering Pilot Projects On Drainage and Pumping

As part of a total election commitment of \$10.0 million, an amount of \$1.3 million has been provided to the Department of Agriculture. The remainder of funding for this commitment has been provided to the Water and Rivers Commission.

Other Major Commitments

Agriculture

Red Imported Fire Ant Eradication Funding

In February 2001, the South American Red Imported Fire Ant (RIFA) was discovered in Brisbane. RIFA is considered the world's worst ant pest. In the United States, it is estimated that damages and controls costs US \$3.8 billion annually. An assessment of the potential cost to Australia if it is not eradicated is estimated to be in the vicinity of \$6.7 billion over the next 30 years.

The Commonwealth Government and the States have agreed that an eradication program needs to commence immediately. Western Australia's contribution to the national eradication program is \$6.0 million over four years beginning in 2002-03.

Minister for Housing and Works; Local Government and Regional Development; The Kimberley, Pilbara and Gascoyne

Table 5

MINISTER FOR HOUSING AND WORKS; LOCAL GOVERNMENT AND REGIONAL DEVELOPMENT; THE KIMBERLEY, PILBARA AND GASCOYNE

Election Commitments

	Pre-election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Local Government and Regional Development				
- Regional Investment Fund	25,000	75,000	25,000	75,000
- Additional funding for the RSPCA	250	1,000	250	1,000
- Funding for the Cockburn Inquiry ^(b)	1,700	1,700	500	1,000
- Extension of Communities Facilities Grant Program	500	2,000	500	2,000
- Construction of new offices and a new community facility for the Shire of Dundas	50	200	50	200
TOTAL (OPERATING)	27,500	79,900	26,300	79,200
CAPITAL				
Pilbara Development Commission ^(c)				
- Onslow Sea Wall	-	-	950	1,300
TOTAL (CAPITAL)	-	-	950	1,300

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.
 (b) \$662,687 has already been spent on the inquiry in 2000-01.
 (c) This project is being funded from reprioritisation of the total capital works program and an addition to the program as shown in Table 1.

Election Commitments

Local Government and Regional Development

Regional Investment Fund

The Fund will provide \$75.0 million over four years, commencing in 2001-02, to encourage, promote and facilitate the development of regional Western Australia. The Fund will have three categories:

- Regional Infrastructure Funding Program (\$55.0 million). This category includes the election commitments for:

2001-02 Economic and Fiscal Outlook

- South West On-line - \$5.5 million (\$3.5 million in 2001-02, \$1.0 million in 2002-03 and \$1.0 million 2003-04);
 - Interpretive Centre at Shark Bay - \$5.0 million (\$2.7 million in 2001-02 and \$2.3 million in 2002-03); and
 - Fishing platform at Point Samson - \$500,000 in 2001-02.
- Regional Development Scheme (\$15.0 million); and
 - Western Australian Regional Initiatives Scheme (\$5.0 million).

Additional Funding for RSPCA

The State Government has provided a grant of \$250,000 per year for four years to the RSPCA to assist in offsetting costs incurred for services including inspection, enforcement and education. This is the first time that the RSPCA has been provided with regular government funding and represents an enormous step forward for animal welfare in Western Australia.

Funding for the Cockburn Inquiry

An additional \$500,000 is provided in 2001-02 to meet the costs of the inquiry into the Cockburn City Council. The commitment also extends to 2002-03, with the total cost of the inquiry now estimated at \$1.7 million. An amount of \$662,687 was expended in 2000-01 on this inquiry.

Extension of Communities Facilities Grant Program

An additional \$500,000 per annum has been provided over the next four years to extend the Government's Communities Facilities Grant Program. The funding will be used to provide and enhance facilities and amenities for regional communities. As promised this fund will meet the following election commitments:

- Development of a Youth Precinct in the Shire of Roebourne - \$100,000;
- Establishment of a 'spoil bank' area in Port Hedland with the provision of shade and toilets - \$50,000;
- Mobile youth centre in Kalgoorlie - \$100,000; and
- South West Hall of Fame - \$100,000.

Financial Assistance to the Shire of Dundas

The Government has provided \$200,000 over four years to the Shire of Dundas towards to construction of a new community meeting facility at Norseman.

Pilbara Development Commission

Onslow Sea Wall

The Pilbara Development Commission is facilitating the reconstruction of the Onslow Sea Wall, a capital project aimed at mitigating storm damage sustained from cyclonic activity.

The Government has allocated \$1.3 million to this initiative, \$950,000 in 2001-02 and \$350,000 in 2002-03.

Minister for Consumer and Employment Protection; Training

Table 6				
MINISTER FOR CONSUMER AND EMPLOYMENT PROTECTION; TRAINING				
Election Commitments				
	Pre-election Estimate		Budget Estimate	
	2001-02	Total Cost ^(a)	2001-02	Total Cost ^(a)
	\$'000	\$'000	\$'000	\$'000
OPERATING EXPENDITURE				
Consumer and Employment Protection				
- Establish a Motor Vehicle Repairs Licensing Board	300	900	-	900
- Parenting leave for public sector parents	-	3,200	-	3,200
Training				
- Introduce another 800 apprenticeships	435	6,441	435	6,441
- Provide additional 800 traineeships	484	3,385	317	2,717
- The Skilling WA program	1,000	4,000	1,000	4,000
- Establishment of world class interactive technology	125	500	125	500
- Additional public sector traineeships	925	6,475	1,000	6,775
- Bunbury student scholarships	12	50	12	50
- Old Growth Forests – Management of Workers Assistance Package Scheme ^(b)	-	-	22,412	34,600
TOTAL (OPERATING)	3,281	24,951	25,301	59,183
<p>(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.</p> <p>(b) The original election estimate for Old Growth Forests is reflected in the Minister for the Environment and Heritage's information.</p>				

Election Commitments

Consumer and Employment Protection

Establish a Motor Vehicle Repairs Licensing Board

The Government has committed funding to establish a Motor Vehicle Repairs Licensing Board to address concerns about the standards in the motor vehicle repair industry in Western Australia. Further review of the initiative has resulted in the proposal to establish a Motor Vehicle Industry Board that will have responsibility for the regulation of both the motor vehicle repair industry and the motor vehicle sales industry. The latter is currently regulated by the Motor Vehicle Dealers Licensing Board. A single Board will help to ensure coordination and consistency in the regulation of the motor vehicle industry and reduce administrative overheads.

Whilst the election commitment envisaged funding of \$900,000 over four years, the proposal has now been amended to an allocation of \$900,000 in 2002-03 only. The delay in commencement allows for comprehensive industry consultation and the drafting of legislation. It is anticipated that after the initial establishment costs, the Board will be fully funded by licensing fees.

Parenting Leave for Public Sector Parents

A provision of \$3.2 million has been made in 2004-05 for the commencement of this commitment.

Training

Introduce another 800 apprenticeships

A total of \$6.4 million has been provided to fund an extra 800 apprenticeships. The additional apprenticeship positions will be provided in skill category areas currently experiencing shortages.

Provide an extra 800 traineeships over a range of industry sectors

The Government has also provided an additional 800 traineeships in a wide range of industry sectors in need. The cost of this proposal is \$2.7 million over the forward estimate period.

Around 530 apprenticeships and traineeship positions in industry will be offered to country Western Australia, approximately a third of the total of new positions.

The Skilling WA program - Upskilling the existing workforce

The rapid rate of technological change and new work practices has placed increasing pressure on workers across all industries. An allocation of \$4.0 million over the next four years has been provided to assist with upskilling the existing workforce through the development and commencement of the Skilling WA Program. This amount includes an allocation of \$800,000 for skilling of older persons.

Establishment of world class interactive technology

In 2001-02, an allocation of \$125,000 has been provided towards the establishment of world class interactive technology to assist young people with career choices. This will be achieved by working with industry to further develop the Western Australian Courses Directory. The total cost of the program over the forward estimate period is \$500,000.

Additional Public Sector Traineeships

To provide a pathway into employment for youth, \$6.8 million has been provided for an additional 500 public sector traineeships in both full-time and part-time positions. The Department of Training has indicated that the original costing of this initiative of \$6.5 million was slightly understated and therefore an additional provision of \$300,000 has been provided over the four years.

To achieve this commitment, each of the 22 participating departments is to meet the cost of taking on 6 trainees per year from within their existing budgets.

Scholarships for students in Bunbury

An allocation of \$50,000 over the forward estimate period has been provided for establishing scholarships for tertiary students in Bunbury.

Protecting Our Old Growth Forests: Management of the Workers Assistance Package in the Southwest

The Government has allocated \$37.4 million in the period 2001-02 to 2004-05 to the Department of Training to assist those workers made redundant as a result of the implementation of the various elements of the 'Protecting Our Old Growth Forests' policy. Additional funding of \$34.6 million has been provided to supplement funding of \$2.8 million transferred from the former Department of Productivity and Labour Relations.

The Workers Assistance Package will offer a range of benefits to displaced timber industry workers including eligibility to special redundancy packages and opportunities for alternative employment under the Government's Old Growth Forest Employment programs. In 2001-02, \$22.4 million has been allocated to kick-start the program.

Full details on the 'Protecting Our Old Growth Forests' initiative are outlined in the section under the Minister for the Environment and Heritage.

Other Major Commitments

Registrar, Western Australian Industrial Relations Commission

Administration of Employer-Employee Agreements

The Government has provided a total of \$1.2 million to the Western Australian Industrial Relations Commission from 2002-03. This funding is for the administration of Employer-Employee Agreements (EEA). This is in accordance with the Government's commitment to abolish Workplace Agreements and replace them with EEA's where appropriate.

Consumer and Employment Protection

Consumer protection cost and demand pressures

A total of \$32.7 million in additional recurrent funding has been provided over the four year period from 2001-02 to 2004-05. This includes provision for the creation of an additional 61 positions in the department over four years.

The Government has committed this significant increase in funding for consumer and employment protection activities to bolster existing compliance programs and to introduce new pro-active programs aimed at encouraging industry to adopt new practices to ensure compliance and enhance consumer protection.

Additional funding will also be allocated to community education programs, to provide better access for consumers to information and advisory services, as well as substantial improvements to the department's support systems.

In addition, capital funds of \$5.6 million have been allocated to provide technology infrastructure and accommodation for the additional 61 staff positions, business systems development and enhancement, corporate technology infrastructure, and the establishment of Consumer Protection On-line.

Training

New Commonwealth-State ANTA funding agreement

The acceptance of the Commonwealth offer in relation to the Australian National Training Authority (ANTA) agreement will bring significant benefits to the Western Australian vocational education and training sector. Under this agreement the State will receive additional Commonwealth funding of \$66.7 million. The financial impact of the new agreement will be as follows:

- The State is required to provide \$32.4 million in growth funds to match those of the Commonwealth. All Department of Training election commitment funding of \$20.5 million will be used towards this matching component; and
- Additional 'maintenance of effort' funding of \$30.0 million will be provided by the State and Commonwealth (\$13.0 million from State Government and \$17.0 million from Commonwealth Government).

**Attorney General; Minister for Justice and Legal Affairs; Electoral Affairs;
Peel and the South West**

Table 7

**ATTORNEY GENERAL; MINISTER FOR JUSTICE AND LEGAL AFFAIRS;
ELECTORAL AFFAIRS; PEEL AND THE SOUTH WEST**
Election Commitments

	Pre-election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Justice				
- Victims Injuries Compensation	888	3,550	-	2,662
- Legal Aid funding maintained in line with CPI	296	3,223	302	3,206
South West Development Commission				
- Protecting Our Old Growth Forests	-	-	500	1,000
TOTAL (OPERATING)	1,184	6,773	802	6,868
CAPITAL				
South West Development Commission ^(b)				
- Koombana Beach Redevelopment	200	200	200	200
- Bunbury Senior High School Land Redevelopment	200	200	200	200
- Eaton Foreshore Development	10	10	10	10
- Less reallocation of existing capital funding	-410	-410	-	-
TOTAL (CAPITAL)	0	0	410	410

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

(b) These projects are being funded from reprioritisation of the total capital works program and an addition to the program as shown in Table 1.

Election Commitments

Justice

Increase the maximum amount payable under the Victims Injuries Compensation Scheme by 50% to \$75,000

The Government has committed to increasing the maximum amount payable under the Victims Injuries Compensation Scheme in 2002-03 with additional funding of \$2.7 million over the period 2002-03 to 2004-05.

Maintain State government funding for legal aid in line with the CPI

The Government has committed to maintaining the funding provided to the Legal Aid Commission in line with the Consumer Price Index.

South West Development Commission

Protecting Our Old Growth Forests

As part of the total package approved for this initiative, an amount of \$1.0 million has been allocated for implementation of the Warren Blackwood Action Statement which will provide a range of community and social development services.

South West Development Commission

The following capital projects are funded from the reprioritisation of capital works across the public sector.

Koombana Beach Redevelopment

An allocation of \$200,000 has been provided in 2001-02 for the redevelopment of Koombana Beach.

Bunbury Senior High School Land Redevelopment

An amount of \$200,000 has been provided in 2001-02 for land redevelopment at Bunbury Senior High School.

Eaton Foreshore Development

An amount of \$10,000 has been provided in 2001-02 for development of the Eaton Foreshore.

Other Major Commitments

Justice

Funding of investors' cases to recover losses from Finance Brokers and their professional advisers

Funding of \$1.1 million has been provided to assist investors to take legal action against finance brokers, borrowers and their professional advisers. Funding has been provided to the Legal Aid Commission to administer in 2001-02.

Cost and demand pressures

Additional funding of \$9.1 million has been provided in 2001-02 to address operational costs of the Department of Justice. The additional funding relates primarily to: demand pressures on the prison system; the provision of court security and prisoner transport; and additional judicial resources.

Minister for the Environment and Heritage

Table 8

MINISTER FOR THE ENVIRONMENT AND HERITAGE Election Commitments

	Pre-Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Conservation and Land Management				
- Protecting Our Old Growth Forests ^(b)	4,504	18,017	4,354	26,441
- Abolish Entrance Fees to Leeuwin Naturaliste National Park	250	1000	250	1,000
Swan River Trust				
- Additional funding for Swan and Canning River Bank Restoration and Erosion Controls	125	500	125	500
Water and Rivers Commission				
- Establish Demonstration Sub-catchments and Engineering Pilot Projects On Drainage and Pumping	2,179	8,715	2,179	8,715
- Beach Care Initiative	12	50	12	50
Heritage Council of WA				
- Upgrading of Carnarvon's One Mile Jetty	250	250	250	250
- Upgrade the Golden Mile Loopline train between Kalgoorlie and Boulder	50	100	50	100
- Upgrading of Kalgoorlie and Boulder Town Halls	50	200	50	200
TOTAL (OPERATING)	7,420	28,832	7,270	37,256
CAPITAL				
Conservation and Land Management ^(c)				
- Leschenault Peninsula	150	1,500	150	1,500
- Karri-Tingle Discovery Centre		1,000	-	1,000
TOTAL (CAPITAL)	150	2,500	150	2,500

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

(b) The pre-election estimate reflects the full cost of this proposal, however the budget estimate reflects only the component of the funding that has been provided within the Department of Conservation and Land Management.

(c) These projects are being funded from reprioritisation of the total capital works program and an addition to the program as shown in Table 1.

Election Commitments

Conservation and Land Management

Protecting Our Old Growth Forests

The Government's policy on protecting old-growth forests commits it to immediately stop logging in nearly 99 percent of Western Australia's old-growth forests by placing in reserves approximately 340,500 hectares of the 346,000 hectares of remaining old-growth forests.

An integrated package costing \$132.5 million across the forward estimate period has been developed to implement this commitment. The aim of the package is to secure a high employment, high value adding, sustainable timber industry whilst protecting the interests of those who may be negatively affected by the package.

Building on the \$41.4 million allocated by the previous Government across the forward estimate period, an additional \$18.0 million was initially committed by the Government during the election for the implementation of the 'Protecting Our Old Growth Forests' policy. Further development of this commitment since the election will see further additional funding of \$64.1 million provided over the forward estimate period to allow for more suitable workers packages and industry assistance.

Of the total additional funding, an amount of \$16.5 million is from the Government's newly established Regional Investment Fund and \$4.5 million from other existing government schemes. The additional funding has been allocated across the following agencies:

- Department of Conservation and Land Management – \$26.4 million;
- Department of Training - \$34.6 million;
- Department of Community Development - \$600,000;
- South West Development Commission - \$1.0 million; and
- Department of Industry and Technology - \$19.5 million.

As part of the costing of this package, it is estimated that there will be a net reduction in timber royalty revenues due to the reduced harvest, expected to be \$9.0 million over the forward estimate period.

The Department of Conservation and Land Management has been funded \$26.4 million in 2000-01 and the forward estimate period for implementing the following initiatives.

National Parks

- Funding of \$16.0 million over the forward estimate period (\$2.5 million in 2001-02) has been allocated for the identification, directional information, planning and consultation, visitor management, maintenance of facilities and protection of the natural values of 30 new national parks, two conservation parks and reinstated reserves to be established under the 'Protecting Our Old Growth Forests' policy.
- An amount of \$9.0 million over the forward estimate period (\$1.5 million in 2001-02) has also been provided for parks infrastructure including improvements to roads, carparks, toilets and other basic facilities. The infrastructure will enable CALM to meet public health and visitor risk management obligations and provide for basic visitor amenities. Up to 130 jobs will be created with the establishment of the new parks.

Communication Plan

- A communication plan involving the preparation of information kits and briefing programs has been prepared to ensure ongoing community consultation in relation to the implementation of the Government's 'Protecting Our Old Growth Forests' policy. The total cost of this program over four years is \$225,000 (\$100,000 in 2001-02).
- The Government's Forests Policy includes a number of diverse elements – workers assistance, industry development, business exit assistance, counselling services, National Park creation – requiring input from a range of government agencies. The Office of the Project Director has been established at a cost of \$1.2 million over four years (\$250,000 in 2001-02). It will ensure that all elements of government services are managed and delivered to clients in a coordinated manner.

Abolish Entrance Fees to Leeuwin Naturaliste National Park

Entry fees have been abolished from all beaches within the Leeuwin Naturaliste National Park, the most highly visited national park in the State. Additional funding of \$250,000 per annum has been provided to CALM to allow for the continued maintenance of facilities that were previously funded by entrance fees.

Leschenault Peninsula

As part of the Government's Ecotourism Strategy for Western Australia, an additional \$1.5 million has been allocated to meet costs of infrastructure development to provide low level tourism and recreational activities at the 1,065-hectare Leschenault Peninsula regional park near Bunbury.

The funding will provide for the construction of new picnic and toilet facilities, and the improvement of walk and camp trails.

Karri-Tingle Discovery Centre

The Government has allocated \$1.0 million in 2002-03 for the construction of a Karri-Tingle Discovery Centre and outdoor classroom with trained education officers in the Walpole Wilderness Area. The centre will focus on learning about the Karri and Tingle forest and will be the centre for education programs about these forests.

Swan River Trust

Additional funding for Swan and Canning River Bank Restoration and Erosion Controls

The Government has allocated \$500,000 over the forward estimate period to improve the Swan and Canning River foreshore. The Swan River Trust has assessed the deterioration of riverbanks and existing erosion protection works and prepared a long term plan for riverbank restoration and wall repairs. This work will be undertaken in conjunction with local government.

Water and Rivers Commission

Establish Demonstration Sub-catchments and Engineering Pilot Projects on Drainage and Pumping

The Government has allocated \$8.7 million over the forward estimate period to the Water and Rivers Commission, to co-ordinate the delivery of these initiatives. In addition an amount of \$321,000 per annum has been allocated to the Department of Agriculture to assist with this initiative. The majority of funds will go to on-the-ground works, with the remainder necessary for planning, engineering analysis, economic evaluations and communication of the results.

Beach Care Initiative

An amount of \$50,000 has been allocated over the forward estimate period to develop a strategy to attract funding to support research and improvement of environments impacted by inland waters. Efforts on beach care will be aimed at Cockburn Sound and estuaries of the South West and South Coasts.

Heritage Council of Western Australia

Upgrading of Carnarvon's One Mile Jetty

The Government has allocated \$250,000 in 2001-02 to upgrade Carnarvon's One Mile Jetty. It was built in 1889 and is the last remaining structure of its kind in the North West.

Upgrade the Golden Mile Loophole train between Kalgoorlie and Boulder

The Government has allocated \$100,000 over two years to upgrade and to continue to operate the Loophole Train as a heritage line. This will enhance heritage tourism in the Goldfields.

The Golden Mile Loopline Train started operating between Kalgoorlie and Boulder in 1897 and was one of the busiest railway lines in the State for a time. The Loopline is a significant part of the Goldfields' heritage.

Upgrading of Kalgoorlie and Boulder Town Halls

An amount of \$200,000 has been provided over the forward estimate period towards the upgrade of the heritage listed town halls in Kalgoorlie and Boulder.

Other Major Commitments

Conservation and Land Management

Wildfire Suppression

The Government has allocated \$3.0 million in 2001-02 towards activities associated with wildfire suppression. The southern part of Western Australia has experienced one of the longest drought periods on record resulting in extreme dryness of vegetation and ground fuels.

The additional funding will contribute towards aerial fire suppression operations, additional ground crew and consumables to protect local communities, property and forests from wildfire.

Office of Water Regulation

Establish an Office of Economic Regulator

The Government has committed funds of \$700,000 in 2001-02 and \$3.8 million over the forward estimate period to establish and operate an independent economic regulator with jurisdiction over the electricity, gas, water and rail industries. When established, the Office will be a separate agency under the Treasurer's portfolio.

Minister for Police and Emergency Services; Minister Assisting the Minister for Planning and Infrastructure

Table 9

MINISTER FOR POLICE AND EMERGENCY SERVICES; MINISTER ASSISTING THE MINISTER FOR PLANNING AND INFRASTRUCTURE
Election Commitments

	Pre-Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Police Service				
- Increase police operations budget	8,000	20,000	8,000	20,000
- Recruitment of an additional 40 Aboriginal Police Liaison Officers	519	5,190	519	5,190
- Improved incentives for country police officers	2,000	8,000	2,000	8,000
Fire and Emergency Services				
- Funding for the Carnarvon State Emergency Service	25	100	25	100
TOTAL (OPERATING)	10,544	33,290	10,544	33,290
CAPITAL				
Police Service ^{(c) (d)}				
- Newman Police Station	-	3,500	500	3,500
- Mounted Police Stables	-	1,000	-	-
- Less reallocation of funding from existing capital works funding	-	-4,500	-500	-3,500
TOTAL (CAPITAL)	-	-	-	-

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

(b) Funded within the pre-election financial statement.

(c) No annual breakdown was provided for these projects in the costing booklet.

(d) These projects are being funded from reprioritisation of the total capital works program and an addition to the program as shown in Table 1.

Election Commitments

Police Service

Recruit an additional two hundred and fifty Police Officers

A cornerstone of the Government's 'More Police, Better Policing' policy is the recruitment of an additional two hundred and fifty police officers to be deployed throughout the State, and especially to target known crime hot spots.

As part of this policy, the Government is introducing a team of fifty transit police to patrol the metropolitan rail system. These transit police will be fully sworn regular police officers that will work in uniform and undercover. They will work with the transit guards (employees of Western Australia Government Railways) to ensure that commuters are not subject to violence and intimidation. The transit police will operate around the clock and will also specifically target those hours when public confidence in the safety of the train system is at its lowest.

Funding for two hundred police officers was already included in the Police Service budget and the additional fifty Transit Police has been funded through a transfer from the Department of Transport.

Boost Police Operations Budget

The police operations budget has been boosted by \$20.0 million over the next four years, to ensure that police officers are properly resourced and to help support better policing and response times. This comprises an extra \$4.0 million per year in operational funding and a special once off \$4.0 million for the Police Service's operational budget in 2001-02 to address funding pressures currently being experienced. This includes the enhancement and expansion of the Canine and Mounted Sections to better service outer metropolitan and country areas.

Recruit forty Aboriginal Police Liaison Officers (ten per year)

There are special issues relating to the policing needs of remote Aboriginal communities in the north west of the State. A number of these communities have populations of over five hundred with complex and diverse law enforcement needs. The Government recognises that flexible policing strategies are needed and will work with the Community Councils and Aboriginal leadership to develop appropriate responses for different communities. This will include bolstering various options such as Aboriginal Wardens, Community patrols, Aboriginal Police Liaison Officers, back-to-back police patrols and assessing whether a permanent police presence in a particular location is needed.

To achieve this, \$5.2 million has been provided over four years for the recruitment of an additional forty Aboriginal Police Liaison Officers, at a rate of ten per year.

Improved Incentives for Country Police Officers

Police officers stationed in remote and regional locations face additional challenges not only in policing but also with family circumstances. The Government will work with the Western Australia Police Service and the Police Union to develop a package that provides incentives to encourage country service in hard to fill locations. The Police Service has been provided with an additional \$8.0 million over four years to fund the incentive package.

Newman Police Station

The Newman police station project will commence in 2001-02 when \$500,000 will be expended on project planning and preparation. Construction will be completed in 2002-03 at a total cost of \$3.5 million. This initiative will be funded by the Police Service from within its existing forward estimate allocations.

Mounted Police Stables

The Police Service is currently reviewing the provision of mounted services in regional areas with the view to optimising this service. This initiative will be funded by the Police Service from within its existing forward estimate allocations.

Fire and Emergency Services

Funding for the Carnarvon State Emergency Service

The Government has decided to allocate the additional \$100,000 across the State Emergency Service rather than all funds being allocated to Carnarvon.

Other Major Commitments

Police Service

Delta Communications and Information Technology Plan (DCAT) and the Emergency Services Call Taking and Dispatch System (CADCOS)

The Government has continued the funding commitment to these major information technology and communications projects. However, the Government has directed that both projects be independently reviewed during 2001-02. The Government wants to ensure that the projects have good governance and are achieving the outcomes and benefits stated.

Introduce DNA legislation

The Government recognises the significance of this investigative tool, as evidenced by successes achieved in other Australian and overseas police jurisdictions. As part of this Government's commitment to 'Better Policing', \$22.0 million over four years has been provided for person and crime scene sample taking and analysis. Western Australia will also be linked to the National DNA Database.

Albany District Complex

The Government has recognised the need for a new police complex at Albany to replace the current sub-standard accommodation and to satisfy modern policing needs. This project, with an estimated total cost of \$20.0 million, is to be coordinated and co-located with the new Court House project (Department of Justice). Planning work will commence in 2001-02 and it is anticipated that construction will be completed in 2004-05.

Road Safety

A number of major road safety initiatives will be introduced in 2001-02. These include:

- Community education programs across the State targeting speed, drink driving, fatigue and non-use of restraints;
- The introduction of a Statewide 50km/h speed limit on local streets in built up areas;
- Implementation of new laws banning the use of handheld mobile phones while driving; and
- Introduction of a workplace road safety program involving employers and employees.

Minister for Planning and Infrastructure

Table 10

MINISTER FOR PLANNING AND INFRASTRUCTURE				
Election Commitments				
	Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Planning and Infrastructure				
- Establish the Armadale Redevelopment Authority	750	1,000	750	1,000
- Fund acquisition of property in the Ningaloo electorate	750	1,500	750	1,500
- Improve and extend bus routes	2,000	8,000	500	8,000
- Upgrade bus shelters	2,000	2,000	500	2,000
- Upgrade vehicle access and parking at Hillarys	250	500	250	500
- Expand the Regional Airports Development Scheme	-	2,000	-	2,000
- Trial of North West Shipping Service	1,750	3,500	-	7,000
Transport				
- Establish a LPG conversion Program	20,000	20,000	-	-
TOTAL (OPERATING)	27,500	38,500	2,750	22,000
CAPITAL ^{(c) (d)}				
Main Roads				
- \$100 m towards the construction of the Tom Price Karratha Road by 2004 ^(b)		100,000	1,028	74,813
- Extend the Tonkin Highway to Armadale Road by 2004 and to Mundijong by 2006 ^(b)		55,000	3,313	92,313
- Construct stage 4 of Roe Highway by 2002 (Welshpool Road to Wimbledon Street)	-	-	23,560	45,960
- Construct the Geraldton Southern Transport Corridor ^(b)	-	-	4,839	28,439
- Seal the Mt Magnet-Sandstone-Agnew Road by 2004	-	-	20,645	46,645
- Extend Mitchell Freeway - Hodges Drive to Shenton Avenue by 2005 ^(b)	-	28,000	-	-
- Extend Mitchell Freeway - Shenton Avenue to Burns Beach Road, Kinross by 2008	-	-	-	-
- Work with local government and developers to extend Hepburn Avenue to Alexander Drive	-	-	-	-
- Work with local government and developers to extend Joondalup Drive to Banksia Drive	-	-	-	-
- Work with local Govt and developers to extend Ocean Reef Road to Gnangara Road	-	-	-	-
- Continue the upgrade of Gibb River Road	-	-	1,000	5,000

Table 10 (cont.)

MINISTER FOR PLANNING AND INFRASTRUCTURE
Election Commitments

	Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
- Acquisition of land for the Bunbury Port Access Road ^(b)	-	2,000	-	1,000
- Bring Peel deviation into the road program	-	5,000	200	5,200
- Complete the Broome to Cape Leveque Road by 2006	-	4,000	1,893	7,273
- Lobby the Federal Government to widen and upgrade Great Northern Highway north of Halls Creek	-	-	-	-
- Widen and seal Derby Highway between Great Northern Highway and the Airport ^(b)	-	-	194	2,194
- Construct a two-lane bridge over the Ord River north of Halls Creek by 2003	-	-	-	-
- Identify flood prone sections on the road between Marble Bar and Port Hedland and investigate the construction of culverts under the road at these points to reduce flood damage	-	-	-	500
- Upgrade Tanami Road by 2005 at a cost of \$10m ^(b)	-	10,000	-	6,000
- Construct and seal the Goldfields Highway between Wiluna and Meekatharra	-	-	-	-
- Upgrade the Crawford Soak Road to provide a tourist link between Laverton and the Great Central Highway	-	175	180	180
- Rebuild the Gascoyne Bridge	-	-	7,900	9,900
- Provide \$15m for a new road linking the Doctor's Creek site to Derby	-	15,000	-	-
- Allocate \$5m by 2005 necessary for the Gosnells town centre revitalisation project ^(b)	-	-	2,000	3,000
- Less reallocation from existing capital works funding	-	-219,175	-66,752	-328,417
Planning and Infrastructure				
- Expansion of network of dedicated cycleways in Perth and regional centres	-	17,900	5,000	16,000
- Reopen the Boddington to Pinjarra railway	-	1,000	-	1,000
- Less reallocation from existing capital works funding	-	-18,900	-	-

Table 10 (cont.)

MINISTER FOR PLANNING AND INFRASTRUCTURE
Election Commitments

	Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
Western Australian Government Railways Commission ^(d)				
- Park 'n' Ride facilities at Joondalup and Clarkson Stations		2,000		1,000
- Special Events Train Station at Arena Joondalup		2,600		2,200
- South West Railway and Clarkson Railway ^(e)	-	-	-	-
- Building Better Train Stations	-	10,000	1,200	23,100
- Geraldton Southern Transport Corridor			4,500	40,000
- Less reallocation from existing capital works funding		-14,600	-1,200	-26,300
TOTAL (CAPITAL)	-	0	9,500	57,000

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

(b) For these Main Roads projects there is a total carryover commitment of \$87.0 million past the forward estimate period to meet the total cost of these projects. These costs have not been included in the total cost column.

(c) No annual breakdown was provided for these projects.

(d) These projects are being funded from reprioritisation of the total capital works program and an addition to the program as shown in Table 1.

(e) Funding for this project was already included in the agency's forward estimates.

Election Commitments

Planning and Infrastructure

Establish the Armadale Redevelopment Authority

An amount of \$1.0 million over two years has been allocated for the establishment of the Authority, which will build on other successful redevelopment projects established to date in Perth. Of this amount, \$750,000 will be provided in 2001-02 and \$250,000 in 2002-03.

The establishment of the Authority recognises the economic significance of Perth's South East Corridor and especially Armadale, which has long been designated as a strategic regional centre. The revitalisation of Armadale will also have a major focus on creating a climate in which economic and social development has a central role. It is envisaged that this will reposition Armadale favourably by building new competitive advantages for the city.

Fund acquisition of property in the Ningaloo electorate

Funding of \$1.5 million will be provided for a property acquisition program in Carnarvon to allow people in the main flood-prone areas to relocate. Of this amount, \$750,000 will be provided in 2001-02.

Improve and extend bus routes

An additional \$8.0 million has been provided over the forward estimate period to fund new and extended bus services in the State, including the expansion of bus services to newer residential areas. Of this amount, \$6.1 million is allocated to fund services in the metropolitan area and the remaining \$1.9 million will fund regional area services.

Upgrade bus shelters

The Government has committed to upgrading and installing at least 200 new bus shelters in the metropolitan area over the next four years at a cost of \$2.0 million.

Upgrade vehicle access and parking at Hillarys

The parking problems experienced at Hillarys Boat Harbour will be addressed by upgrading vehicle access routes. Over the next two years, \$500,000 has been allocated to reconfigure internal roads and parking layout to alleviate the problems.

Expand the Regional Airports Development Scheme

An amount of \$2.0 million has been provided in 2004-05 to continue the existing Regional Airport Development Scheme.

Trial of North West Shipping Service

An amount of \$7.0 million has been allocated to fund a two year trial of additional North West Shipping Services after the expiry of the existing North West Shipping contractual arrangements.

Transport

Operating Expenditure

Establish a LPG conversion program

This proposal will be evaluated by the Department of Planning and Infrastructure as part of the scheduled review of the current incentive scheme, which will commence in October 2001. Criteria of the review will include the relative effectiveness of the incentive to convert to LPG, the likely difference in takeup and the administrative options available.

Main Roads

The majority of election commitments in Main Roads involve capital expenditure over the period 2001-02 to 2004-05. The election commitments, detailed by the following sections, have been accommodated within the forward estimate period without the need for additional funding by re-prioritising the previous program of road works. The completion of these projects incorporates a carryover of \$87.0 million past the existing forward estimate period. The following provides a brief commentary on each of the election commitments.

Allocate \$100.0 million towards the construction of the Karratha and Tom Price Road by 2004

Besides servicing existing mines and potential new mining developments in the region, this road will provide direct access between Great Northern Highway and the North West Coastal Highway via the newly constructed Karinjini Road. A new route will provide more direct access from Karratha and adjoining towns to the inland communities of Tom Price, Paraburdoo and Newman and will also provide improved tourist access to the Karinjini and Millstream Chichester Range National Parks and the Harding River Dam depending on the final route selected.

The \$100.0 million allocation will allow two of the four stages to be constructed. These two stages comprise a length of around 115 kilometres and when completed will shorten the existing route by approximately 66 kilometres.

Extend the Tonkin Highway to Armadale Road by 2004 and to Mundijong by 2006

This project will improve community amenity and road safety by concentrating heavy vehicles on major roads away from residential streets. The project will also reduce transport costs and travel times and facilitate the expansion of the local economy. It will also provide improved access for existing and new urban developments in the south east corridor.

Construct stage four of Roe Highway by 2002(Welshpool Road to Wimbledon Street)

This project will remove through traffic from residential streets, especially William Street, Beckenham, resulting in improved amenity and safety. As part of a contract currently in progress to extend Roe Highway to Nicholson Road in Canning Vale, it will improve transport efficiency between manufacturing and industrial centres in the south east and eastern corridors and Perth airport. It will also result in significant reductions in travel times with reduced transport costs.

Construct the Geraldton Southern Transport Corridor

This project will provide an alternative east-west route for freight vehicles to and from the Port of Geraldton. This will improve access and efficiency for the transport industry and improve safety and amenity for all road users by reducing conflicts between freight and passenger vehicles. It will also result in improved amenity for local residents and business people.

The project will remove the existing railway from the City's foreshore, which will allow the foreshore and adjacent land to be redefined and developed to enhance the amenity of the marine and central business district area. A new railway is to be built between the Narngulu Industrial Area and the Port, within the same corridor as the new road.

Seal the Mt Magnet-Sandstone-Agnew Road by 2004

This project will complete the remaining 163 kilometres of gravel road to a sealed standard. This will encourage the development of known mineral resources east of Mt Magnet.

The proposed improvements will also reduce the instance and duration of road closures due to flooding and thereby reduce transport costs associated with mineral development. These improvements will also improve accessibility for pastoralists serviced by this road.

Extend Mitchell Freeway - Hodges Drive to Shenton Avenue by 2005

The extension of the Freeway a further 2 kilometres will improve access to the suburbs of Connolly, Currambine and Joondalup as well as to the Joondalup Regional Centre.

Continuing expansion in these northern suburbs has placed increased traffic volumes on adjacent arterial roads north of Hodges Drive not intended for that purpose. This project will reduce congestion on these roads and improve traffic and pedestrian safety.

Extend Mitchell Freeway - Shenton Avenue to Burns Beach Road, Kinross by 2008

This will extend the Freeway a further 2 kilometres, improving access to the suburbs of Currambine, Iluka, Kinross and Joondalup.

Similar to the initiative above, there are significantly increased traffic volumes on adjacent arterial roads north of Shenton Avenue. This project will reduce congestion and improve safety on these roads.

Work with local government and developers to extend Hepburn Avenue to Alexander Drive, Joondalup Drive to Banksia Drive and Ocean Reef Road to Gnangara Road

The continued rapid development in the northern suburbs is increasing the traffic volumes on the arterial roads to levels beyond the capacity of the roads in the current network.

This project is aimed at providing an additional link on these roads that will improve the traffic flows over the arterial road network and at the same time improve safety for both traffic and pedestrian users of this essential part of the road network.

Main Roads is continuing to work with local governments as well as the Advisory Committee and the Regional Road Groups established to administer the provision of State Funding to roads of this type, through the arrangements in place under the State Road Funds for Local Government Roads Agreement.

Continue the upgrade of Gibb River Road

This road is used by pastoralists, aboriginal and remote communities and by tourists. This project will reduce travel times and wear and tear on vehicles.

It will provide improved access to town facilities for remote and aboriginal communities and will reduce delays caused by road closures due to flooding.

The Gibb River Road is being promoted heavily as a tourist destination. Greater demand for longer periods of access along the road is being experienced. The proposed improvements will facilitate this.

Acquisition of land for the Bunbury Port Access Road

This commitment sets aside funds for the acquisition of land for a new road link to the Bunbury Inner Harbour. The Port Access Road, as proposed, will provide an alternative route to the Inner Harbour for the longer vehicles, alleviating problems being experienced with the current mix of vehicles.

Truck traffic to and from the Port has risen significantly and is continuing to increase rapidly. The extra traffic has been generated by such developments as the Jangardup mineral sand project, wood chip exports and silica sand exports. The increase in traffic volumes is likely to cause severe congestion at intersections on the roads currently servicing the Port (Koombana Drive/Estuary Drive and Estuary Drive/ Harbour Access).

Bring Peel Deviation into Main Roads' Road Program

The rapid expansion of Mandurah as an urban locality confined by the Indian Ocean and the Peel/Harvey Estuary is seriously impeding the efficiency of the Perth-Bunbury Highway as a transport route for freight and tourism to the South West. The deviation will bypass Mandurah on the eastern side of the Peel and Harvey Estuary. This will provide an alternate route for commuter, freight and tourist traffic travelling between Perth and the large population centres of the South West.

The deviation will lower congestion on the existing Perth-Bunbury Highway through Mandurah and improve safety.

The removal of the through traffic from the existing highway will also improve both the air quality and reduce the road noise in what is essentially now an urban environment.

The use of the existing Perth - Bunbury Highway as the primary road transport corridor, is dividing the community of Mandurah that is confined to the narrow strip of land between the Ocean and the estuary. The construction of the Peel deviation will enable this section of the highway to be used more effectively as a district distributor without the congestion of through traffic.

Funding is being sought for this project from the Commonwealth's Roads of National Importance program on a 50:50 basis with the State.

Complete the Broome to Cape Leveque Road by 2006

The Broome-Cape Leveque Road is the only road access for aboriginal communities, services and tourists along the Dampier Peninsula. The existing road is in very poor condition, graded below ground level, narrow (one vehicle access) over large sections and closed on a regular basis during the wet season.

This project will reduce vehicle damage and travel time, improve freight efficiency, and provide opportunities for economic development of the Dampier Peninsula.

Lobby the Commonwealth Government to widen and upgrade Great Northern Highway north of Halls Creek

The State Government will be requesting the Commonwealth Government to consider funding the urgently needed widening and upgrading works on the National Highway north of Halls Creek. These works will improve safety and transport efficiency as well as reduce the instances and durations of road closures due to flooding.

Widen and seal Derby Highway between Great Northern Highway and the Derby Airport

This road is the only sealed road linking Derby with Great Northern Highway. It forms part of the inter-town route between Broome and Derby. It also provides access to Derby Export Facility and Derby airport, and serves as the access road to Curtin Air Base, which is an important defence installation in the North West.

The proposed widening works will improve safety on this road which is used by a mix of vehicle types, including road trains carting lead/zinc ore to the Derby Port. It will also result in reduced maintenance costs caused by excessive edge wear.

Construct a two-lane bridge over the Ord River north of Halls Creek by 2003

Funding will be sought from the Commonwealth Government for a two-lane high-level bridge across the Ord River on the National Highway north of Halls Creek.

During the wet season, the existing Ord River Crossing is the major impediment to traffic between Halls Creek and Kununurra. The average total closure is currently six days per annum. Completion of the project will keep the road open at the Ord River for all but the most extreme flood events. Accordingly, it will reduce delays and costs for all road users, which primarily comprise freight hauliers, commuters and tourists.

Identify flood prone sections on the road between Marble Bar and Port Hedland and investigate the construction of culverts under the road at these points to reduce flood damage

Currently, the Marble Bar Road is subject to frequent and lengthy delays due to flooding. This results in the cutting off of the community at Marble Bar Road and adversely affects the cartage of mining products from Woodie Woodie, Telfer and Nifty.

This project will identify flood prone sections with a view to determining the works that are needed to reduce road closures.

Upgrade Tanami Road by 2005 at a cost of \$10.0 million

This project will provide improved access to town facilities at Halls Creek for remote and aboriginal communities and reduce delays caused by road closures due to flooding.

Construct and seal the Goldfields Highway between Wiluna and Meekatharra by 2006

The Goldfields Highway is a rural arterial road, which connects the two centres of Kalgoorlie and Meekatharra. A significant proportion of the traffic on the road comprises semi-trailers and road trains associated with mining activity. The road is unsealed between Wiluna and Meekatharra.

There is a risk of serious accidents on the existing road due to the dusty conditions and the road train/passenger vehicle mix. The sealing of this road will improve safety, reduce travel time, and facilitate future major resource developments at Jundee and Honeymoon Well. As the route also forms part of a strategic inter-regional connection between the Goldfields-Esperance, Pilbara and Gascoyne Regions, upgrading will provide increased benefits for long distance road freight and tourism at both a State and national level.

Upgrade the Crawford Soak Road

This project will provide a tourist link between Laverton and the Great Central Highway, encouraging more tourists to visit Laverton.

Construct a new two lane bridge over the Gascoyne River at Carnarvon by 2002

The existing bridge across the Gascoyne River at Carnarvon is a single-lane, low-level structure that is overtopped when the river floods for an average of three days per year. In addition the bridge is not strong enough to allow the safe passage of most multi-axle heavy load platforms and the majority of heavy loads.

This project will provide a two-lane, high-level bridge that will reduce the risk of head-on collisions and keep the road open for all but extreme flooding events. It will also be strong enough to convey the heavy vehicle configurations referred to above, resulting in significant savings in travel time and transport costs.

Provide \$15.0 million for a new road linking the Doctor's Creek site to Derby

This project relates to the provision of an access road to the proposed site for the establishment of a tidal power generation facility. The project not only has an enormous benefit for the current community and industry, but also has the potential to attract other lucrative industrial endeavours.

The progression of this project is directly linked to the Tidal Power facility, and at this stage has not been cash flowed within the forward estimate period.

Allocate \$5.0 million by 2005 for the roadworks necessary for the Gosnells Town Centre revitalisation project

The City of Gosnells is planning substantial improvements to the local precinct to improve the streetscape and amenity of the area and to stimulate the local economy.

This project is required to complement and support these improvements.

Capital Expenditure

The capital commitments related to the former Department of Transport mainly focussed on the upgrade of various railway stations in the metropolitan area and the expansion of the network of dedicated cycleway in Perth and regional centres. In addition \$1.0 million was committed to re-open the Boddington to Pinjarra railway, to promote tourism in the Collie region.

In relation to railway works, the Western Australian Government Railways Commission has been successful in accommodating these within the financial parameters applied to it¹.

However, as a majority of the Department of Transport's former allocation was committed to significant projects such as the Perth Urban Rail Development project and the Bus Acquisition program, it was realised that it has little capacity to fund the above commitments within the current forward estimate period allocations.

On this basis, the Department was allocated an additional \$17.0 million for the expansion of cycleways in Perth and regional centres and the Boddington to Pinjarra railway project.

Perth Bicycle Network, Expansion of network of dedicated cycleways in Perth and regional centres

The Government has provided an additional \$16.0 million over the next four years to provide shared (bicycle and pedestrian) paths and the on-road bicycle network across metropolitan Perth. This will result in a metropolitan wide bicycle network providing safe and convenient routes within 750 metres of most Perth households.

The continued development of this network will contribute to improved access to employment, education and recreation destinations. Essential safety improvements will facilitate a doubling of bicycle use to meet Metropolitan Transport Strategy targets.

The benefits include reduced road congestion and associated road construction and maintenance costs, improved health for users and improved business staff costs through reduced sick leave and greater productivity from healthier staff. It will also make a significant contribution to a more environmentally and socially sustainable transport system.

¹ The WAGR does not normally receive a capital appropriation. It usually funds its capital expenditure within an approved borrowing limit.

Reopen the Boddington to Pinjarra railway to promote tourism in the Collie region

An amount of \$1.0 million has been provided in 2003-04 to allow the reopening of the Boddington to Pinjarra railway.

Western Australian Government Railways Commission

Park 'n' Ride facilities at Joondalup and Clarkson Stations

Funding for the provision of parking facilities, in conjunction with the City of Joondalup, is currently being planned for 2003-04.

Special Events Train Station at Arena Joondalup

The construction of a special events station at Arena Joondalup is currently planned for 2004-05.

South West Railway and Clarkson Railway

This project involves extension of the urban passenger network from Kenwick to Thornlie and from Currabine to Clarkson. Preliminary infrastructure work is estimated to cost \$67.0 million in 2001-02.

Geraldton Southern Transport Corridor

As outlined in the section of this Chapter relating to Main Roads, a new railway is to be built between the Narngulu Industrial Area and the Geraldton Port.

It was understood by the Government, when in opposition, that this project was funded in the forward estimate period. However, after the election it became apparent that the funding was reliant on asset sales now unlikely to be realised. On this basis additional borrowing authority has been provided to the Western Australian Government Railways Commission to finance the rail component of the Geraldton Southern Transport Corridor.

Building Better Train Stations

During 2001-02 upgrade work will be undertaken at both the Armadale and Bassendean stations.

Gosnells, Kelmscott and Midland are scheduled to be undertaken in the next four years.

Other Major Commitments

Transport

Finalise the implementation of Transport Executive Licensing Information System

The Government has allocated an additional \$6.4 million to finalise the Transport Executive Licensing Information System. This project will replace the ageing motor vehicle registration and driver licensing systems with a single, integrated information and revenue collection system.

The fully integrated software and hardware system will enhance the efficiency of Licensing's revenue collection processes and eventually reduce the information technology operating costs of performing these tasks.

Develop the Coral Bay access road and boat launching facility

An amount of \$2.3 million has been provided to develop the infrastructure to support the boating public and local tourist industry at Coral Bay. Funding has been provided for an access road, carpark, amenities building, charter boat moorings, jetty, breakwater for wave protection, and boat launching ramp and catwalk. This project will also reduce damage to coral formation by relocating boating activity away from an area of coral quality. This will improve the environmental sustainability of the ecosystem and will also lead to improved swimmer safety by relocating boating activity away from the main beach.

Safer Transport Initiatives

The Government has committed \$7.1 million in 2001-02 and an additional \$10.4 million in 2002-03 to improving security of passengers using the rail system. This will be achieved by establishing a transit guard squad and implementing other security measures to the metropolitan rail network. Transit guards will be comprehensively trained to undertake three functions: security, checking fares and the provision of customer service.

Mandurah Bus Transfer Station

The Government has provided \$450,000 to improve public transport services for Mandurah.

This commitment requires the construction of a bus transfer station and associated Park 'n Ride facilities to assist and improve patronage of the public transport system in the Mandurah area.

High and wide access corridors

Funding of \$14.5 million has been allocated to remove a major impediment to the competitiveness of the heavy engineering industry in Western Australia. Stage 1 provides for the construction of a high and wide corridor between Kewdale and Jervois Bay at an estimated cost of \$12.5 million. Stage 2 brings the establishment of a permanent high and wide load corridor extending south from Anketell Road to Bunbury Highway Singleton.

TravelSmart – Stage 2

Stage 2 of TravelSmart, costing \$6.4 million, is part of a 6 stage Traffic Reduction Program for Perth's inner and middle suburbs.

Stage 2 is the next step in the Department for Planning and Infrastructure's '10-year TravelSmart Plan' which builds upon the successful delivery of stage 1 in South Perth. Stages 2 to 6 involve the delivery of the TravelSmart Individualised Marketing service to some 600,000 residents in the inner and middle suburbs of Perth. The objective is to increase utilisation of public transport, cycling and walking and deliver traffic reduction for most of the Perth metropolitan area.

Minister for State Development; Tourism; Small Business

Table 11

**MINISTER FOR STATE DEVELOPMENT; TOURISM;
SMALL BUSINESS**
Election Commitments

	Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Industry and Technology				
- Innovate WA Fund	10,000	30,000	6,530	30,000
Mineral and Petroleum Resources				
- Geological Survey	5,000	20,000	5,000	20,000
- Improve the processing time of mineral tenements	715	2,860	715	2,860
- Office in Kalgoorlie	70	280	-	-
WA Tourism Commission				
- Marketing Regional And Rural WA	500	2,000	500	2,000
- Add funds to WA's Country Tourist Bureaus	500	2,000	500	2,000
- Environmental Educational and Interpretive materials	5	20	5	20
- Establish a dedicated Environmental Tourism Unit	250	1,000	250	1,000
Small Business Development Corporation				
- Enhancement of advisory and advocacy role	-	-	125	500
TOTAL (OPERATING)	17,040	58,160	13,625	58,380

Table 11 (cont.)

**MINISTER FOR STATE DEVELOPMENT; TOURISM;
SMALL BUSINESS**

Election Commitments

	Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
CAPITAL				
Industry and Technology				
- Innovate WA Fund (\$20 million capital)	-	20,000	-	20,000
TOTAL (CAPITAL)	-	20,000	-	20,000

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

Election Commitments

Industry and Technology

The Government is committed to working in partnership with industry and the community to promote the development of the State. A number of major initiatives will be implemented throughout the year.

One of the key influences on the State's economic growth will be the extent to which innovation can be applied to the State's existing skills and industry strengths. *Innovate WA* will build on these foundations and has four key objectives:

- To raise awareness of innovation as a driver of economic and technological change;
- To strengthen and improve the educational and research capacity of the State;
- To maximise the commercialisation of ideas by building links between industry and research; and
- To generate more jobs and expand the export potential of the State.

Introduce a \$50.0 million Innovate WA Fund

On top of existing funding, \$50.0 million has been allocated over the next four years towards the implementation of the *Innovate WA* Policy. Priorities of the fund will be to: enhance the State's research capacity and promote science in Western Australia's schools; provide scholarships for science teachers and for postgraduate study in our universities; support for industry placements; and provide matching funds to successful applications for Commonwealth research grants.

A capital infrastructure component of \$20.0 million has been included in the fund for use over three years beginning in 2002-03.

Integrated Package for 'Protecting Our Old Growth Forests'

The Government's commitment to protecting old growth forests has led to the ceasing of logging in nearly 99 per cent of Western Australia's old growth forests and there is currently a moratorium on the remaining 1 per cent. Approximately 340,500 hectares of remaining old growth forest has been placed in reserves. Full details of this package have been included under the Minister for the Environment and Heritage.

As part of the total package, the Government has provided \$54.0 million over the next four years for a strategy to be implemented by the Department of Industry and Technology that includes:

- Funding to help businesses that are no longer viable due to the policy's implementation to exit the timber industry;
- Promotion of related industries; and
- The creation of jobs.

Of the total cost, an amount of \$34.3 million was already included in the agency's budget with the remaining funds being sourced from the Regional Investment Fund.

Funding of \$17.0 million has been allocated in 2001-02 and \$8.0 million in 2002-03 to assist businesses wishing to exit the timber industry.

A total of \$8.8 million has been allocated in 2001-02 and \$26.0 million over the next four years to Industry Development Assistance and Industry Attraction to assist businesses remaining in the industry move to higher value adding timber uses. The Industry Attraction Package is intended to attract non-timber industries to the affected areas.

Mineral and Petroleum Resources

Contribute \$20.0 million to the Geological Survey

The Government has agreed to provide an additional \$20.0 million over the next four years to enable geoscience mapping to continue at the current level of funding of \$17.3 million per annum. This will enable production of twelve additional maps and reports and seven additional digital data sets, that otherwise would not have been produced.

Improve the processing time of mineral tenements

The Government announced in the election campaign that it would provide \$2.9 million over the next four years to provide additional resources to assist with clearing the backlog of applications where Native Title may survive. In relation to the implementation of this commitment and the use of these resources, the Government has decided to await the recommendations of the review by the Technical Task Force on Mineral Tenements and Land Title Applications. This Task Force is scheduled to report to the Government by mid-September 2001.

Department of Resources Development (DRD) Office in Kalgoorlie

As the new Department of Mineral and Petroleum Resources (DMPR) already has an office in Kalgoorlie, it has been able to save the cost of establishing a new shopfront, while also ensuring that Kalgoorlie clients have access to the full services of the department.

Investigate alternative sources of water

DMPR has called for expressions of interest for proposals to identify and develop options for the sustainable supply of water to the Goldfields. The Government is considering the proposals and issues raised, with a view to determining the best long-term supply strategy for the region. As part of this strategy, Government will consider what forms of support for the various proposals would be appropriate.

Western Australian Tourism Commission

Provide an additional \$2.0 million over four years to Market Regional and Rural Western Australia

The importance of effective marketing for the tourism industry in regional and rural Western Australia has been recognised through the allocation of an additional \$2.0 million over four years to specifically market tourism in regional and rural Western Australia.

Inject \$2.0 Million into Western Australia's Country Tourist Bureaux

The Government has allocated an additional \$2.0 million over four years to regional tourist bureaux.

Environmental Educational and Interpretive materials at major Eco-Tourism destinations to facilitate non-English Speaking People

The Government has provided an amount of \$20,000 over four years to provide education and interpretive materials at major nature based tourism destinations for non-English speaking people.

Establish a dedicated Environmental Tourism Unit within the Western Australian Tourism Commission

Western Australia has the potential to be one of the world's premier nature based tourism destinations. A funding allocation of \$250,000 per annum has been provided to provide a unit within the Western Australian Tourism Commission dedicated to assisting in the development of nature-based tourism.

Small Business Development Corporation

Enhancement of Advisory and Advocacy Role

The Small Business Development Corporation has been allocated \$125,000 per annum for the next four years to enhance its advocacy and advisory roles. The funds will be used to enhance the existing one-to-one support services in a range of areas, with special attention being given to alternative dispute resolution mechanisms for commercial tenancies.

Other Major Commitments

Mineral and Petroleum Resources

Burrup Peninsula Infrastructure - Amendment to Syntroleum/Plenty River Support Package

In 1999, the State Government allocated funding of \$38.0 million towards multi-user infrastructure to support the development of the Burrup Peninsula chemicals industry, based on natural gas feedstock. The rapid build up of developing projects during the past year has increased the need for additional infrastructure capacity and facilities. To maintain the State's commitment of support to this new industry, the Government has agreed to increase its contribution by making provision of up to \$62.0 million for infrastructure to support a growing chemicals industry in the area.

Minister for Education; Sport and Recreation; Indigenous Affairs

Table 12

MINISTER FOR EDUCATION; SPORT AND RECREATION; INDIGENOUS AFFAIRS
Election Commitments

	Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Education				
- Behaviour management and discipline	2,500	10,000	2,500	10,000
- Literacy and numeracy program - Getting it Right	2,152	27,666	2,203	27,800
- Improving assistance for children with disabilities and learning difficulties	1,750	7,000	1,650	9,400
- Scholarships for teachers	173	2,648	173	2,108
- Increase the professional development opportunities for teachers	1,250	5,000	1,250	5,000
- Increase the number of senior teachers	1,200	4,800	-	3,600
- Additional funding for school maintenance ^(b)	5,000	20,000	2,500	10,000
- Family Links - boost parent involvement with their children's education	1,000	4,000	1,146	3,994
- Funding for IT in schools	-	30,000	-	30,000
- Sports Challenge	125	500	125	500

Table 12 (cont.)

MINISTER FOR EDUCATION; SPORT AND RECREATION; INDIGENOUS AFFAIRS

Election Commitments

	Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
Education Services				
- Increased spending in non-government Schools	-	4,089	-	4,089
Sport and Recreation				
- Youth in Sports Program	125	500	125	500
- Increase funding to the Community Sport and Recreation Facilities Fund (CSRFF)	1,250	5,000	1,250	5,000
- Boost funding to Western Australian Institute of Sport (WAIS)	250	1,000	250	1,000
- Increase Funding to Country Sport Enrichment Scheme	75	300	75	300
- Talent Scholarship Identification	125	500	125	500
- Sports Club Development Scheme	250	1,000	250	1,000
- Establish West Coast Dive	100	100	100	100
- Assistance to Little Athletics	50	200	50	200
- Lord Forrest Pool	300	1,200	300	1,200
- Fans at Oasis Recreational Centre	55	55	55	55
Indigenous Affairs				
- Wungagutu Aboriginal patrol (Kalgoorlie)	75	300	75	300
- Geraldton Community Patrol	70	280	70	280
TOTAL (OPERATING)	17,875	126,138	14,272	116,926
CAPITAL ^(c)				
Education				
- Kununurra District High School	-	2,500	-	2,500
- Gosnells Senior High School	-	5,000	-	5,000
- Thornlie Senior High School	-	3,000	-	3,000
- Upgrade of Yale School	-	200	-	200
- Kinlock walkways	-	10	10	10
- South Kalgoorlie primary - new classrooms	-	2,000	-	2,000
- Eaton Recreation Centre	-	1,000	-	1,000
- Canning Vale Senior High School	-	16,000	-	17,000
- Waikiki Primary School	-	5,500	-	5,500
- Wanneroo -New primary school at Carramar	-	5,500	-	5,500
- Wanneroo -New primary school at East Marangaroo	-	5,500	-	5,500
- Covered Assembly Program	2,000	2,000	2,000	8,000
- Upgrade of schools	7,500	20,000	-	30,000
- Less reallocation from existing capital works funding	-2,000	-48,210	-2,010	-55,210
TOTAL	7,500	20,000	0	30,000

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

(b) This was mistakenly written in the costing booklet as \$20 million for maintenance and \$20 million for capital – this should have read \$10 million for maintenance and \$30 million for capital.

(c) These projects are being funded from reprioritisation of the total capital works program and an addition to the program as shown in Table 1.

Election Commitments

Education

Behaviour management and discipline

A good educational environment is essential for children to learn successfully. Schools must provide safety and security for students where mutual respect and tolerance is promoted among students and between students and staff.

Behavioural problems in government high schools will be addressed through an allocation of \$28.0 million over the next four years, including a specific election commitment of \$10.0 million for years 8 and 9. Schools will have the flexibility to use the funding to decrease class sizes or to employ other support staff.

Literacy and numeracy program – Getting it Right

As part of the ‘Getting it Right’ strategy \$27.8 million of additional funding has been provided over the next four years to employ two hundred literacy and numeracy specialists and for additional places in language development centres.

Improving assistance for children with disabilities and learning difficulties

An additional \$9.4 million over the next four years has been made available to provide better learning opportunities for children with disabilities and learning difficulties.

Scholarships for teachers increase the professional development opportunities for teachers and increase the number of senior teachers

Well trained and motivated teachers are vital to improved learning outcomes in our schools. A range of measures is provided for in this budget to increase the skills of teachers and attract the best new graduates. An allocation of \$8.6 million over the next four years has been made available to enhance the professional development of teachers and employ additional senior teachers. A further \$2.1 million has been provided for scholarships to prospective teachers.

Additional funding for school maintenance

The backlog in school maintenance work will be reduced through an allocation of an additional \$2.5 million per year over the forward estimate period.

Family Links – boost parent involvement with their children’s education

Research reveals a strong connection between parent involvement and student achievement. An allocation of \$4.0 million over four years has been made available to implement programs that involve parents more in their children’s schooling.

Funding for IT in schools

The Government's IT vision for all schools will ease the burden for teachers and put Western Australian children at the forefront of world educational improvement. Equipping children with IT skills is now as important as ensuring they have basic literacy and numeracy skills. It is their passport to future opportunities in education and employment.

Funding for IT will be boosted by \$30.0 million for the Government's IT vision for the future.

Information on the Government's initiative about laptop computers for teachers is contained in the section on Other Major Commitments.

Sports Challenge

An allocation of \$125,000 per annum has been provided to increase school children's participation in sport.

Kununurra DHS, Gosnells SHS, Mt Lawley SHS, Thornlie SHS, Upgrade of Yale School, South Kalgoorlie PS – new classrooms, Canning Vale HS, Waikiki Gardens PS, Wanneroo – new primary schools at Carramar and East Marangaroo

The Government announced a number of education projects as part of its election commitments. These included confirming its concurrence for the rebuilding of the Mt Lawley High School and committing to the additional priorities. Due to the long term nature of capital planning and the extent of existing commitments, the majority of capital projects promised as part of the Government's election commitments are to commence in 2002-03, 2003-04 or 2004-05.

The Government's commitments in the education sector included \$48.2 million for various priority school projects, plus a further \$30.0 million for the general upgrade of schools.

The strategy identified by the Government was for various priority projects to be funded from funds provided to the Education Department over the forward estimate period, but not yet allocated to specific projects. These "unallocated" funds in the capital works program were detailed in information provided to the Government when it was in opposition. The Department of Education has successfully achieved the funding of election commitments from these existing allocations.

The \$30 million for the general upgrade of schools was intended to be allocated from a re-prioritisation of the capital works program across agencies. On this basis, the Department was allocated additional funds for this purpose.

Kinlock walkways

A commitment of \$10,000 has been made to provide walkways at the Kinlock Primary School.

Eaton Recreation Centre

An additional \$1.0 million has been committed to the construction of an Eaton Recreation Centre, as part of the construction of Eaton High School.

Covered assembly program

The Government has committed \$8.0 million over four years, to extend the program of providing covered assembly areas at schools.

Upgrade of schools

A program of upgrading government schools will help restore confidence in the public education system and provide a better learning environment. An allocation of \$30.0 million has been provided in the forward estimate period to undertake additional refurbishment of older schools, which is additional to funds already allocated over the next four years.

The Government will also honour its election commitment to provide new secondary facilities at Mindarie and Eaton.

Sport and Recreation

Youth in Sports Program

The Government has provided \$500,000 over four years to establish a Youth in Sports Strategy to encourage young people to become involved in sporting activities outside of school hours.

Increase funding to CSRFF

Funding to the Community Sport and Recreation Facilities Fund (CSRFF) has been increased by \$5.0 million across the forward estimate period, boosting the funding from \$7.7 million to \$9.0 million a year.

As part of this additional money will be used to fund the following election commitments:

- Dampier pool (\$1.0 million);
- Collie swimming pool (\$250,000);
- Indoor sporting complex at Kambalda (\$350,000);
- Public swimming pool in the Leonora Shire (\$275,000);
- Coolgardie Shire swimming pool (\$40,000);
- Skate park in Kalgoorlie (\$30,000) and
- Skate park in Hillarys (\$30,000).

Boost funding to Western Australian Institute of Sport (WAIS)

Funding of the Western Australian Institute of Sport (WAIS) has been increased by \$1.0 million over four years, to provide total funding of \$3.2 million per annum.

Increase Funding to Country Sport

Funding to the Country Sport Enrichment Scheme has been increased by \$300,000 over the four years to bring more elite sporting events such as the WAFL and Pura Cup cricket matches and to enable coaching clinics with sports stars in regional Western Australia.

Talent Scholarship Identification

The establishment of a \$500,000 Talent Identification Program has been funded to identify and develop talent in all sports, particularly in regional Western Australia.

Sports Club Development Scheme

An allocation of \$1.0 million over four years has been provided for the establishment of a Sport Club Development Scheme to assist local community sporting clubs to increase volunteer involvement and the quality of their activities, especially among young sports people.

West Coast Dive

Diving is a rapidly growing international recreational pursuit that holds immense appeal to locals and tourists alike. An allocation of \$100,000 has been committed towards examining the establishment of the State's first dive park on the west side of Garden Island.

Assistance to Little Athletics

Little Athletics is an important Western Australian sporting institution providing opportunities for young people to participate in a range of activities and develop their skills and interest in athletics. Additional funding of \$50,000 per annum has been provided to ensure overall benefits accrue to the sport of athletics.

Lord Forrest Pool

The Lord Forrest Pool is a heritage listed pool in Kalgoorlie. An allocation of \$300,000 per annum has been provided to assist with ongoing operational costs.

Fans at Oasis Recreational Centre

The Oasis Leisure Centre in Kalgoorlie has been provided with \$55,000 in 2001-02 to assist with the installation of exhaust fans.

Indigenous Affairs

Wunngagutu Aboriginal Patrol (Kalgoorlie)

The Government has provided \$300,000 over four years to the community-based Wunngagutu Patrol to reduce harm caused to communities by alcohol. Community patrols serve to reduce problem behaviour and divert people from contact with the police and the justice system by providing transport to home, sobering-up shelters or other safe place.

Geraldton Community Patrol

An additional \$280,000 over four years has been provided to the Geraldton Community Patrol for additional staffing resources to facilitate the implementation of a pilot model. This model will study the impact that increased funding has on improving the effectiveness and capacity of patrols and measure the consequent savings to Government. The pilot will be managed through a local steering committee.

Other Major Commitments

Education

Riskcover

An amount of \$4.4 million per annum has been provided to fund the additional cost of the Department's insurance costs. These have increased due to a high level of claims from vandalism, arson and other causes of damage to school property.

Laptop computers for teachers

An amount of \$23.5 million has been provided over the forward estimate period to enable teachers to have low cost access to leased notebook computers with software, network access, training, insurances and support, for work and personal use. While this was an election commitment it was understood prior to the election that funding was provided in the forward estimate period. This was not the case and funding has therefore been provided to implement this proposal.

Capital Works Program

The Department's planned capital works expenditure for 2001-02 is \$140.3 million and relates primarily to the provision of adequate infrastructure for government schools throughout the State.

- Completion of four new primary schools at Canning Vale East, Secret Harbour, South Busselton and St Michel (at Port Kennedy East in mid 2002) and the construction of three replacement primary schools at Albany, Swanbourne and Stanford Gardens.
- An allocation of \$8.4 million in 2001-02 for the construction of Kinross Middle School.

- Eaton High School will be constructed at a total cost of \$17.0 million with an expenditure of \$6.7 million in 2001-02.
- A new senior campus will be constructed at Mindarie, at a total cost of \$15.0 million with an expenditure of \$6.0 million in 2001-02.
- Major additions, extensions and improvements at a number of primary and secondary schools throughout the State.
- An allocation of \$11.8 million for the first stage of the \$40.0 million secondary schools refurbishment program. Thirteen secondary schools will benefit from stage 1 of the program.
- The Government has provided \$5.0 million (\$2.0 million in 2001-02 and \$3.0 million in 2002-03) to reduce class sizes in years 8 and 9 in selected secondary schools.
- An allocation of \$7.4 million over four years (\$700,000 million in 2001-02) to air cool sixty one schools in the extended priority zone for air-cooling. This will greatly improve the teaching and learning environment in these schools.
- \$20.0 million has been provided to continue to support information and communications in schools.
- \$7.4 million has been provided to continue the implementation of early childhood education for four year old children.
- \$4.5 million has been provided to complete the asbestos cement roof replacement program. All asbestos cement roofs at schools are scheduled to be replaced by June 2002.
- An allocation of \$5.4 million has been provided for new works to provide library resource centres, upgrade administration and staff facilities and replace or upgrade toilet facilities in schools.

Minister for Community Development; Women’s Interests; Seniors and Youth; Disability Services; Culture and the Arts

Table 13

**MINISTER FOR COMMUNITY DEVELOPMENT, WOMEN’S INTERESTS,
SENIORS AND YOUTH; DISABILITY SERVICES; CULTURE AND THE
ARTS**

Election Commitments

	Pre-Election Estimate 2001-02 \$'000	Estimate Total Cost ^(a) \$'000	Budget Estimate 2001-02 \$'000	Estimate Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Community Development				
- Support Volunteer Organisations	500	2,000	500	2,000
- Student Community Involvement Program	100	400	100	400

Table 13 (cont.)

**MINISTER FOR COMMUNITY DEVELOPMENT, WOMEN'S INTERESTS,
SENIORS AND YOUTH; DISABILITY SERVICES; CULTURE AND THE
ARTS**

Election Commitments

	Pre-Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
- Introduce the Family Strength Program ^(d)	2,500	10,000	1,500	10,000
- Improve domestic violence programs	1,150	4,600	850	4,600
- Assistance to Foster Care Association	50	200	50	200
- Assistance to Carers ^(b)	-	-	244	1,836
- Youth accommodation – assistance to the homeless	500	2,000	250	2,000
- Youth programs	250	1,000	250	1,000
- Geraldton Seniors Resource Centre	70	280	70	280
- Geraldton Financial Counselling Service	15	60	15	60
- Children's Services - Kalgoorlie ^(d)	100	400	-	400
- Foodbank	20	20	20	20
- Community Development Program	50	200	-	200
- Youth Outreach	100	400	-	400
- Protecting Our Old Growth Forests	-	-	200	600
Disability Services				
- Caring for Carers	2,500	10,000	2,041	8,164
Culture and the Arts				
- Assistance to Major Performing Companies	1,000	4,000	1,000	4,000
- Increased Funding to support Local Libraries	1,000	4,000	1,000	4,000
- ArtsWA-New Initiatives for Artists and Arts Companies	1,000	4,000	1,000	4,000
- Assistance for Regional Touring	250	1,000	250	1,000
- Develop WA's Contemporary Music Industry	1,250	5,000	1,250	5,000
TOTAL (OPERATING)	12,405	49,560	10,590	50,160
CAPITAL ^(c)	-	-	-	-
Culture and the Arts				
- Broome Cultural Centre	-	5,000	-	5,000
- Bunbury Heritage Museum	-	1,000	1,000	1,000
- Less reallocation from existing capital works funding	-	-6,000	-1,000	-1,000
TOTAL (CAPITAL)	-	-	-	5,000

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

(b) The election estimate for assistance to carers in Community Development is reflected in the commitment for Caring for Carers under Disability Services.

(c) These projects are being funded from reprioritisation of the total capital works program and an addition to the program as shown in table 1.

(d) The total cost is the total expenditure over the five year period 2001-02 to 2005-06.

Election Commitments

Community Development

Support Volunteer Organisations

A total of \$2.0 million over four years has been provided to support a range of volunteer organisations and activities, including \$55,000 for the establishment of a volunteer centre in Kalgoorlie-Boulder.

Student Community Involvement Program

A total of \$400,000 over four years has been provided to Volunteers WA for the Student Community Involvement Program, aimed at encouraging school age students to participate in volunteer programs.

Introduce the Family Strength Program

The Government recognises that the family unit is fundamental to society, that families are diverse and that family support is vital to a healthy, well functioning society. Funding of \$10.0 million has been provided over the five year period for a range of initiatives.

Improve domestic violence programs

A total of \$4.6 million has been allocated over the forward estimate period towards establishing a 24 hour help-line for victims of domestic violence, assistance for children witnessing domestic violence, improvement of follow-up services for people leaving women's refuges and improved support for women's refuge accommodation and regional domestic violence committees.

Assistance to Foster Care Association

Grant funding of \$200,000 has been allocated over the four year period to the Foster Care Association.

Assistance to Carers

As part of a \$10.0 million package of measures to assist carers, funding of \$1.8 million has been provided over the forward estimate period to the Office of Seniors Interest for: the establishment of a 24 hour statewide Carers Counselling Line; a Carers Respite Service; an extension of the Carer Health Awareness and Community Link Program and a new Grandparents Care Service.

Youth accommodation – assistance to the homeless

Grants totalling \$2.0 million have been provided over the forward estimate period to organisations that provide services to homeless youth.

Youth programs

A total of \$1.0 million has been allocated over four years, for the development of youth oriented cultural venues and public spaces in rural and regional areas. The additional funding will enable young people to access community spaces, in a safe and secure environment for recreational, sporting and cultural activities.

Geraldton Seniors Resource Centre

Funding of \$280,000 has been provided over four years, to increase the operating hours and services provided by the Queen Elizabeth II Senior Citizens Centre in Geraldton.

Geraldton Financial Counselling Service

Funding of \$60,000 has been directed towards extending the operating hours of a financial counselling service in Geraldton.

Children's Services - Kalgoorlie

Additional funding of \$400,000 has been provided over the five year period, to further develop children's services in Kalgoorlie.

Foodbank

Funding of \$20,000 has been provided to assist Foodbank in 2001-02.

Community Development Program

Grant funding of \$200,000 has been provided over four years for a community development program in Laverton/Leinster.

Youth Outreach

Grant funding of \$400,000 has been provided over four years to enhance services provided by youth outreach workers.

Protecting Our Old Growth Forests

As part of this initiative an amount of \$600,000 over three years has been allocated to provide counselling services for families and individuals involved in the timber industry.

Disability Services Commission

Caring for Carers

As part of a \$10.0 million package of measures to assist carers, funding of \$8.2 million has been provided to the Commission over the forward estimate period.

This funding will be used to develop initiatives that are consistent with the election commitments of:

- Expanding existing respite services and facilities to promote more flexible and responsive respite;

- Expanding the provision of professional therapy, aids and equipment;
- Enhancing the counselling services offered to carers and care-recipients;
- Developing training modules across agencies that provide health, education and community care services in order to identify carer experiences and plan strategies for intervention; and
- Supporting family initiatives and projects.

Culture and the Arts

Increase funding to the four major performing arts companies

A total of \$4.0 million has allocated over four years to the Black Swan Theatre Company, West Australian Ballet Company, West Australian Symphony Orchestra and the West Australian Opera. These funds will be on a competitive basis to seek partnerships with other arts organisations and artists to rebuild the performing arts and to broaden access to the performing arts in the regions.

Increased funding support to local libraries

Recognising that the State's public libraries are building blocks for enhancing our quality of life, the Government has provided an additional \$4.0 million over four years to better support local libraries.

Boost funding to ArtsWA to enable artists and arts companies to take on a number of new initiatives

The Government has allocated \$4.0 million over four years to help rebuild the arts. These funds will be distributed to a range of arts organisations to achieve the key objectives of access and equity, as well as the development of specific initiatives for indigenous arts, regional and young people's programs as well as audience development.

Extend regional touring

A total of \$1.0 million over four years has been allocated to increase touring of the visual arts, literature, and performing arts.

Develop Western Australia's Contemporary Music Industry

Funding has been provided to support and develop the contemporary music industry infrastructure and programs. A total of \$5.0 million over four years has been allocated to develop and promote Western Australian contemporary music talent, and provide infrastructure support across the State.

A taskforce has been established to advise on programs to increase live performance opportunities for original bands, a Statewide all-ages concert program encouraging Western Australian bands to tour overseas and interstate and establishing a website to showcase and sell Western Australian music to the world.

Capital Commitments

It was the Government's original intention, based on the information it was provided on the Department's capital works forward estimates, that two significant projects would be funded from its existing forward estimates allocation. These projects were the construction of the Broome Cultural Centre (\$5.0 million) and the Bunbury Heritage Museum (\$1.0 million).

During budget deliberations, the Government was informed that a majority of the existing allocations were earmarked for asset maintenance, which requires early attention. Accordingly, Government agreed to allocate the Department additional funds for the Broome Cultural Centre, on the basis that it would internally fund the Bunbury Heritage Museum.

Broome Cultural Centre

As part of the Government's support for the Kimberley region, \$5.0 million has been allocated to support the efforts of the Broome Shire Council and the local community to establish a multipurpose performing arts and cultural centre in Broome.

Bunbury Heritage Museum

The Government has committed \$1.0 million towards a Regional Social History Museum, which interprets the history of the Bunbury region, its people, industries and arts.

Other Major Commitments

Community Development

Children in Care

Funds of \$2.7 million in 2001-02 have been provided to meet increased demand for Children in Care services.

Family Information Records Bureau

Additional funding of \$1.6 million has been provided to the Family Information Record Bureau to enhance the existing database and to improve the provision of information.

Culture and the Arts

Relocate Western Australian Symphony Orchestra

The Government has committed \$8.0 million over the forward estimate period towards the relocation of the Western Australian Symphony Orchestra (WASO). The project will provide accommodation and rehearsal space for WASO, as a result of the relocation of the ABC to a new East Perth site.

Minister for Health

Table 14

MINISTER FOR HEALTH
Election Commitments

	Pre-Election Estimate 2001-02 \$'000	Total Estimate Total Cost ^(a) \$'000	Budget Estimate 2001-02 \$'000	Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Health				
- Increased funding for hospitals (waiting lists, rehabilitation, acute care and care in the home trial)	10,500	42,000	10,500	42,000
- Care Awaiting Placement	5,250	21,000	6,959	27,836
- Allocate \$12m for a nurses' professional development package	3,000	12,000	3,000	12,000
- Nurses pay agreement	12,493	104,270	12,455	104,289
- Increase funding for PATS by \$1m pa	1,000	4,000	1,000	4,000
- Provide an additional \$6m for the delivery of specialist services in the country	1,000	6,000	1,000	6,000
- Allocate \$4 m for allied health initiatives in the country	1,000	4,000	1,000	4,000
- Allocate \$500,000 for scholarships for allied health workers to work in the country	25	500	25	500
- Expand the provision of dental services in regional WA	250	1,000	250	1,000
- Allocate \$1m for carers of mentally ill in regional WA	250	1,000	250	1,000
- Allocate \$1.5m for community based health initiatives for Aboriginal people	375	1,500	375	1,500
- Building the capacity of nurses	500	2,000	500	2,000
- Introduce another 40 child health nurses	559	5,590	559	5,590
- Counselling services	850	3,400	850	3,400
- Drug and Alcohol Counselling services – Carnarvon	105	420	105	420
- Drug detoxification and rehabilitation support service at Kalgoorlie Regional Hospital	100	400	100	400
- Men's Health Service in Kalgoorlie-Boulder	50	200	50	200
- Sexual Assault Referral Centre – Kalgoorlie	40	160	40	160
- Women's Health Resource Centre – Geraldton	50	200	50	200
- Men's Health Centre – Geraldton	50	200	50	200
- Inject \$8 m into a Health Improvement Program	1,500	8,000	1,500	8,000
- Mental Health Initiatives	2,500	10,000	2,500	10,000
- Palliative Care	2,000	8,000	2,000	8,000
- Hold a Drug Summit within the first year of getting into Government	250	250	250	250
- Allocate \$1m pa for Naltrexone clinic	1,000	4,000	1,000	4,000
TOTAL (OPERATING)	44,697	240,090	46,368	246,945

Table 14 (cont.)

MINISTER FOR HEALTH
Election Commitments

	Pre-Election Estimate		Budget Estimate	
	2001-02 \$'000	Total Cost ^(a) \$'000	2001-02 \$'000	Total Cost ^(a) \$'000
CAPITAL ^(b)				
Health				
- RPH - Reallocate the outpatients facility, construct a 55 bed trauma ward, develop wards in A block, upgrade the burns unit and other works	-	21,000	800	21,000
- Princess Margaret Hospital Upgrade	-	16,500	1,500	16,500
- King Edward Hospital	-	15,000	1,000	15,000
- SCGH - Upgrade facilities	-	8,000	1,500	8,000
- PET funding for SCGH	-	7,500	-	-
- Fremantle Hospital - Refurbish wards, develop a new 30 bed ward and build a new surgery	-	2,500	1,500	2,500
- Derby Hospital - Stage 4	-	15,000	500	15,000
- Port Hedland Health Campus - upgrade	-	11,000	601	11,000
- Peel Hospital on a Renal dialysis unit	-	2,400	1,000	2,400
- Upgrade Rockingham, Swan Districts and Osborne Park Hospitals	-	8,000	50	8,000
- Expand community health facilities around the State	-	5,000	200	5,000
- Geraldton Hospital - redevelopment	-	35,000	410	35,000
- Undertake a systematic upgrade of nursing accommodation	-	5,000	500	5,000
- Implement a program to improve the hospitals' operating capabilities (equipment and maintenance)	-	20,000	9,500	20,000
- Capital upgrade for nursing homes	-	3,000	1,000	3,000
- RPRH - Shenton Park upgrade	-	-	800	3,500
- Kalamunda Hospital - redevelopment	-	-	430	5,500
- Less reallocation from existing capital works funding		-174,900	-21,291	-176,400
TOTAL (CAPITAL)	-	-	-	-

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

(b) These projects are being funded from reprioritisation of the total capital works program and an addition to the program as shown in Table 1.

Election Commitments

Health

Increased funding for hospitals (waiting lists, rehabilitation, acute care and care in the home trial)

The Government has provided funding of \$10.5 million in 2001-02 to hospitals to reduce waiting lists for patients, improve patient care for emergency and acute services and to extend the care in the home program for patients. This initiative will cost \$42.0 million over the forward estimate period.

Care Awaiting Placement

In 2001-02, \$7.0 million has been made available to partner aged care providers to address the shortage of beds for elderly patients awaiting permanent placement in nursing homes. The total cost of this initiative over the forward estimate period is \$27.8 million.

Nurses' professional development package

The Government has allocated \$3.0 million in 2001-02 to assist in the recruitment of nurses and professional development packages for nurses, including scholarships, post graduate courses and study leave options. The total cost of this initiative over the forward estimate period is \$12.0 million.

Nurses - pay agreement

In 2001-02, \$12.5 million has been made available to fund a new salary package arrangement for nurses. An amount of \$104.3 million has been provided over the forward estimate period. This is partially funded from \$37.3 million of internal funds redirected to service delivery and \$13.2 million from the abolition of the Metropolitan Health Services Board.

Increase funding for Patient Assisted Transport Scheme by \$1.0 million per annum

The Government has provided an additional \$1.0 million in 2001-02 to subsidise the cost for country residents who need to travel long distances to receive the appropriate medical and specialist service treatment. The total cost of this initiative over the forward estimate period is \$4.0 million.

Provide an additional \$6.0 million for the delivery of specialist services in the country

The Government has allocated \$1.0 million in 2001-02 for additional activity associated with the implementation of new specialist services in rural areas.

Allied health initiative in the country

In 2001-02, \$1.0 million has been made available to ensure that country people have better access to specialist health services such as physiotherapy, occupational therapy, audiology and radiography. This will include initiatives to attract graduates in specialist health services to commence their practice in regional areas in order to increase the availability of health services to country people. These initiatives will cost \$4.5 million over the forward estimate period.

Two new speech pathologists to the West Pilbara Health Service

As part of the funding provided in the previous commitment, two speech pathologists will be recruited and appointed to the West Pilbara Health Service to address the community need and reduce the waiting period for patient treatment.

Expand the provision of dental services in regional Western Australia

In 2001-02, \$250,000 has been made available to expand the provision of dental services to low income and disadvantaged families by extending orthodontic services in regional Western Australia in partnership with private providers. This initiative will cost \$1.0 million over the forward estimate period.

Support for carers of mentally ill in regional Western Australia

The Government has provided \$250,000 in 2001-02 to increase services and support to carers of the mentally ill, particularly at the onset of illness. This initiative will cost \$1.0 million over the forward estimate period.

New community based initiatives for indigenous people

In 2001-02, \$375,000 has been made available to expand community based health initiatives and meet the special health needs of indigenous people and communities. The total cost of this initiative over the forward estimate period is \$1.5 million.

Increased support for child health nurses

The Government has allocated \$500,000 in 2001-02 to provide more support to community health by enhancing the role of child health nurses. This initiative will cost \$2.0 million over the forward estimate period.

Forty new child health nurses

In 2001-02, \$559,000 has been made available to employ an additional forty child and community health nurses in order to provide more comprehensive home visit support to families with babies and young children, particularly those with greater need and requiring more intensive support. The total cost of this initiative over the forward estimate period is \$5.6 million.

Post natal depression counselling services

The Government has allocated \$850,000 in 2001-02 to increase the capacity of non-government agencies in partnership with the Department of Health to provide counselling services to women in a community based environment, with a special focus on postnatal depression. This initiative will cost \$3.4 million over the forward estimate period.

Drug and Alcohol Counselling services - Carnarvon

In 2001-02, \$105,000 has been provided to increase the availability of counselling services. These will be accessible and community based with trained specialists in the area of drug and alcohol dependency, costing \$420,000 over the forward estimate period.

Drug detoxification and rehabilitation support service for Kalgoorlie

As part of the specific initiative to provide a better health care service for the Goldfields, the Government has provided \$100,000 in 2001-02 for the drug detoxification and rehabilitation support service at Kalgoorlie. This initiative will cost \$400,000 over the forward estimate period.

Regional Men's Health Services

In 2001-02, as part of the specific initiative to provide better health care services in regional Western Australia, \$100,000 has been made available to establish a Men's Health Service in Geraldton and Kalgoorlie. This initiative will cost \$400,000 over the forward estimate period.

Sexual Assault Referral Centre - Kalgoorlie

In 2001-02, \$40,000 has been made available to boost the funding to the Sexual Referral Centre in Kalgoorlie. This initiative will cost \$160,000 over the forward estimate period.

Women's Health Resource Centre - Geraldton

In 2001-02, \$50,000 has been provided to establish a Women's Health Resource Centre at Geraldton. This initiative will cost \$200,000 over the forward estimate period.

Expand the Health Improvement Program

In 2001-02, \$1.5 million has been provided to give additional emphasis to health promotion and illness prevention programs, which will form part of a comprehensive health improvement program, administered by the Public Health Division. This initiative will cost \$8.0 million over the forward estimate period.

Mental Health Initiatives

The Government has provided \$2.5 million in 2001-02 for additional mental health services which are aimed at: increasing community awareness and prevention; upgrading and extending services for young people; stronger support for families and carers; wider range and variety of accommodation at the appropriate standard; and supporting consumer advocates. This initiative will cost \$10.0 million over the forward estimate period.

Palliative Care

In 2001-02, \$2.0 million has been made available to provide additional palliative care specialist support for people who are dying and develop palliative care services around the State in partnership with the non-government sector. This initiative will cost \$8.0 million over the forward estimate period.

Hold a Drug Summit within the first year of getting into Government

The Government provided \$250,000 in 2001-02 to hold a community based drug summit in order to explore the drug problems and establish a series of recommendations to deal with drugs in the community.

Increased funding for the Naltrexone Clinic

In 2001-02, \$1.0 million has been made available to provide a long term financial security to Dr O'Neil's rapid detoxification clinic and the naltrexone program. This initiative will cost \$4.0 million over the forward estimate period.

Capital Commitments

The Government has committed to the delivery of capital projects in the Health sector to the value of \$108.4 million and has identified that these would be funded from the department's unallocated capital funds over the forward estimate period.

In accordance with this initiative, the Health Department has re-prioritised its capital works program to accommodate the projects within its previous forward estimates allocation.

Relocate the outpatient's facility, provide a 55 bed trauma ward, upgrade the burns unit and other works at Royal Perth Hospital

An allocation of \$1.6 million has been made available in 2001-02 for capital developments in the East Metropolitan Health Service. The total cost of these developments over the forward estimate period is \$24.5 million.

\$31.5 million for Women and Children's Health Service Developments

An allocation of \$2.5 million has been made in 2001-02 for capital developments for the Women and Children's Health Service, which includes the funding for the upgrade to Princess Margaret Hospital and King Edward Memorial Hospital. The total cost of these developments over the forward estimate period is \$31.5 million.

Upgrade facilities at Sir Charles Gairdner Hospital

In 2001-02, an allocation of \$1.5 million has been made for capital developments in the North Metropolitan Health Service, which includes funding for the upgrade to Sir Charles Gairdner Hospital. The total cost of these initiatives over the forward estimate period is \$8.0 million.

Positron Emission Tomography funding for Sir Charles Gairdner Hospital

The Commonwealth Government has called for submissions for the provision of a Positron Emission Tomography (PET) service in Western Australia. The State Government is negotiating with the Commonwealth with a view to establishing this service at Sir Charles Gairdner Hospital.

South Metropolitan Health Service Developments

The Government has allocated \$2.5 million in 2001-02 for capital developments in the South Metropolitan Health Service, which includes funding for the refurbishment of wards, development of a new 30 bed ward, a new surgery theatre at Fremantle Hospital and the promised upgrade to the renal unit at Peel Health Campus.

Expansion of Kimberley Health Service

In 2001-02, an allocation of \$500,000 has been made for capital developments in the Kimberley Health Service. The total cost of these initiatives over the forward estimate period is \$34.1 million.

Upgrade Port Hedland Health Campus

An allocation of \$601,000 in 2001-02 has been made to Port Hedland Health Service, Stage 1 Redevelopment. The total cost of these initiatives over the forward estimate period is \$11.0 million.

Upgrade Rockingham, Swan District, Osborne Park and Kalamunda Hospitals

An allocation of \$480,000 in 2001-02 has been made available to commence planning for upgrades at Rockingham, Swan District, Osborne Park and Kalamunda Hospitals. The total cost of these initiatives over the forward estimate period is \$13.5 million.

Upgrade and expand community health facilities around the State

The Government has allocated \$200,000 in 2001-02 to commence upgrades to community health centres across the State. The total cost of this initiative over the forward estimate period is \$5.0 million.

Redevelopment of Geraldton Regional Hospital

In 2001-02, an allocation of \$410,000 has been made available for the redevelopment of Geraldton Regional Hospital. The total value of this initiative over the forward estimate period is \$35.0 million.

Upgrade of nursing accommodation

An allocation of \$500,000 in 2001-02 has been made available to upgrade staff accommodation across the State. The total cost of this initiative over the forward estimate period is \$5.0 million.

Improve hospitals equipment and maintenance

In 2001-02, an allocation of \$9.5 million has been made available to commence a systematic upgrade of hospital buildings and equipment across the State. The total cost of this initiative over the forward estimate period is \$20.0 million.

Care awaiting placement facilities

The Government has provided \$1.0 million in 2001-02 for facilities to accommodate residents currently in hospital facilities awaiting permanent placement in nursing homes. The total cost of this initiative over the forward estimate period is \$3.0 million.

Upgrade Shenton Park Hospital

In 2001-02, an allocation of \$1.6 million has been made available for capital developments in the East Metropolitan Health Service, part of which will be utilised on Shenton Park Hospital.

Other Major Commitments

The Government has allocated an additional \$206.0 million over four years in recurrent funding to Health, over and above the provision of additional funding for election commitments, to allow for anticipated increases in the cost of delivering health services.

Minister for Racing and Gaming; Government Enterprises; Goldfields-Esperance

Table 15

**MINISTER FOR RACING AND GAMING; GOVERNMENT ENTERPRISES;
GOLDFIELDS-ESPERANCE**
Election Commitments

	Pre-Election Estimate 2001-02 \$'000	Estimate Total Cost ^(a) \$'000	Budget Estimate 2001-02 \$'000	Estimate Total Cost ^(a) \$'000
OPERATING EXPENDITURE				
Racing, Gaming and Liquor				
- Reduce betting turnover tax by 0.5% to provide an injection of funds into the racing industry	4,000	16,000	4,300	18,150
Goldfields-Esperance Development Commission				
- Kalgoorlie-Boulder Development Fund	250	1,000	250	1,000
TOTAL (OPERATING)	4,250	17,000	4,550	19,150

(a) The total cost is the total expenditure over the four year period 2001-02 to 2004-05.

Election Commitments

Racing, Gaming and Liquor

Reduce betting turnover tax by 0.5% to provide an injection of funds into the racing industry

The racing industry has been receiving a rebate since March 2001 equivalent to 0.5% of TAB betting turnover, in line with the Government's election commitment to reduce the TAB betting tax rate from 5.0% to 4.5%. The rebate system was preferred over a tax rate reduction because of the Government's desire to provide immediate assistance to the racing industry.

The total cost of this measure is estimated to be \$18.1 million over four years (\$4.3 million in 2001-02, \$4.5 million in 2002-03, \$4.6 million in 2003-04 and \$4.8 million in 2004-05), compared to the election estimate of \$16.0 million. The increase in the cost of this measure is due to higher than expected receipts from the TAB betting tax.

Goldfields-Esperance Development Commission

Kalgoorlie-Boulder Development Fund

A \$1.0 million Kalgoorlie-Boulder Development Fund has been established to formulate and implement a long-term strategy for Kalgoorlie-Boulder and assures its social and economic development. The fund will be used to assist projects that will improve the social infrastructure and general quality of life in Kalgoorlie-Boulder.

Savings Initiatives

The Government's savings initiatives are projected to yield total funds of \$851.5 million. Of this amount, \$786 million was reprioritised to fund all of the Government's election commitments. The following table details the savings initiatives, as set out in the Government's savings and policy initiatives package.

Table 16				
GENERAL GOVERNMENT				
Summary of Savings Initiatives in Operating Expenditure				
	Election Estimate		Budget Estimate	
	2001-02 \$000's	Total Savings ^(a) \$000's	2001-02 \$000's	Total Savings ^(a) \$000's
SAVINGS INITIATIVES				
Close the Commissioner of Workplace Agreements	1,865	7,633	830	8,041
Reduce Ministry from 17 to 14	5,427	21,708	3,465	14,400
Re-prioritisation of some industry grants	1,250	5,000	1,250	5,000
Abolish Metropolitan Health Services Board	4,438	17,752	3,291	13,164
Reduce SES	2,340	21,060	2,210	9,149
Reduced funding for native title litigation	1,000	2,000	1,000	2,000
Funding of the native title commission	4,800	19,200	4,800	19,200
25 per cent cut to funding of the ACC to fund the police service royal commission	2,418	9,845	0	0
Reduction in Advertising and Promotion - 30%, Travel (excluding Intrastate) - 20% , and Consultants - 30% cut	24,415	97,662	29,394	117,439
Priority and Assurance Dividend - (exc Health, Police and Education)	97,131	497,678	95,974	419,109
0.5% redirection to service delivery - Health, Education and Police	18,091	74,181	18,091	74,183
PTE efficiency dividend – 0.5%	27,789	116,275	20,742	97,873
Improved taxation compliance	10,000	40,000	0	30,000
Redirection of trade facilitation fund	-	38,029	0	38,029
Abandon Claremont Education Precinct	-	3,900	696	3,922
Halve growth in funding for the Premier's Department	324	4,405	0	0
TOTAL	201,288	976,328	181,743	851,509

(a) Columns may not add due to rounding.

The expected savings for 2001-02 and the forward estimate period reflects specific and general savings from government programs and considerable effort to re-prioritise government service delivery toward areas of community need such as health, education, police services and justice. The savings initiatives indicate a commitment by Government to implementing a regime of tight expenditure controls, placing a greater emphasis on evaluation of government programs. It also signals an integrated approach to meeting the priorities of the community.

The projected savings for 2001-02 of \$181.7 million is \$19.5 million less than projected in the pre-election information.

A summary of the specific savings measures targets identified by Government is outlined below.

Close the Commissioner of Workplace Agreements

Given the complexity of the replacement legislation, there will be a delay in the abolition of the Office of the Commissioner of Workplace Agreements, with the consequential impact being the requirement for operational funding of \$1.7 million in 2001-02.

Reduce Ministry from 17 to 14

The reduction in the number of Ministers from 17 to 14 was originally estimated to save \$5.4 million per annum.

However the amount of \$5.4 million for the reduction in the number of Ministers was calculated based on an average cost per Ministerial appointment of \$1.8 million. This methodology overlooked that fixed and indirect costs would not fall as a result of the closure of three Ministerial offices. The revised cost saving is based on the direct variable cash cost per office, estimated to be \$1.2 million per annum. On this basis the achievable savings is \$14.4 million over the forward estimate period.

Re-prioritisation of some industry grants

The Department of Industry and Technology has met the required savings through reductions in industry grants.

Abolish Metropolitan Health Services Board

Savings of \$4.4 million per annum were sought through the closure of the Metropolitan Health Service Board. Only savings of \$3.3 million per annum have been achieved, as the remaining funds are being utilised for the provision of centralised information technology services for metropolitan hospitals.

Reduce Senior Executive Service (SES)

The original commitment was to reduce the size of the SES by 60 positions over a three year period. The Government has commenced this process through a Management Initiated Redundancy Scheme, which realised initial savings of \$9.1 million across the forward estimate period.

Reduced funding for native title litigation

Funding for native title litigation has been reduced by \$1.0 million per annum for 2001-02 and 2002-03.

Funding of the native title commission

Savings of \$4.8 million per annum have been achieved through ceasing funding for a native title commission.

25 per cent cut to funding of the Anti-Corruption Commission (ACC) to fund the police service royal commission

Savings of \$9.8 million across the forward estimate period were sought from the reduction in funding of the ACC. At this stage the agency budget has not been reduced pending further consideration by the Government.

Savings from Travel, Advertising and Consultancy Expenditures

The Government has undertaken adjustments to the appropriations of budget sector agencies, and to the statutory dividend payable by relevant corporations to reflect savings in travel, consultancy and advertising expenditure.

These adjustments have been based on a reduction of 20% in interstate and overseas travel, 30% in advertising and promotion, and 30% in expenditure on consultants. Savings of \$117.4 million are expected to be achieved across the forward estimate period.

Priority and Assurance Dividend - 1.5% in 2001-02 and 2% in the following years (excluding Health, Police and Education)

Savings of \$497.7 million were sought through the application of a 'priority dividend'. The dividend was to be applied to agencies' total operating expenses at a rate of 1.5% in 2001-02 and 2.0% in each of the forward estimate years (excluding Health, Police and Education).

The Government subsequently extended the task through an 'assurance dividend' of \$50.0 million (1.9%) per year to ensure achievement of a sound overall financial position.

The Government's initial assessment of the dividend was on the basis that it would be applied to both controlled and administered expenses. However, a large component of these expenses is not capable of being reduced by the dividends (eg. Commonwealth funded payments, interest, depreciation etc). The dividends have therefore been applied to what is considered to be the manageable component of agencies' operating expenditures. This approach reduces the base upon which the dividends are applied. It has therefore been necessary to increase the percentage reductions required to achieve the target savings to 3.8% in 2001-02 and 5.2% thereafter.

0.5% redirection to service delivery - Health, Education and Police

There has been a 0.5% redirection of funding in Health, Education and Police to meet the cost of election commitments within those agencies. These savings are to be met through efficiency savings within those agencies.

Public Trading Enterprises efficiency dividend – 0.5%

Initially the dividend was envisaged to apply at a rate of 0.5% of the aggregate operating expense of all public non-financial corporations. However the base included a number of expense items that should have been excluded such as depreciation, interest, cost of goods sold and dividends and income tax equivalents.

Accordingly a higher efficiency dividend of 1.4% was applied to meet the Government's savings targets.

Improved taxation compliance

The Government's election commitments included additional revenues of \$10.0 million per annum through improved taxation compliance.

As part of this commitment, an across Government working party has been established to examine available information on indirect transfers of ownership of mining and pastoral leases. Improved information is expected to lead to improved compliance in the area of compliance duty.

The forward estimate period includes a total of \$30.0 million from improved taxation compliance. This reflects the fact that new processes and possibly legislation may be required, and these are unlikely to be in place before 2002-03

Redirection of Trade Facilitation Fund

In line with the election commitment, the Government will not proceed with the establishment of a Trade Facilitation Fund.

Abandon Claremont Education Precinct

The previous Government's proposal to establish a Claremont education precinct for the Department of Education Services, Curriculum Council and Country High Schools Housing Authority has been abandoned with total associated savings of \$3.9 million over the forward estimate period.

Halve growth in funding for the Premier's Department

The Department has been unable to halve the growth funding of \$4.4 million required over the four years. This is because the measure represents cost escalation and wages policy provisions for the period 2001-02 to 2004-05.

Other Initiatives

Wages Parity Policy

The Government's labour relations policy provides for the discontinuance of workplace agreements, the introduction of collective arrangements and the restoration of parity of public sector pay and conditions between like employees. Implementation of the policy is based on the setting of benchmark parity rates of pay and providing increases to those who have been disadvantaged by the previous bargaining process. Thereafter, it is proposed that a general wages policy will be applied to the benchmark, progressively lifting all like employees to the same rate of pay and conditions. The estimated total cost of implementation of the Government's parity and wages policy is \$31.5 million over the forward estimate years.

Pensioner Concessions – Extension to Seniors

From 1 July 2001 the Government extended a range of social concessions previously available only to pensioners to State Seniors Card holders, in line with its election commitment. These include rebates on local government and water rates, concessions on motor vehicle and driver's licence fees and an air conditioning subsidy for pensioners and eligible seniors living in climatically harsh regions.

The total cost of this package is estimated to be \$41.7 million over four years (\$10.0 million in 2001-02, \$9.6 million in 2002-03, \$10.0 million in 2003-04 and \$10.5 million in 2004-05).

CHAPTER 4

The Western Australian Economy

Summary

Following low growth by Western Australian standards in 2000-01, gross State product (GSP) is forecast to grow by 4.0% in 2001-02.

A pick-up in domestic demand conditions in 2001-02 will be the principal driver of growth. Net exports will remain weak for at least the remainder of 2001-02. The labour market is expected to remain flat initially before improving into 2002-03.

After falling by an estimated 19.25% in 2000-01, dwelling investment should return to positive growth in 2001-02, with activity boosted by the recent cuts in interest rates and the temporary increase in the First Home Owner Grant (FHOG) for new homes.

Business investment looks set to rebound in 2001-02 after falling for three consecutive years. The \$2.4 billion expansion of the North West Shelf project has begun in earnest, and development of the \$600 million Burrup ammonia plant, as well as a number of smaller projects, continue to be progressed.

The outlook for the external sector is less positive, with exports hindered by weak international demand conditions and capacity constraints following the subdued investment performance in recent years. Imports, on the other hand, are expected to increase strongly, boosted by the anticipated resurgence in business investment. As a result, net exports are expected to detract from growth in 2001-02.

Employment growth is expected to lag growth in State final demand (SFD), and consequently the unemployment rate is expected to increase in 2001-02 (to 7.0%). With capital-intensive business investment driving growth, a lag between the lift in activity and a pick-up in employment is to be expected. Nevertheless, employment is projected to grow strongly in 2002-03 and beyond.

Overview

Recent Developments

Economic growth slowed more substantially than expected in 2000-01, with growth of just 1.75% now estimated (compared with 4.6% in 1999-2000). Notably, domestic demand growth was weaker than anticipated, due to softer than expected activity in dwelling and business investment and household consumption expenditure.

In net terms, the external sector appears to have made a similar contribution to growth to that previously anticipated, although both exports and imports have been weaker than originally forecast. Lower business investment has reduced both exports and imports. Exports have also been impacted by weaker international demand conditions, while softer household consumption has reduced the demand for imports.

Outlook

As noted, GSP growth is expected to rebound in 2001-02, and strengthen over the forward estimates period. Growth is projected to peak at 5.0% in 2002-03, underpinned by a resurgence in net exports. This compares with average GSP growth over the last decade of 4.5%.

Employment growth is expected to remain weak in 2001-02 before making a strong recovery in 2002-03, and then moderate over the out-years to around its long-term average of 2.75%. Wages growth is expected to stabilise at around 3.0% over the medium term, after strong growth in 2000-01. Underlying inflation is expected to increase to 3.0% in 2001-02, which is at the top of the Reserve Bank of Australia's (RBA) target range, before easing back in the out-years.

Table 1

MAJOR ECONOMIC AGGREGATES Western Australia

	1999-00 Actual %	2000-01 Estimated Actual %	2001-02 Budget Estimate %	2002-03 Forward Estimate %	2003-04 Forward Estimate %	2004-05 Forward Estimate %
Real Gross State Product Growth	4.6	1.75	4.0	5.0	4.75	4.75
Employment Growth	3.0	1.5	1.25	3.25	2.75	2.75
Unemployment Rate	6.3	6.5	7.0	6.5	6.5	6.25
Wages Growth ^(a)	2.7	3.6	3.0	3.25	3.0	2.75
Underlying Consumer Price Index ^(b)	2.3	2.5	3.0	2.75	2.75	2.5
GSP Implicit Price Deflator	4.0	8.5	2.75	2.25	2.0	2.0

(a) Wages growth now refers to growth in the wage cost index (previously average weekly earnings).

(b) Does not incorporate any impact of the introduction of the GST.

GSP growth is forecast to strengthen in 2001-02 to 4.0%, with domestic demand (measured by SFD) increasing by around 4.5%, reflecting an expected pick-up in business investment and a moderate recovery in dwelling investment.

The lift in domestic activity in 2001-02 is expected to be partly offset by a decline in net exports. Exports are expected to increase only slightly from their 2000-01 levels due to weak business investment in the preceding two years (which has limited growth in production capacity) and fragile international demand conditions. At the same time, robust growth in business investment should fuel a strong pick-up in imports.

Growth in GSP is projected to accelerate further to 5.0% in 2002-03, due to a lift in net exports (driven by an increase in export growth) and continued solid growth in domestic demand. Exports should be underpinned by an increase in production capacity and a recovery in international demand conditions. Private consumption is also expected to make an increased contribution to growth, reflecting strengthening employment growth.

GSP growth is expected to stabilise in 2003-04 at around 4.75%. Robust exports and a slight moderation in imports should drive growth in that year. Growth is expected to remain at 4.75% in 2004-05, with business investment slowing after the current swathe of major resource projects are completed.

Figure 1

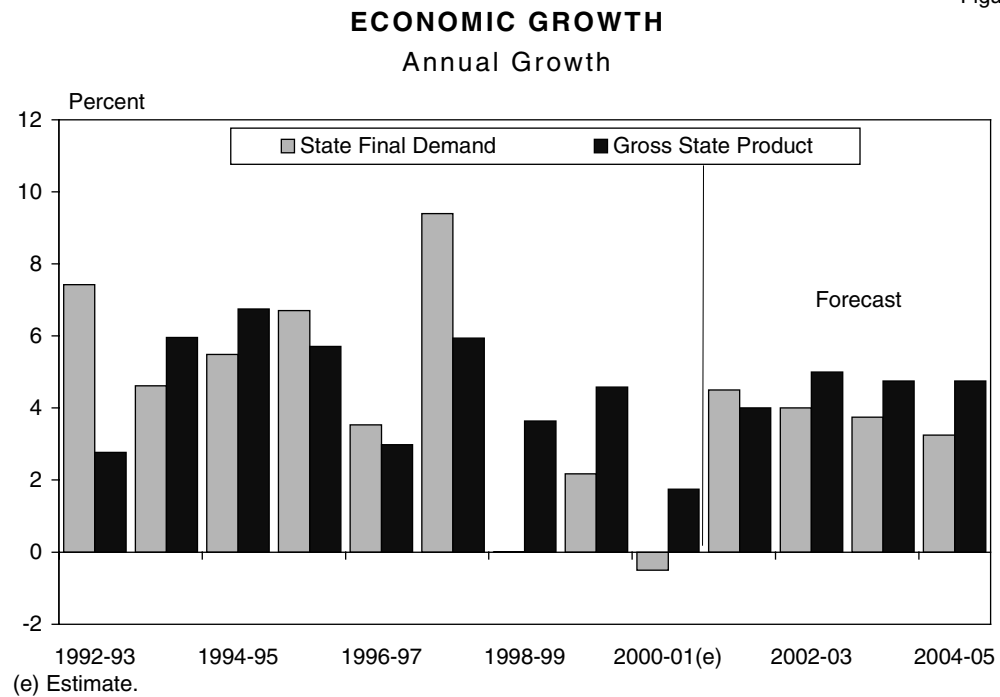


Table 2

COMPONENTS OF GROSS STATE PRODUCT^(a)
Western Australia

	Actual	Estimate	Forecast	
	1999-00 %	2000-01 %	2001-02 %	2002-03 %
Annual Average Growth				
Private				
– Household Consumption	3.6	2.5	2.75	3.75
– Dwelling Investment	11.9	-19.25	4.25	7.25
– Business Investment	-15.1	-2.5	16.5	8.25
Public				
– Consumption	6.6	-1.25	2.0	2.25
– Investment	31.8	4.0	-3.0	-4.5
STATE FINAL DEMAND	2.2	-0.5	4.5	4.0
External Sector				
– Exports	9.2	1.5	3.0	7.0
– Imports	4.0	-11.75	10.75	11.0
Net Exports	12.7	9.5	-0.75	5.0
GROSS STATE PRODUCT^(b)	4.6	1.75	4.0	5.0
Contribution to Gross State Product Growth ^(a)				
	% points	% points	% points	% points
Private				
– Household Consumption	1.9	1.25	1.5	2.0
– Dwelling Investment	0.8	-1.5	0.25	0.5
– Business Investment	-2.7	-0.25	2.25	1.25
Public				
– Consumption	1.0	-0.25	0.25	0.25
– Investment	1.1	0.25	-0.25	-0.25
STATE FINAL DEMAND	2.1	-0.5	4.0	3.75
External Sector				
– Exports	3.3	0.5	1.25	2.5
– Imports	0.6	-1.75	1.25	1.5
Net Exports	2.7	2.25	-0.25	1.25
GROSS STATE PRODUCT	4.6	1.75	4.0	5.0

(a) Totals may not add due to rounding.

(b) GSP growth can vary substantially from the sum of growth in SFD 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, so these forecasts assume it remains constant in dollar terms.

State Final Demand

SFD measures total domestic spending within the State, and comprises both private and public investment and consumption.

By far the largest component of SFD is household consumption, although the rate of growth is relatively steady. On the other hand, private business investment (another substantial component of SFD) can be very volatile. Reflecting this, the share of business investment is also volatile, but is consistently above the national average.

Household Consumption

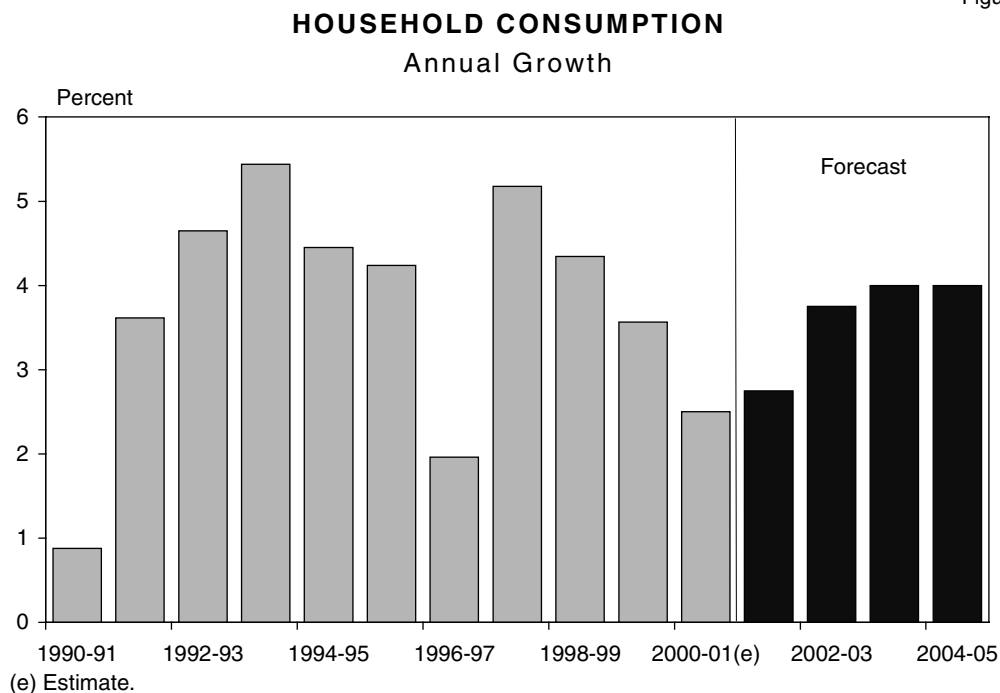
Household consumption expenditure is estimated to have grown by 2.5% in 2000-01, contributing 1.25 percentage points to GSP growth.

Growth in household consumption expenditure is forecast to increase modestly in 2001-02 (to 2.75%), with solid growth in wages partly offset by weak employment growth.

The recent reductions in interest rates should provide a fillip to growth over the year, by reducing the cost of servicing debt and the cost of large expenditure items. Indirectly, lower interest rates may also lift spending by improving consumer confidence levels.

Consumption is expected to increase strongly in 2002-03, underpinned by a turnaround in employment growth in that year. Household consumption growth should then settle around its long-term average growth rate (around 4.0%), supported by solid employment and wages growth.

Figure 2



Public Consumption

After falling slightly over 2000-01, public consumption is expected to grow by 2.0% in 2001-02. Growth is expected to remain moderate at 2.25% in 2002-03. It should be noted that this forecast incorporates 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 Government component of public expenditure, see *Chapter 2: Fiscal Strategy and Financial Projections*.

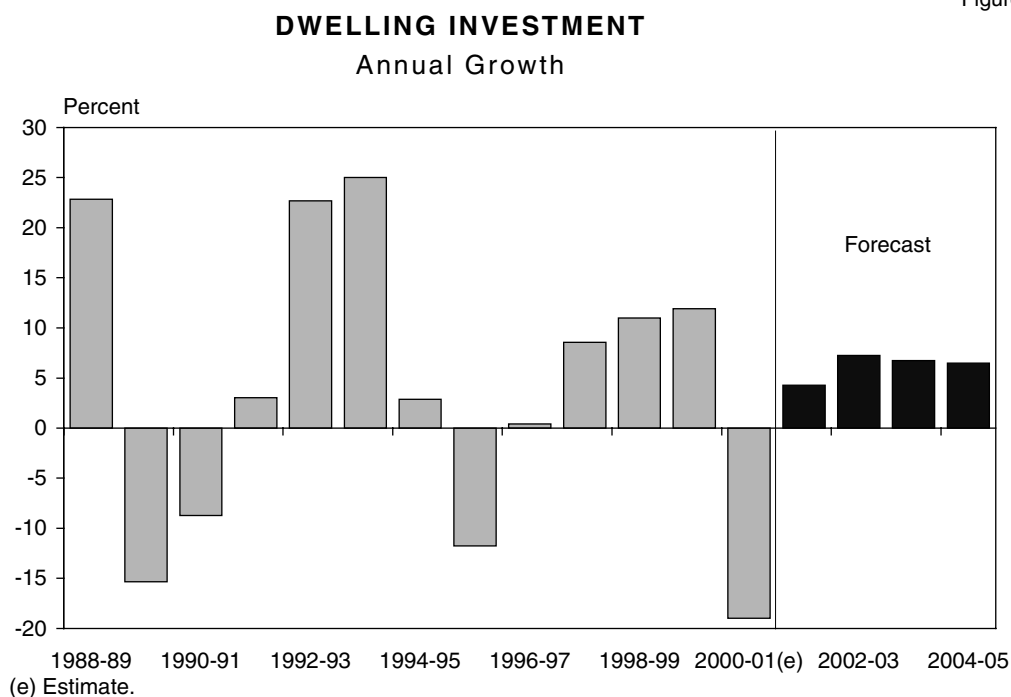
Dwelling Investment

Dwelling investment in Western Australia fell substantially in 2000-01. The fall followed three years of strong growth in dwelling investment, and the substantial pull-forward of activity ahead of the introduction of the GST.

Recent indicators, however, point to a turnaround in activity, underpinned by the temporary increase in the FHOG for new homes and interest rate cuts. Building approvals increased by 33.6% in the June quarter 2001 – the strongest quarterly growth on record. Finance commitments have also turned around, with growth of 12.4% in the June quarter.

The outlook is for a pick-up in dwelling activity over the first half of 2001-02, underpinned by the recent reductions in interest rates, the temporary increase in the FHOG for new homes and the continued unwinding of the GST pull-forward effect.

Figure 3



The increase in the FHOG for contracts entered into by 31 December 2001 is likely to provide a boost to construction activity until the early months of 2002, although this will be limited, as first home buyers only account for around 20% of new construction.

Overall, growth in dwelling investment of 4.25% is expected for 2001-02.

In 2002-03, strong growth of 7.25% is projected. The major resource projects in the State are expected to lead to an influx of workers requiring housing, which should more than absorb any remaining “over hang” from the GST pull-forward.

Over the longer term, housing construction is expected to return to levels consistent with population growth and demographic changes.

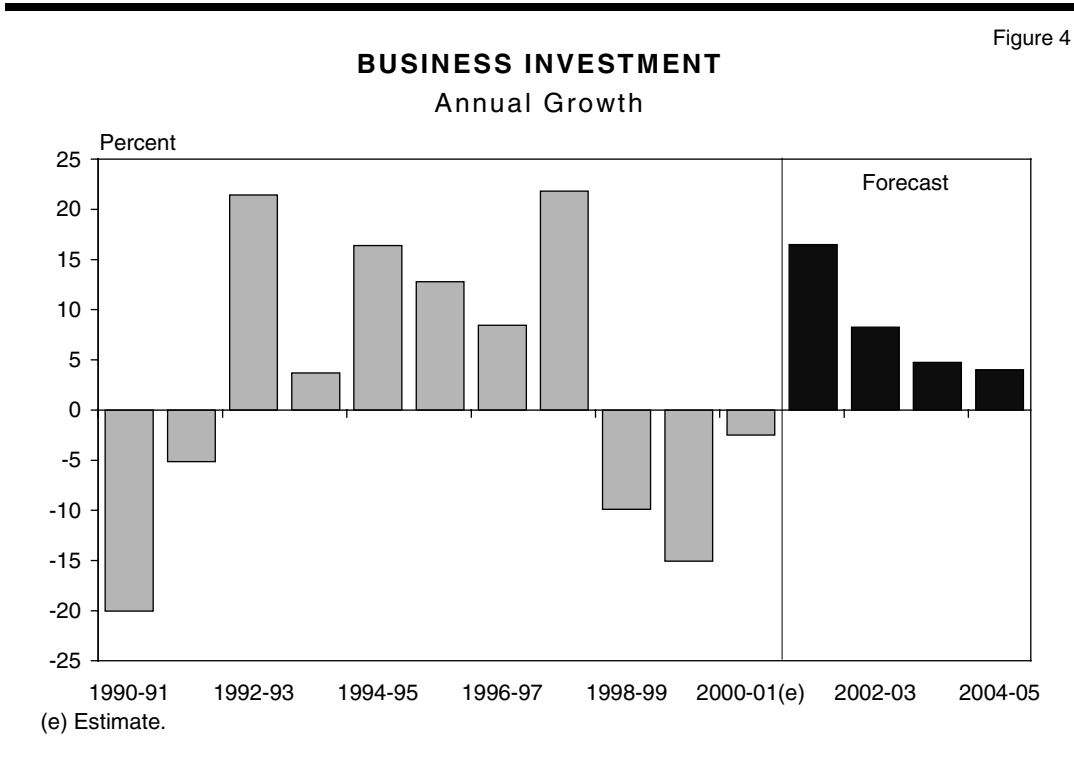
Business Investment

Business investment is estimated to have fallen by a modest 2.5% in 2000-01, which should mark the bottom of the current business investment cycle after rapid declines over the preceding two years.

Plant and equipment investment from a few major projects should drive a resurgence in business investment in 2001-02, with growth of 16.5% forecast. These projects include the 4th train expansion of the North West Shelf project, the recently announced \$600 million ammonia plant on the Burrup Peninsula and the West Angelas iron ore mine.

On the other hand, smaller companies are experiencing some difficulty raising finance in capital markets, and there is currently a dearth of small gold mining projects, which are traditionally a strong contributor to investment.

Exploration expenditure has shown some signs of recovery recently and, although still well below the levels achieved in 1996-97 and 1997-98, indicates that plant and equipment investment should increase in future years. Exploration expenditure for petroleum has been very strong in the past year, pointing to strong future investment in this industry.



Non-dwelling construction is forecast to increase only slightly in 2001-02, but should be marginally stronger in the second half of the year on the back of a stronger domestic economy. Projects such as Woodside’s \$250 million new headquarters and the \$100 million refit of David Jones stores should underpin growth.

Private new capital expenditure expectations data support the forecast of strong business investment growth in 2001-02. In March 2001, firms were expecting to invest 21% more new capital in 2001-02 than in 2000-01.

Growth in business investment is expected to ease in 2002-03 as some of the larger resource projects are completed. Nevertheless, non-dwelling construction activity is set to accelerate in late 2001-02 and 2002-03 as a strong domestic economy increases demand for buildings and structures, before easing to more sustainable levels in the following year. Some large projects currently on the drawing board, such as Consolidated Press Holdings’ \$1 billion Westralia Square offices project, could further drive growth in any one year, but the timing of such projects is uncertain.

Improved capital market conditions for the resources sector should facilitate an increase in plant and equipment investment by smaller companies in 2002-03, partially offsetting the fall in investment from large projects.

An easing of plant and equipment investment growth is forecast for 2003-04. However, there are a number of major projects that have yet to be committed, such as the \$600 million Syntroleum gas to liquids project and the \$1.26 billion Mount Margaret and the \$870 million Ravensthorpe nickel projects, which could drive investment levels higher in future years. As always, predicting the timing of such major resource projects is extremely difficult.

Public Investment

Public investment increased moderately in 2000-01, with growth of 4.0% estimated. Growth is expected to ease over 2001-02 and 2002-03, with falls of 3.0% and 4.5% respectively. Nevertheless, this is from a very high base, with strong growth (of 31.8%) in 1999-2000, and reflects the completion of a number of large projects including the extension of the Kwinana freeway and the duplication of the Narrows Bridge.

Net Exports

Net exports are estimated to have risen by 9.5% in 2000-01 and contributed around 2.25 percentage points to growth in that year.

However, net exports are expected to decline by 0.75% in 2001-02, mainly due to a 10.75% increase in imports to service strong business investment and consumption. In addition, exports are forecast to grow at a relatively slow rate, reflecting the investment drought of the past two years limiting growth in new capacity, and relatively weak international demand conditions.

Nevertheless, net exports should contribute strongly to growth over the medium term, as new projects come on stream and as international demand conditions improve.

Exports

In real terms (ie. abstracting from price and exchange rate effects), exports are estimated to have grown by a modest 1.5% in 2000-01, well down from the previous year (9.2%). This is a reflection of the recent period of weak business investment in Western Australia, contributing to a lack of new mineral and energy projects to supply exports at a growing rate, and a weakening in international demand conditions.

Growth in the real value of exports is forecast to be moderately higher in 2001-02 (at 3.0%), but will continue to be constrained by a lack of spare production capacity and also weak international demand conditions.

The international environment is currently looking very uncertain, with growth in a number of Western Australia's major trading partners continuing to falter. In particular, the outlook for Japan is increasingly pessimistic, with the country possibly slipping back into recession in 2001. Other Asian nations, particularly Singapore, have also been struggling, while growth in the United States has moderated substantially and the Federal Reserve has been aggressively cutting interest rates in an attempt to keep growth positive.

Growth in Europe has also slowed (particularly in Germany – Europe’s largest economy), and the average unemployment rate has been rising.

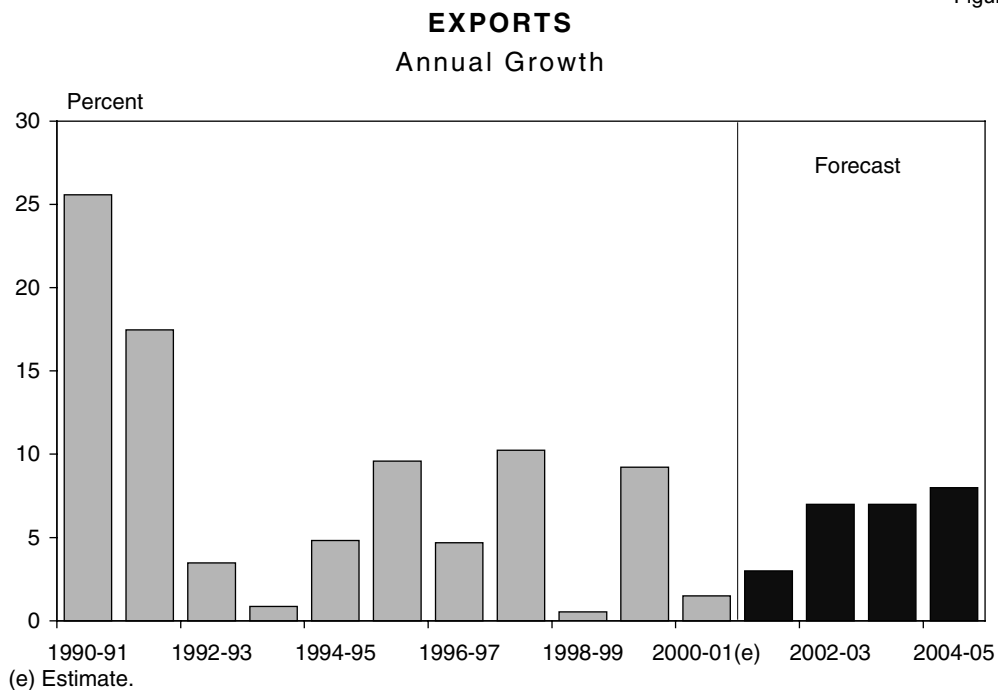
International demand conditions are expected to remain subdued for the remainder of 2001, but stronger conditions are anticipated in calendar 2002. This should create strong demand conditions and higher commodity prices from 2002 until the end of the forecast period.

Soft international demand conditions will impact on the State’s exports with both prices and volumes being affected to some degree. Nevertheless, the \$A is assumed to remain at its current low level, keeping Western Australia’s exports competitive in price terms.

In addition, poor seasonal conditions in agricultural areas are again likely to restrict export growth. Agricultural exports usually make up about 12% of the State’s total exports, and many regions in Western Australia recorded their lowest annual rainfall on record in 2000. Indications are that the current season will also be below average.

The expected recovery in business investment in 2001-02 should see export volumes grow strongly in 2002-03 and beyond. Although some projects under construction now will not begin production until around 2004, there are a number that should begin production in 2002-03 (including the West Angelas iron ore mine, the Echo/Yodel gas and condensate project and the Sons of Gwalia tantalum expansions). A return to normal seasonal conditions for the agricultural sector should also underpin export growth in 2002-03.

Figure 5



Oil and condensate production is expected to ease significantly over the medium term, in the absence of any large-scale developments. This reflects the depletion of reserves from a number of oil/condensate fields in the North West Shelf region (including the large Wanaea/Cossack fields). However, there are a number of new fields in the pipeline, and petroleum exploration expenditure is presently very strong, so it is possible that production may pick-up relatively quickly.

Imports

Imports are estimated to have fallen by 11.75% in 2000-01. Business investment and private consumption drive the level of imports in Western Australia. While private consumption has generally remained quite resilient over the past few years, business investment has fallen rapidly.

In addition, the low level of the \$A over the last year or so has made imports much more expensive when compared with domestically produced products, encouraging import substitution where possible.

The level of imports is expected to increase by 10.75% in 2001-02, on the back of a strong increase in business investment and moderate growth in private consumption.

Import growth should remain robust in 2002-03 and 2003-04, with continued growth in business investment driving imports of capital. Private consumption growth is also expected to contribute to import growth over the forecast period.

Labour Market

The labour market is expected to remain flat in 2001-02, following a softening in employment growth and a rise in the unemployment rate over 2000-01. Nevertheless, the outlook is positive, with employment growth expected to increase, and the unemployment rate expected to decline over the forecast period.

Employment

Employment grew by a modest 1.5% in 2000-01, down from 3.0% in 1999-2000. The softening in employment growth reflected the downturn in dwelling investment (which is typically labour-intensive) over 2000-01. Also, employment in wholesale and retail trade fell considerably over 2000-01, with employment in wholesale trade particularly weak.

The projected recovery in business investment is expected to change the pattern of employment growth. In the 1990s, when capital-intensive business investment was the key driver of economic growth, it took around nine months (three quarters) for demand effects to flow through to employment growth. More recently, with dwelling investment being a major contributor to domestic demand, employment has responded much more quickly to changes in domestic demand.

The expected revival of business investment should lead to an increase in employment, but the lag is expected to return to its historical length. In this regard, employment growth is expected to remain relatively weak in 2001-02, with annual average growth of 1.25%, before rebounding strongly in 2002-03 (to 3.25%).

Employment growth is forecast to ease slightly to 2.75% in 2003-04 and 2004-05. This is primarily due to the forecast softening in domestic demand growth.

Unemployment

The recent easing in employment growth in Western Australia has led to a rise in the unemployment rate. The unemployment rate averaged 6.5% over 2000-01, marginally above the rate of 6.3% recorded in 1999-2000.

The unemployment rate is expected to climb to 7.0% in 2001-02, reflecting the further slowing in employment growth and a moderate increase in the labour force (with the participation rate forecast to increase from around 66.7% in 2000-01 to 67.0% in 2001-02).

Over the medium term, the unemployment rate is expected to decline to around 6.25% by 2004-05, on the basis of forecast employment growth exceeding growth in the labour force.

Wages

Wages¹ increased by 3.6% in 2000-01, despite the weakening labour market. One reason for the robust growth is the timing of new agreements, with a number of new agreements finalised in the latter part of 2000-01. Growth in consumer prices may have also contributed to wage outcomes over 2000-01.

Wages growth should moderate slightly in 2001-02, due largely to continuing weak employment growth. Headline consumer prices should also drift lower in 2001-02, removing pressure on wages from that source.

Overall, wages in Western Australia are forecast to increase by 3.0% in 2001-02.

Growth in the out-years should follow a similar pattern to the consumer price index (CPI) and drift lower, although solid employment growth should push wages growth higher in 2002-03. Wages are forecast to grow by 3.25% in 2002-03 and 3.0% in 2003-04.

¹ Wages growth is now forecast in terms of the wage cost index (WCI), which is becoming the preferred indicator of wage pressures in Australia. There are a number of alternative measures of wages growth. These include average weekly earnings (which covers the whole workforce), average weekly ordinary-time earnings (which abstracts from changes in overtime worked and/or the full-time/ part-time employment mix) and the WCI (which abstracts from all compositional changes). There is also the Department of Workplace Relations' average annualised wages index, which measures wages growth under Federal wage agreements. With many jobs being reclassified as part-time or casual/contract, the WCI provides a more accurate measure of changes in the price of labour than average weekly earnings or average weekly ordinary-time earnings, because it abstracts from changes in the composition of the workforce and focuses solely on the change in price for a particular job.

Prices

Consumer price growth was relatively high in 2000-01, largely reflecting the one-off impact of the introduction of the GST in July 2000. Wages also spiked in the second half of 2000, adding to cost pressures.

The *underlying* CPI for Perth (ie. abstracting from the impact of the GST) is estimated to have grown by 2.5% over 2000-01, following an increase of 2.3% in 1999-2000. Econtech² estimates that the GST added around 3 percentage points to inflation over 2000-01.

Perth consumer prices are expected to increase by 3.0% in 2001-02, which is down from the headline rate in 2000-01, but higher than the underlying rate in that year. In this regard, inflation usually exhibits a high degree of persistence – if price growth is high in one year then it takes time to reduce, even if the reasons that caused the initial price rise have dissipated.

From 2002-03 onwards, CPI growth should drift back to the middle of the RBA's target range as the inflationary impacts of the GST, oil prices and the recent depreciation of the exchange rate unwind. Growth in consumer prices is forecast to average 2.75% in 2002-03 and 2003-04.

Population Growth

The ABS expects Western Australia's population to grow by 1.4% in 2001-02, the same as growth in 2000-01. Western Australia's population is forecast to continue to grow by around 1.4% in 2002-03 and 2003-04, well above the national rate of 1.0% for both years. After falling during 2000, net interstate migration is expected to become positive over the out-years, boosted by stronger growth in employment.

Growth in Western Australia's working-age population is expected to slow slightly. The working-age population is forecast to grow by 1.8% in 2001-02 and by 1.6% in 2002-03, down from 1.9% in 2000-01.

Risks to the Outlook

There are a number of risks to Western Australia's economic outlook. Last year, risks faced were essentially of a domestic nature, with the impact on the economy of the introduction of the new tax system being the primary uncertainty. These risks have largely passed and concerns about potential second-round price impacts appear to have subsided.

Currently, the major risks to the outlook are from the international economy, particularly Japan and the United States.

² Econtech is a private sector economic forecasting firm based in Canberra. The ABS does not compile a GST-adjusted CPI.

International

Risks from international economies are primarily on the down-side. In particular, the outlooks for Japan, Singapore and the United States pose significant risks to growth in Western Australia.

The Japanese economy eased in the March quarter 2001, and a large fall was recorded in the June quarter, with business investment and net exports suffering from continued weakness in other international economies. The slump in business investment – particularly in the manufacturing sector – has led to significant job cuts. In this regard, the unemployment rate increased to 5.0% in July 2001, its highest post-war level.

As Western Australia's largest export destination, developments in Japan can have a significant impact on the demand for the State's exports. Slower growth in Japan can also lead to companies becoming less profitable and having less money for capital expenditure, including investment projects in Western Australia.

Developments in Singapore are also of concern, with the country recently slipping into recession. The global fall in demand for electronics, particularly from the United States, has hit Singapore's export-orientated economy hard. With Singapore also one of the State's largest trading partners, activity in that country can have similar implications for export and investment growth in Western Australia. Already, there has been a substantial fall in Western Australia's exports to Singapore.

Conditions in the United States also pose a risk to the State's economic growth. While most analysts expect the United States to avoid a protracted downturn, there is still a danger that economic activity may stagnate. Although the United States only accounts for around 8.5% of Western Australia's exports, it is a big consumer of items produced by our Asian trading partners using the State's commodity exports. Also, demand conditions in the United States have a substantial impact on international commodity prices.

In response to the slowing of the United States economy, the Federal Reserve has dramatically reduced interest rates over 2001. So far, interest rates have been cut by 3.0 percentage points, to 3.5%. However, it could take as long as 12 months for the full impact of the interest rate reductions to flow through to domestic demand.

There is also a concern that the continued strength of the \$US (which has occurred despite the easing in monetary policy) will make it difficult for exporting and import-competing sectors to recover quickly. In addition, the softening employment situation, with announcements on mass lay-offs continuing, has dampened consumer confidence.

There are also concerns about the veracity of growth in Europe. Growth is faltering across many nations, particularly Germany, and the average unemployment rate has been rising. This may limit the ability of Western Australia's Asian trading partners to find alternative export markets, in the face of slowing demand from the United States.

Reflecting the uncertainties posed by the international environment, projected export growth for 2001-02 is less than the increase in productive capacity. Nevertheless, there is a risk that growth could be even lower than forecast, and will not accelerate as expected in 2002-03 if international conditions do not improve.

Appreciation of the \$A

The \$A has depreciated steadily against the \$US and most other currencies over the past two years, despite commodity prices holding firm over much of this time. An outcome of this has been that Western Australia's exports have remained competitive in the face of weakening international demand conditions. In addition, exporters have enjoyed higher profits as a result of the low \$A, which encourages further investment.

However, the current low value of the \$A means that there is substantial risk of an increase in the value of the \$A for reasons unrelated to commodity prices. If the \$A appreciated and commodity prices fell, there would be a substantial down-side for Western Australia's commodity-based economy. Western Australia's exports would lose competitiveness and reduced profits would hinder further investment.

New Projects

A paucity of substantial new mineral and energy projects has led to two years of declining business investment. The advent of the 4th train expansion of the North West Shelf project will contribute heavily to business investment over the next three years. However, there appears to be little evidence at this stage that the recovery is broadly based across the entire resources sector.

In particular, smaller firms are having trouble raising capital in equity markets, particularly for exploration purposes, and the cost of capital for mining companies remains relatively high by past standards.

Finance conditions are forecast to improve (most likely in calendar 2002) as the 4th train expansion, high \$A commodity prices and good profitability of established mining companies return some confidence to the industry. However, there remains some risk that equity funding for mineral and energy projects will remain tight, which would impact negatively on exploration and business investment in Western Australia.

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

Greenhouse Gas Abatement

A longer term risk to the Western Australian economy is the impact of the initiatives resulting from the Kyoto Protocol or subsequent agreements on reducing greenhouse gas emissions. These initiatives have significant potential to constrain further development of new activities, particularly downstream processing activities, which are typically energy-intensive.

CHAPTER 5

Federal Affairs

Fundamentals of the Commonwealth-State Relationship

The Intergovernmental Agreement on the GST-related national tax reforms was signed in June 1999 by the previous State Government. Under this Agreement, the Commonwealth passes on all of its GST collections to the States, with the distribution of the revenue between the States being determined by the Commonwealth Grants Commission (similar to the manner in which grants were distributed under the previous arrangements).

The new system does not address a number of fundamental issues in relation to intergovernmental financial relations.

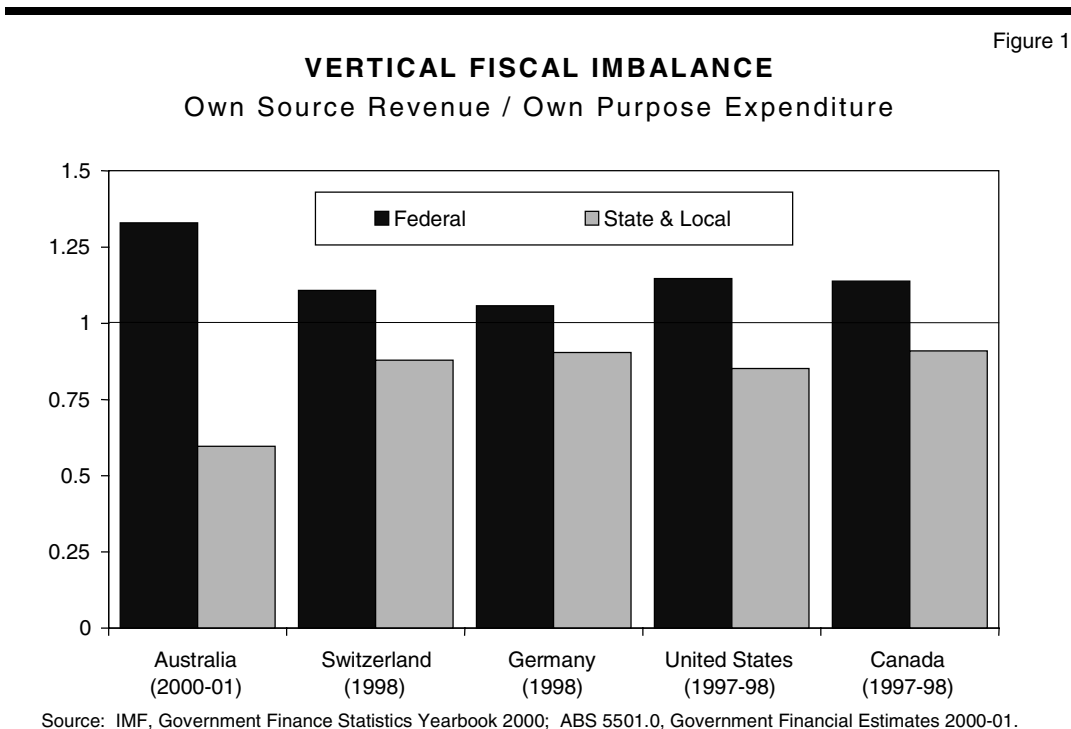
- The States continue to rely excessively on Commonwealth grants to fund their own State expenditure responsibilities (the new arrangements actually increase the proportion of the States' revenue that comes from the Commonwealth).
- The system of distributing grants between the States has proved contentious.
- Highly restrictive conditions are placed on grants by the Commonwealth to fund specific programs.
- It is not expected that there will be any net financial benefit to Western Australia under the new arrangements until 2004-05.

Accordingly, much scope for reform remains.

Vertical Fiscal Imbalance

The States' reliance on Commonwealth grants to fund a large proportion of their expenditures has been a feature of the Commonwealth-State relationship for many years.

The dependence of one level of government on another is referred to as *vertical fiscal imbalance* (VFI). VFI in Australia is high compared with other federations (see Figure 1), with Australian States relying on Federal grants to fund approximately 50% of their expenditures.



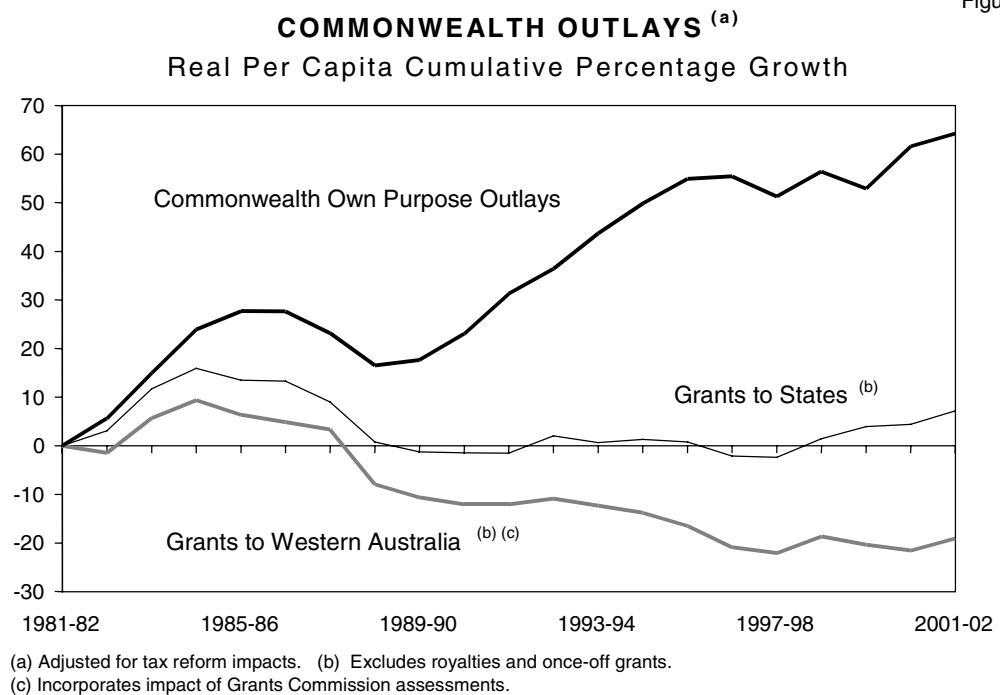
The origins of VFI in Australia lie mainly in the Commonwealth’s takeover of State income taxes during World War II. More recently, a High Court decision (in August 1997) forced the States to relinquish their taxes on fuel, alcohol and tobacco, with revenues provided to the States from increases in Commonwealth taxes on the same products taking their place.

The GST-related tax reforms have also increased States’ dependence on Commonwealth grants. The GST itself is a Commonwealth tax, the revenues from which are provided to the States as Commonwealth grants. These grants fund the abolition of some State taxes and an increase in States’ expenditure responsibilities, as well as replacing previous Commonwealth general purpose grants.

VFI has had a number of undesirable consequences in Australia, which have led many commentators to the view that VFI should be reduced. In particular, VFI has encouraged cost-shifting between governments and disputes about responsibility for funding services, which has undermined the accountability of governments to their electorates.

Cost-shifting at the broadest level is illustrated in Figure 2, which shows that over the last 20 years the Commonwealth has increased its own expenditures much more than funding to the States. During this period, Commonwealth grants to the States grew only 7.2% in real per capita terms, compared with real per capita growth of 64.3% in the Commonwealth’s expenditures for its own purposes.

Figure 2



States' limited access to broad based taxes has also restricted their capacity to respond to growing needs for services, or to fill the gap left by inadequate growth in Commonwealth funding.

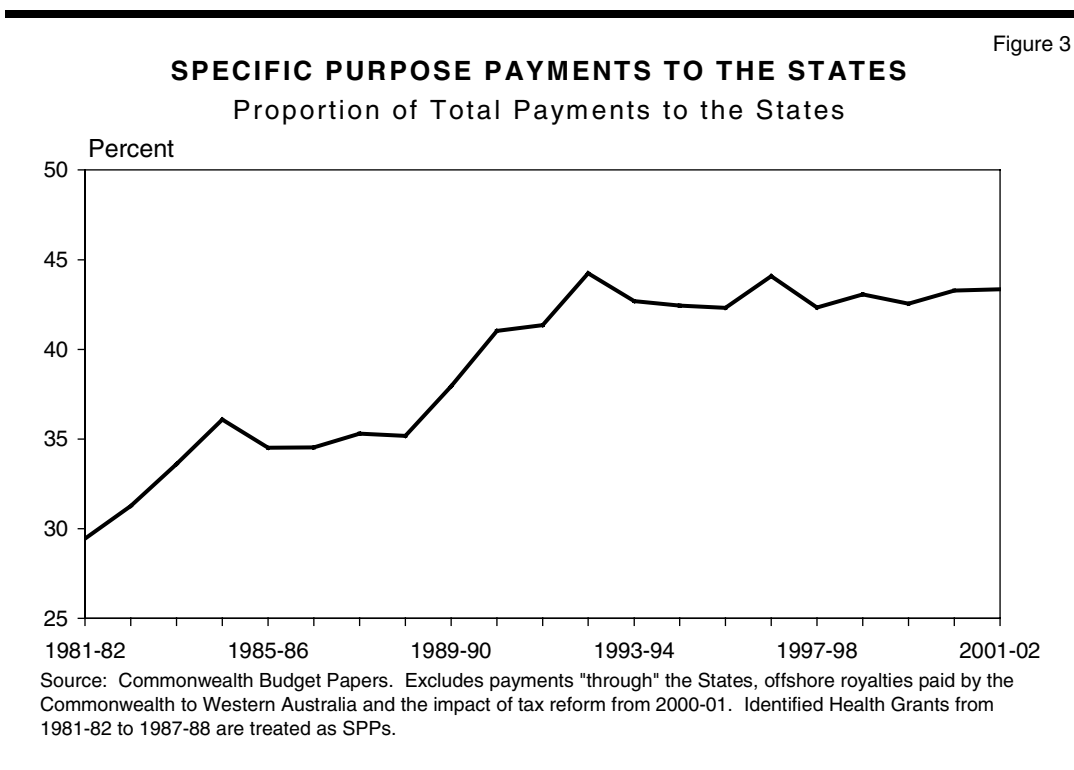
Another undesirable consequence of VFI has been the Commonwealth's expansion of its influence into areas that are more appropriately the responsibility of the States, by taking advantage of States' inability to adequately fund these areas and placing conditions on much of the funding it provides. This has been facilitated by section 96 of the Australian Constitution, which allows the Commonwealth to provide funding to the States on any terms and conditions it wishes.

The conditions attached to Commonwealth funds not only control the use of these funds (eg. by limiting their use to specific purposes), but often extend to control of States' own expenditures (eg. by requiring the States to match the Commonwealth funds for specific purposes). This has resulted in a number of adverse outcomes:

- A reduction in the ability of States to respond to the needs of their communities in a timely and effective way;
- A reduction in the incentive for States to develop new models of service provision to achieve outcomes more efficiently and effectively; and
- Duplication and overlap in administration and expenditure responsibilities between the Commonwealth and the States.

The growth of Commonwealth controls on its funding to the States is partly illustrated in Figure 3, which shows that the proportion of funding provided to the States as conditional grants (also known as specific purpose payments) has risen from 29.4% to 43.4% over the last 20 years. Not able to be shown is the impact of the increasing level of controls associated with these grants.

Problems associated with conditional grants, and attempts to reform these arrangements, are discussed further in a later section on *Specific Purpose Payments*.



Horizontal Fiscal Equalisation

Another long-standing feature of Federal-State arrangements is the allocation of Commonwealth grants between the States on the basis of *horizontal fiscal equalisation* (HFE) principles, as implemented by the Commonwealth Grants Commission.

HFE takes into account the different costs faced by States in providing services, and their different capacities to raise revenues from their own sources. In an attempt to place all States on a level playing field, Commonwealth grants are allocated to offset these differences, to the extent that they can be identified and are not simply due to differences in State policies.

Only Commonwealth general purpose grants (primarily GST revenues) are allocated using HFE principles. However, HFE principles also take into account the distribution of most specific purpose payments to the States, so that the "reach" of HFE is effectively extended to these grants (eg. States which receive a high share of specific purpose payments have their share of general purpose grants reduced).

As a result of HFE, the allocation of general purpose grants between the States differs significantly from an allocation based on equal per capita shares. Table 1 illustrates this difference in 2001-02, and provides a comparison with 10 and 20 years ago.

REDISTRIBUTION OF GENERAL PURPOSE GRANTS ^(a)
In 2001-02 Dollars

Table 1

	1981-82	1991-92	2001-02
	Actual	Actual	Budget
	\$m	\$m	Estimate
			\$m
New South Wales	-1,699	-1,573	-993
Victoria	-1,548	-1,314	-970
Queensland	+962	+813	+95
Western Australia	+997	+472	-187
South Australia	+83	+321	+538
Tasmania	+204	+180	+421
Northern Territory	+1,001	+953	+1,019
ACT	(b)	+149	+78
Total	0	0	0

(a) Actual grants received by each State less that State's population share of the national pool of grants (escalated for inflation and population growth to 2001-02 terms).

(b) Not applicable. Prior to ACT self government.

The decline in Western Australia's share of grants, which is also illustrated in Figure 2, incorporates the increasing strength of the Western Australian economy compared with the rest of Australia. The accompanying growth in Western Australia's capacity to raise its own revenues from taxes and royalties has led to a redistribution of grants to the weaker States, as assessed by the Commonwealth Grants Commission.

The Grants Commission has traditionally recognised that Western Australia faces high costs in providing services, particularly in remote areas and in addressing the needs of the indigenous population. However, the higher costs we face in providing services are now outweighed by our assessed higher capacity to raise revenues from our own sources. As a result, Western Australia's grant entitlement in 2001-02 is below an equal per capita share.

The outcomes from the HFE process have been questioned by New South Wales, Victoria and Western Australia. These States have agreed to commission a major review of the distribution of Commonwealth grants. Some of Western Australia's specific concerns about the current process are discussed in a later section on the *Commonwealth Grants Commission*.

Looking beyond just Commonwealth grants to the impact of all Commonwealth expenditures and taxes on State finances, businesses and residents, it is also notable that Western Australia makes a very large net contribution to the Federation (see later section on *Fiscal Subsidies Within the Federation*). This suggests scope for Western Australia to receive a better overall deal from the Commonwealth.

GST and Budget Balancing Assistance

The centrepiece of the Intergovernmental Agreement on the GST-related tax reforms involves the Commonwealth passing all of its GST revenue collections to the States as general purpose grants. GST revenue is distributed between the States on the basis of recommendations by the Commonwealth Grants Commission.

The Commonwealth is also required to “top up” the GST payments to the States with budget balancing assistance grants, on the premise of ensuring that no State’s budget is worse off as a result of the national tax reforms. The budget balancing assistance is the difference between:

- The GST revenues passed on by the Commonwealth to the State; and
- The Commonwealth financial assistance grants and State taxes foregone as a result of tax reform, after also allowing for changes in State expenditure responsibilities under the new arrangements.

State taxes have been reduced by the abolition of safety net revenues¹ (from 1 July 2000) and financial institutions duty and stamp duty on trading on the share market (both from 1 July 2001). State gambling tax arrangements were also adjusted (from 1 July 2000) to make room for the GST. Debits Tax is due to be abolished by 1 July 2005.

The State has taken on additional expenditure responsibilities in the form of assistance to first home owners to help offset the impact of the GST on house prices, and paying a share of the Australian Taxation Office’s GST administration costs (these costs have increased significantly since the original estimates were produced). However, the State no longer has to fund off-road diesel fuel subsidies (part of the old safety net arrangements - now incorporated into the Federal fuel excise arrangements).

In addition, the budget balancing assistance calculation assumes that the State benefits from the abolition of wholesale sales tax (previously embedded in the price of goods and services purchased by Government entities) and from higher State revenues because of efficiency gains from the national tax reforms. In practice, such benefits have not yet been readily identifiable.

Table 2 shows the calculation of Western Australia’s budget balancing assistance for the period 2000-01 to 2004-05.

¹ Safety net revenues were taxes collected by the Commonwealth on the States’ behalf to replace State taxes on tobacco, fuel and liquor after the High Court decision in 1997.

Table 2

CALCULATION OF BUDGET BALANCING ASSISTANCE
Western Australia

	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Budget	Forward	Forward	Forward
	\$m	Estimate	Estimate	Estimate	Estimate
STATE REVENUES FOREGONE					
Financial assistance grants	1,623.2	1,676.2	1,724.8	1,747.8	1,827.0
Safety net revenues	878.7	983.0	1,017.7	1,054.5	1,092.0
Financial institutions duty	-	129.3	145.8	150.7	155.8
Marketable securities duty ^(a)	-	24.0	27.8	29.5	31.5
Wholesale sales tax equivalents ^(b)	19.0	19.0	19.0	-	-
plus REDUCED REVENUES					
Reduction in gambling taxes	53.3	57.7	59.2	61.1	61.6
plus Interest costs (on changed cashflows)	2.3	0.9	1.2	-	-
plus ADDITIONAL EXPENDITURES					
First Home Owners Scheme	117.8	114.8	113.8	116.1	118.4
GST administration costs	97.8	51.2	37.0	36.7	36.4
minus REDUCED EXPENDITURES					
Off road diesel subsidies ^(c)	145.8	167.9	175.3	183.1	191.3
Savings from indirect tax reform ^(d)	50.1	53.4	56.9	60.6	64.6
minus Growth dividend – State revenues ^(e)	8.5	11.5	15.6	20.0	24.7
equals					
GUARANTEED MINIMUM AMOUNT	2,587.6	2,823.2	2,898.5	2,932.8	3,042.1
GST REVENUE ^(f)	2,374.6	2,641.8	2,785.1	2,898.1	3,090.0
BUDGET BALANCING ASSISTANCE	213.0	181.4	113.4	34.7	0.0

- (a) The calculation of budget balancing assistance assumes complete abolition of marketable securities duty, although duty on unlisted shares will be retained.
- (b) State governments previously imposed a wholesale sales tax (WST) equivalent regime on State trading enterprises (whereby the State kept the revenue from the WST that would have been payable to the Commonwealth had the enterprise been directly liable for WST). Under the GST-related tax reforms, wholesale sales tax (and therefore the WST equivalent regime) has been abolished.
- (c) Escalated from actual subsidies paid of \$156.0 million in 1999-2000.
- (d) Commonwealth estimates of savings to State government agencies from the abolition of wholesale sales tax (which was embedded in the price of goods and services purchased by government agencies).
- (e) Commonwealth estimates based on an assumption that the GST-related tax reforms would result in greater economic growth, leading to higher State revenue collections.
- (f) The GST commenced from 1 July 2000, but because GST is paid monthly or quarterly in arrears, the 2000-01 GST collections only cover 11 monthly and 3 quarterly payments. Consequently, a significant increase in GST revenues is expected in 2001-02, when the first full year of collections occurs.

The “guaranteed minimum amount” shown in Table 2 is the minimum funding that the State needs from the Commonwealth to ensure that it is “no worse off” financially (based on the range of tax reform impacts recognised by the Intergovernmental Agreement) compared to if the pre-tax reform arrangements had continued to apply. This amount is calculated each year using methods agreed during the development of the Intergovernmental Agreement, and is approved through a process involving the Ministerial Council of Treasurers (the Ministerial Council has replaced the previous financial Premiers’ Conference).

On the basis of current projections, Western Australia's share of GST revenues will exceed its guaranteed minimum amount in 2004-05. As indicated in Table 3, this is one year later than Queensland, but earlier than New South Wales, Victoria and South Australia.

Table 3

ESTIMATED IMPACT OF TAX REFORM (a)
Based on impacts recognised in the "guarantee" calculation

	NSW \$m	Vic \$m	Qld \$m	WA \$m	SA \$m	Tas \$m	ACT \$m	NT \$m	Total \$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	0	0	0	0	0	0	0
2003-04	0	0	102	0	0	0	0	0	102
2004-05	0	0	276	40	0	0	6	0	322
2005-06	0	0	108	24	0	0	8	0	140
2006-07	0	0	274	127	0	0	22	15	438
2007-08	304	203	487	245	72	14	40	31	1,396

(a) This table does not take into account the potential abolition of a range of business stamp duties, the need for which is to be reviewed by the Ministerial Council by 2005.

Source: Released by the 2001 Ministerial Council meeting.

Queensland gains from the GST at a relatively early stage because it did not collect financial institutions duty (so it is giving up less revenue than other States). Western Australia also benefits at a relatively early stage because:

- It has a relatively low reliance on gambling revenues (so less revenue is lost from reducing gambling taxes to make room for the GST); and
- It did not collect accommodation taxes (so no revenue is lost from abolishing these taxes).²

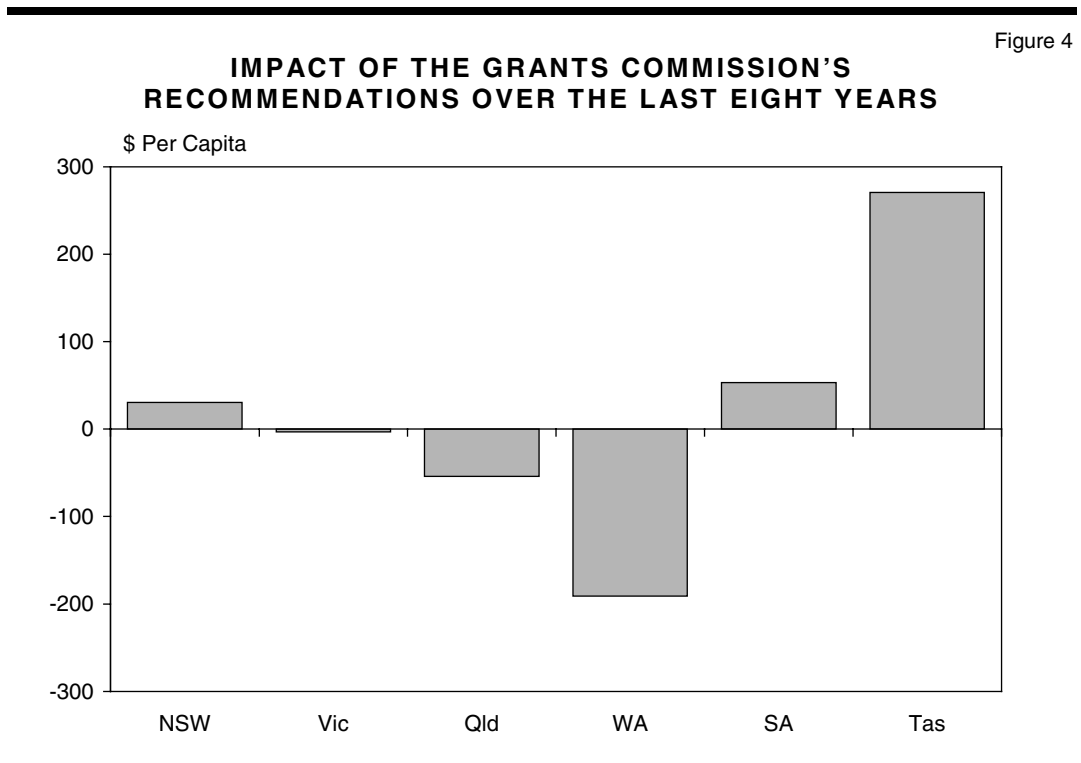
Commonwealth Grants Commission

As discussed earlier in *Fundamentals of the Commonwealth-State Relationship*, the Commonwealth Grants Commission makes recommendations on the distribution of GST revenues between the States using the principle of horizontal fiscal equalisation.

In the short term, the Commission also determines States' shares of estimated foregone financial assistance grants, as these are required for the calculation of budget balancing assistance (see previous section). The same equalisation principle applies, but on a pre-tax reform basis. For example, these shares take account of States' differing capacities to collect financial institutions duty (which has now been abolished) but do not take account of the differing costs between States of operating the First Home Owners Scheme.

² Only New South Wales and the Northern Territory collected accommodation taxes.

Over the last eight years, the Commission has recommended reductions in Western Australia's funding share totalling \$364 million per annum, primarily because of rapid growth in State revenues from royalties. Western Australia's losses over this period are compared to changes in other States' grant shares in Figure 4.



Western Australia is concerned that the Commission does not adequately recognise the cost of providing infrastructure to support the State's strong population and economic growth, or give credit for government policies which promote resource developments and strengthen the State's economy generally. We are also concerned about the Commission's measurement of revenue raising capacities in some areas, such as land revenue.

As indicated in *Fundamentals of the Commonwealth-State Relationship*, Western Australia is participating with New South Wales and Victoria in a review of the current Grants Commission process. This review will consider alternatives to the horizontal fiscal equalisation principle, as well as broader conceptualisations of that principle.

2001 Update

The Commission updates its calculation of State grant shares annually, using the latest available data. The Commission's recommended changes are considered by the Ministerial Council of Treasurers in March each year.

Correction of the 2001 Update Recommendations

The Commission's original "2001 Update" recommendations (to apply in 2001-02) would have resulted in a further cut of around \$40 million in Western Australia's funding share. However, on the eve of the March 2001 Ministerial Council meeting, the Western Australian Treasury found an error in the calculation of States' capacity to raise stamp duty revenue from property transactions.

The Ministerial Council agreed to Western Australia's request that the recommended distribution of GST revenue be corrected. This turned Western Australia's loss into a \$1 million gain.

Superannuation

The Commission's 2001 Update was a more involved exercise than usual, because some other States sought a review of the method of assessing the relative cost of providing superannuation for government employees. The Commission ultimately accepted Western Australia's views on key issues and implemented changes that significantly improved Western Australia's grant share.

2004 Review

In addition to the annual updates, the Commission undertakes a major review of the methods it uses to implement fiscal equalisation every five years. The Commission is currently in the early stages of its latest review, which is to be completed by February 2004.

So far, the Commission has been examining the assessment of States' capital and public transport expenditure requirements, which were two contentious issues not satisfactorily resolved in the Commission's previous review (reported in February 1999). The Commission will shortly be examining priority issues of principle. In 2002, the Commission will be seeking submissions from the States regarding their relative cost of providing services and relative revenue capacities, in a range of areas.

Competition Payments

At the April 1995 Council of Australian Governments meeting, the Commonwealth and the States agreed to the National Competition Policy.

National Competition Policy is a package of measures aimed at encouraging increased competition and thereby improved economic performance. To the extent that this can be achieved, incomes, employment and living standards are likely to rise. However, the National Competition Policy permits restrictions on competition where these can be shown to be in the public interest. There are a range of economic, social and environmental factors that need to be considered in making a public interest judgement.

A report by the Industry Commission in March 1995 estimated substantial benefits to the national economy and government revenues from proposed competition reforms. However, it also confirmed the States' views that the bulk of additional revenues would accrue to the Commonwealth (reflecting the Commonwealth's much broader tax bases), even though more than 80% of the national economic growth resulting from competition reforms would come from measures implemented by the States.

The Commonwealth consequently agreed to provide "competition payments" in return for the States implementing competition reforms under the National Competition Policy.

The competition payments are being paid in three tranches - \$200 million per annum from 1997-98, \$400 million per annum from 1999-2000 and \$600 million per annum from 2001-02. These amounts are expressed in 1994-95 dollar terms and escalated for inflation. They are distributed between the States on the basis of population shares (Western Australia's share is approximately 10%).

The National Competition Council (NCC) advises the Federal Treasurer whether it believes that States have undertaken the reforms required for them to qualify for the full amount of each tranche of competition payments. Western Australia has received its full entitlement since competition payments commenced in 1997-98.

If the Commonwealth Treasurer accepts the NCC's recommendations that Western Australia has made satisfactory progress in 2000-01, Western Australia's competition payments are expected to rise from \$45.5 million in 2000-01 to an estimated \$70.6 million in 2001-02 (reflecting the introduction of the third tranche).

Specific Purpose Payments

As discussed in *Fundamentals of the Commonwealth-State Relationship*, specific purpose payments (SPPs) are a major component of Commonwealth assistance to the States. SPPs are grants for specified services (such as health, education, roads and the environment). They are usually subject to individual agreements which attach a variety of terms and conditions to the grants.

From the Commonwealth's perspective, SPPs provide an opportunity to implement "national" policy objectives in areas of State responsibility. Through the use of SPPs, the Commonwealth now has substantial influence in almost all areas of State responsibility.

From the State's perspective, SPPs are an important source of funding, comprising nearly 50% of total Commonwealth payments to the State and over 20% of the State's total revenue. However, they often restrict the State's budget and policy flexibility, and therefore impede the achievement of the best service delivery outcomes.

In 2001-02 Western Australia expects to receive \$2,550 million in SPPs. This includes \$1,623 million in SPPs “to” the State (ie. payments to be used in areas of direct State responsibility). There are also \$513 million in SPPs “through” the State (ie. payments which are passed on by the State to the final recipients, primarily local governments and private schools). In addition the Commonwealth classifies \$415 million in North West Shelf royalty payments as specific purpose payments (offshore mineral and petroleum developments fall under the Commonwealth’s constitutional jurisdiction), although there are no conditions on how Western Australia may spend this money.

SPPs “to” the State are expected to grow by 13.5% in 2001-02, or 8.7% in real per capita terms. This reflects a number of one-off payments in 2001-02 (eg. regional forest agreement compensation, national rail network grant, Jervoise Bay infrastructure grant and drought assistance), as well as growth in health and roads funding.

The distribution of SPPs between the States is based on a variety of mechanisms including population shares, Commonwealth discretionary allocations or various formulae that attempt to reflect costs or demand. Western Australia’s share of SPPs “to” the States is estimated to be 9.7% in 2001-02, which is slightly below the State’s estimated 9.9% population share.

There are more than 120 SPPs in total. Table 4 shows that nine SPPs account for over 75% of total SPP funding to Western Australia.

SPECIFIC PURPOSE PAYMENTS ^(a)
Western Australia

Table 4

	2000-01 estimated actual		2001-02 Budget estimate	
	\$m	Percent of total SPPs to WA	\$m	Percent of total SPPs to WA
Australian Health Care Grants	585.7	41.0%	644.2	39.7%
Government Schools – general grant	176.6	12.3%	174.8	10.8%
Australian National Training Authority	86.8	6.1%	99.1	6.1%
Roads	75.1	5.3%	107.7	6.6%
Housing – general grant	72.5	5.1%	71.7	4.4%
Home and Community Care	54.8	3.8%	56.8	3.5%
Disability Services	33.0	2.3%	38.8	2.4%
Supported Accommodation Assistance	17.5	1.2%	16.9	1.0%
Indigenous Housing	15.9	1.1%	15.9	1.0%
Other ^(b)	312.3	21.8%	396.7	24.4%
TOTAL SPPs	1,430.2	100.0%	1,622.6	100.0%

(a) Excludes:
 - payments “through” the State (primarily 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.

SPP “Guarantee”

Under the Intergovernmental Agreement on the GST-related tax reforms, the Commonwealth indicated that it has no intention of cutting aggregate SPPs as part of the reform process. The Intergovernmental Agreement states that this is “consistent with the objective of the State and Territory Governments being financially better off under the new arrangements”.

An assessment undertaken by Treasury in March 2001 (for the Ministerial Council of Treasurers meeting) indicated that SPPs were budgeted by the Commonwealth to grow in real per capita terms in both 2000-01 and 2001-02. On this basis, the Commonwealth Government will meet its intention under the Intergovernmental Agreement in those years. Nevertheless, SPPs will need to be monitored carefully into the future to discourage the Commonwealth Government from cutting back on funding for SPPs.

SPP Reform

In view of the substantial funding provided to the States in the form of SPPs, it is in the interests of both the Commonwealth and the States that SPP arrangements function as efficiently and effectively as possible. However, conditions imposed on the State by the Commonwealth through SPPs have often acted as constraints on the State Government’s ability to provide the best services to the Western Australian community. For example, the Commonwealth often requires the State to contribute additional resources (including through matching arrangements) without regard for what the State already does, or prescribes rules for managing programs and approving projects which limit the State’s ability to tailor programs to the specific circumstances of its community.

These problems are not limited to Western Australia, and have led to a broad recognition that there should be significant reform of SPPs. Over the last two years, the States have been working closely with the Commonwealth to improve SPP arrangements. Western Australia has led an SPPs Working Group, including representatives from the Commonwealth Treasury and the Commonwealth Department of Finance and Administration, as well as the Treasuries of all States and Territories.

The Working Group has been progressing several key reform projects. These include the development of “best practice” principles and guidelines for SPP agreements and a database on all SPPs.

The best practice principles and guidelines for SPPs will serve as a guide for negotiators and administrators of SPP agreements on the desirable features of SPPs that meet the objectives of both the Commonwealth and the States. The guidelines have been endorsed by most State Governments (including in Western Australia).

Implementation of the best practice principles should improve service delivery by shifting the focus from money spent (or other inputs) to the achievement of outcomes or outputs. This would allow the States more flexibility to tailor programs to suit local needs, avoiding unnecessary duplication of functions between governments, and simplifying administration and reporting arrangements.

The first edition of the SPPs database was released in February 2001. It comprises a consolidated source of financial and descriptive information on SPPs and will be updated every year. The database will assist in monitoring the Commonwealth's intention not to cut SPPs as a result of tax reform, in analysing trends and patterns more generally, and in planning ahead for the renegotiation of existing SPPs.

At the same time as endorsing the best practice principles, the Western Australian Government approved a new strategic framework for negotiating SPPs with the Commonwealth. Amongst other things, this encompasses enhanced central agency coordination and support to line agencies, and a systematic process for Cabinet scrutiny of SPPs, to ensure a whole-of-State Government approach.

Developments in Major SPPs

Health

The majority of Commonwealth health funding for Western Australia is received under the Australian Health Care Agreement (AHCA). The current agreement covers the financial years 1998-99 to 2002-03, and funds about 30% of Western Australia's total expenditure on public health (primarily public hospitals).

AHCA funding is adjusted each year for population growth (including the impact of population ageing), increasing hospital utilisation and cost increases. Originally, the Commonwealth planned to reduce AHCA funding as private health insurance coverage increased. However, it has since announced that it will not proceed on this basis.

AHCA funding also includes components for mental health, palliative care, and the project based National Health Development Fund. Apart from the AHCA, the Commonwealth provides a range of smaller health SPPs, including funds for highly specialised drugs, national public health, essential vaccines and blood transfusion services. The number and variety of payments, and the range of conditions applying, suggests a need for simplification and broadbanding when the new agreements are negotiated.

Education

A new SPP agreement for Commonwealth funding for government schools was negotiated in 2000-01. Like previous agreements, the new agreement (which runs from 2001 to 2004) makes funding available on a per student basis for general recurrent purposes (such as teachers' salaries), capital works and targeted programs (such as literacy programs for disadvantaged students).

In 2001-02 Western Australia expects to receive \$169.9 million in recurrent funding and \$22.9 million for capital purposes. This comprises about 10% of total funding for primary and secondary government schools in Western Australia.

Under Commonwealth legislation relating to the new agreement, the Commonwealth Education Minister has increased powers to set performance measures and targets by regulation. Although the SPP is outcome based, the potential unilateral setting of performance targets by the Commonwealth is not in accord with best practice principles, which demand that targets be determined through a consultative process and reflect the different circumstances of each State.

Vocational Education and Training

Under the Australian National Training Authority (ANTA) Agreement the Commonwealth contributes to the funding of a national vocational education and training system. A new ANTA agreement was recently negotiated for 2001 to 2003.

The new agreement includes base funding for Western Australia from the Commonwealth of \$80.2 million in 2001-02 (maintained in real terms), and total growth funding of \$22.5 million over the three years (subject to indexation) which must be matched by the State on a dollar for dollar basis. The State must also maintain its own expenditure in real terms. State funding accounts for about 70% of total funding in this area.

The focus on input controls in this agreement is not in accord with best practice. The maintenance of effort and matching requirements reduces the State's flexibility to reallocate funds (including any efficiency savings in the vocational education and training area) according to whole of budget priorities, and effectively requires the State to commit a multiple of dollars for each Commonwealth dollar.

Salinity Management

The Commonwealth has offered the States SPP funding totalling \$700 million over seven years, to help implement the Commonwealth's *National Action Plan on Salinity and Water Quality*. Reflecting the scale of the salinity problem in this State, it is anticipated that Western Australia's share would be over \$150 million.

However, the Commonwealth's offer is conditional on dollar for dollar matching by the States, which takes no account of the fact that Western Australia has already been spending in the order of \$40 million per annum on salinity management. The Commonwealth is also proposing joint approval mechanisms and funding distribution arrangements that are bureaucratic and will increase duplication in this area.

Western Australia is currently reviewing its own salinity strategy, and is continuing to negotiate with the Commonwealth to secure funding on a basis that will enable adoption of the measures most suited to the special nature of the problem in this State.

Fiscal Subsidies within the Federation

States frequently compare their allocation of grants from the Commonwealth with some benchmark (eg. share of population). These comparisons may be a useful analysis of the impact of Commonwealth policies on State government finances.

However, the Commonwealth also provides benefits directly to State residents through its other outlays (eg. Medicare benefits, unemployment benefits and pensions). In addition, State residents and businesses contribute to the Commonwealth's coffers by paying Commonwealth taxes.

Each year, the Western Australian Treasury updates an analysis of the broader redistribution of resources between States by the Commonwealth, taking into account all Commonwealth outlays and revenues. Redistributions are measured by the "net fiscal subsidy" provided by each State to the Federation. This comprises:

- The value of Commonwealth taxes and other revenues attributable to production and consumption activities in each State; less
- The value of Commonwealth expenditures on each State, including grants to State and local governments, salaries of Federal Government employees and benefits paid to individuals.³

As shown in Table 5, Western Australia provides the largest fiscal subsidy of any State in per capita terms (and in 1999-2000, also the largest in absolute dollars). The other net contributors are New South Wales and Victoria.

Table 5

EACH STATES' NET FISCAL SUBSIDY TO THE FEDERATION
1998-99 and 1999-2000

	1998-99		1999-00 preliminary	
	\$m	\$ per capita	\$m	\$ per capita
New South Wales	2,810	441	2,579	401
Victoria	1,205	257	2,113	446
Queensland	-1,694	-487	-2,136	-604
Western Australia	2,504	1,358	2,724	1,455
South Australia	-2,182	-1,465	-2,300	-1,538
Tasmania	-1,246	-2,643	-1,394	-2,962
Northern Territory	-1,397	-7,302	-1,586	-8,171
All States	0	0	0	0

Western Australia's large net fiscal subsidy reflects the fact that Western Australian companies (including companies in our large resource sector) contribute a high share of national company tax collections, and Western Australian residents draw a relatively low share of national social security benefits.

A feature of this net fiscal subsidy analysis which has been altered from previous years is the treatment of the ACT.

Previously, the ACT was treated as a separate jurisdiction, on a par with the States and the Northern Territory.

³ The Commonwealth deficit or surplus is also allocated between States.

However, the new analysis allocates all Commonwealth outlays and revenues relating to the ACT among the other jurisdictions according to population shares. This approach reflects that, if the Federation were to cease to exist, it is unlikely that the ACT would continue to exist as a separate entity.⁴

⁴ Under the previous approach, only Commonwealth expenditures on national administration (and some expenditures on the Australian National University) were allocated among other jurisdictions. On this basis, the ACT is estimated to provide a fiscal subsidy in 1999-2000 of \$529 million (or \$1,706 per capita). Other States' net fiscal subsidies are \$28 per capita less than shown in Table 5. Major reasons for this outcome are that ACT residents pay a higher level of income tax (due to the relatively high incomes of persons employed in Canberra) and receive a low share of Commonwealth benefit payments (eg. unemployment benefits).

CHAPTER 6

Structural Reform

Introduction

The Government's election commitments included the restructuring of the Western Australian public sector in its policy document, "Delivering a Better Government". This detailed a commitment to investigating a range of measures to improve the efficiency and effectiveness of the public sector, including a restructuring of public sector departments and a re-allocation of responsibilities among Ministers.

One of the first actions taken by the new Government was to appoint the Machinery of Government Taskforce to advise it on delivering these commitments. The Government recently embraced broad ranging reforms to the Western Australian public sector by accepting the recommendations of the Taskforce in their entirety.

The most visible effects from the community's perspective are probably the restructuring of public sector departments and agencies around key areas of government.

Underlying these more noticeable changes is a commitment to improving the checks and balances, or governance arrangements, which are an integral part of responsible government. This includes the re-allocation of responsibilities among Ministers to ensure that some 'healthy tensions' and debate are created within government to represent various competing interests.

The reforms will bring a sharper focus to such questions as why and how the Government regulates key sectors of the economy; and why and how it participates in markets to provide certain goods and services.

Some key aspects of the Machinery of Government changes include:

- the restructuring of public sector departments and agencies around key areas of government. The goals are to make government more efficient, accessible and understandable to the general public, to enhance effectiveness and accountability for public funding and publicly funded agencies, and to gain better value for money in government service delivery;

- the establishment of an independent Economic Regulator with responsibilities across the electricity, gas, rail and water industries. The Economic Regulator will also be a source of independent expert advice for the Government; and
- the creation of a new position, the Minister for Government Enterprises, to exercise the Government's shareholder, owner and investor role in relation to government business enterprises.

These three important changes are discussed further in the sections below.

The changes will mean that single Ministers will not usually have to juggle conflicting responsibilities such as might occur were the one Minister responsible for both regulating an industry and the financial performance of government businesses that operate in those industries.

In addition, the Government is pursuing reforms in utility markets to encourage the provision of these services at sustainable lower prices, while protecting the interests of residential and small business customers. Significant reform processes have recently commenced in the electricity, gas and water industries. The establishment of an independent Electricity Reform Taskforce to advise the government on future policy directions is a major development.

Reforming the Public Sector

On 21 June 2001 the Government embraced wide-ranging reform of the Western Australian public sector by accepting, in their entirety, the recommendations of the Machinery of Government Taskforce. It also committed to putting in place final arrangements flowing from these reforms by 31 December 2002.

These recommendations of the Taskforce addressed its findings that Western Australia has an excessive number of overlapping Government agencies and the diverse and fragmented nature of the State's public sector compromises its ability to deliver services efficiently and effectively. The Taskforce was concerned that despite a range of expert and independent reviews over the last decade, Western Australia's machinery of Government has continued to grow in a haphazard fashion, offering no cohesive support for the delivery of Government priorities.

The key objectives of the machinery of government reforms recommended by the Taskforce include:

- enhanced effectiveness of the machinery of government on developing and sustaining rational programs and policies. The chief impact of this will be better services for customers and streamlined approval and regulatory policies;
- greater flexibility and responsiveness of the public sector to changing Government objectives, by virtue of a motivated workforce and a greater willingness on the part of agencies to work collectively;

- improved capacity for prioritisation to meet Government needs. This will help reinforce the clear direction set by Government and permit Ministers and chief executive officers (CEOs) to provide greater leadership to the public sector;
- enhanced accountability; and
- improved transparency of Government so that the community understands the basis for decision-making by Government and can better evaluate the performance of it and the public sector.

The Taskforce stressed that these objectives focus on improvements to the quality of service, flexibility and accountability of the public sector. Financial savings were not a driving factor behind its recommendations, which at the highest level dealt with:

- the composition of generic portfolio structures and uniform nomenclature and titles within each portfolio;
- measures to address the large number of statutory authorities and improve the governance, accountability and public awareness of these entities;
- the revitalisation and reform of the ranks of chief executive officers (particularly those in departmental Director General positions) with a view to retaining and making best use of the talent already in the senior levels of the public service; and
- improving the development and communication of strategic policy and planning priorities for the State through the establishment of a new Strategic Management Council consisting of the 23 departmental Directors General and chaired by the Premier.

While cost savings were not a key consideration of the Taskforce, departments will nevertheless be encouraged to share corporate support services, including financial, human resource, information and procurement services in a bid to reduce duplication and costs through increased economies of scale.

The Taskforce also made a number of recommendations specific to individual portfolios.

The most visible effects from the community's perspective will be a reduction in the number of departments of State from 46 to 23 as a result of mergers and re-classifications. While some departmental changes will require legislative amendment, the first round of mergers and re-classifications took place on 1 July 2001 and reduced the number of departments of State by 12.

Stringent controls on the establishment of new statutory authorities have been introduced and reviews of the functions of all existing statutory authorities will commence in the near future with a view to, where appropriate, incorporating these functions into departments. These reviews are expected to be completed by 1 July 2002 and have the potential to give rise to a substantial legislative program in their own right.

At the same time, all Government business enterprises will be reviewed with the objective of clarifying their commercial responsibilities and, where appropriate, establishing those commercial responsibilities by statute. This will be a necessary input into the development of umbrella legislation covering all Government business enterprises, whether or not they have commercial responsibilities.

Other key reforms that will impact on Government business enterprises include:

- the establishment of an independent Economic Regulator with responsibilities across the electricity, gas, rail and water industries. The Economic Regulator will also be a source of independent expert advice for the Government; and
- the creation of a new portfolio called Government Enterprises, with the Minister for Government Enterprises to exercise the Government's shareholder, owner and investor functions in relation to Government business enterprises.

These two important initiatives will mean that single Ministers will not usually have to juggle conflicting responsibilities such as might occur were the one Minister responsible for both regulating an industry and the financial performance of Government businesses that operate in those industries. They are discussed further in the sections below.

Economic Regulation

Currently regulatory decisions affecting key infrastructure industries are made by a variety of Ministers, Regulators and Public Sector officials. The Government has decided that a single Economic Regulator will assume responsibility across the electricity, gas, rail and water industries for:

- determining arrangements for third-party access to significant economic infrastructure, including making determinations on access prices and terms and conditions of access by third-parties;
- making recommendations to the Government about tariffs and charges for essential services and other referred matters;
- enforcing legislation and regulations relating to prices and standards of service; and
- issuing and enforcing industrial licences to supply certain goods and services (such as licences including conditions in relation to prices, service guarantees, standards, etc).

This will result in a number of improvements to the current industry-specific approach to regulation. It will consolidate scarce expertise, promote transparent and accountable regulation, achieve operating synergies and recognise the importance of economically efficient investment and pricing. It will also remove the possible perception of political interference in regulatory decisions which left unaddressed has the potential to stifle competition, efficient investment and productivity gains.

The independent expert advisory function of the Economic Regulator will also improve the information upon which Government makes decisions about commercial activities of government, the provision of essential services, and the funding of any Community Service Obligations.

The Treasurer will be responsible for the regulatory policy framework and legislation that will set the rules that the Economic Regulator independently enforces. The relevant Industry Ministers will continue to bring their specialist knowledge to regulatory policy formulation by assisting the Treasurer in the coordinating policy role. In this way, an appropriate balance can be struck between consistency in regulation and recognising the regulatory needs of specific industries.

Shareholder Functions

An important aspect of the structural reforms being implemented by Government is the establishment of a Government Enterprises portfolio. The Minister for Government Enterprises exercises the Government's shareholder, owner and investor role in relation to government business enterprises, and is supported in an advisory and administrative capacity by the Department of Treasury and Finance.

Specifically, the Minister for Government Enterprises' role is to:

- establish and refine the constitution, strategic direction and operating objectives of agencies engaged in significant commercial activities;
- appoint directors and manage board performance;
- agree to broad financial policies affecting shareholder returns such as rates of return, capital structure, dividend and investment policies;
- establish operational and financial benchmarks and monitor performance;
- ensure that agencies engaged in significant commercial activities operate in an environment broadly comparable to private sector companies and in accordance with any applicable government policies;
- ensure cost-effective delivery of any community service obligations performed by agencies engaged in significant commercial activities; and
- be accountable to Parliament for agencies' performance.

Agencies in the Government Enterprises portfolio include: the Water Corporation; the Bunbury and Busselton Water Boards; the Western Australian Treasury Corporation; the Gold Corporation; the Lotteries Commission; the Insurance Commission of Western Australia; the Government Employees Superannuation Board; and the Parliamentary Superannuation Board.

Although the Minister for Government Enterprises is responsible and accountable for the operational and financial performance of public sector agencies engaged in significant commercial activities, there is an active relationship with the Industry Minister. The Industry Minister will retain responsibility for:

- policy development;
- development of strategic initiatives and programs impacting the business environment within the industry;
- industry coordination;
- safety policy; and
- technical standards.

These arrangements enhance accountability, corporate governance and performance monitoring of government agencies, and recognise the potential financial, budgetary and political risks arising from such activities and the significant influence these agencies can have on the State's economy and finances.

Utilities Reform

Electricity Market Reform

The Government is firmly committed to facilitating genuine competition and free trade in the Western Australian electricity market while maintaining Western Power in full public ownership.

The Government has identified the strategic position that the electricity supply industry occupies and its importance to the further economic development of the State. However, it has observed that Western Australia is lagging behind other States and other comparable economies in its electricity reform. As a result, the State has one of the least competitive electricity markets and continues to have among the highest electricity prices in Australia with Western Power's tariffs remaining above the average for the nation.

The Government's election commitment is to maintain Western Power in public ownership. However, it will ensure that competitive pressures continue to increase the efficiency of the sector. As either consumers or taxpayers, all Western Australians bear the burden of inefficient provision of these essential services through higher electricity prices or lower shareholder returns to government.

The Government considers that the potential for improvement is significant, despite the State's vast geographic dimensions and widely spread population distribution. Based on last year's data (published by the Electricity Supply Association of Australia), on average, domestic customers of Western Power are paying 22% more for their electricity than the Australian average. Likewise, on average, business customers are paying around 27% more than the national average.

In order to progress the electricity reform agenda, the Government has established an Electricity Reform Taskforce. The main objective of the Taskforce is to achieve, where practicable, sustainable lower electricity prices for all customers while maintaining the uniform tariff for residential and small business customers. This is to be pursued without prejudice to adequate reliability, security, quality and safety of electricity supply.

The Taskforce will develop detailed recommendations within 12 months in the following areas:

- the extent and phasing of the disaggregation of Western Power;
- the design of the electricity market to be established in Western Australia, which will govern the market rules for trading wholesale electricity;
- a Western Australian Electricity Code which provides the rules for third-party access to public and private electricity transmission and distribution infrastructure and set the regulatory framework for retail competition; and
- appropriate arrangements for implementing full retail contestability including a “Charter of Good Practice” to detail the service standards that residential and small business customers can expect to receive and the appropriate electricity functions and powers of an Energy Ombudsman.

There are a number of challenges to be addressed in order to secure a competitive industry environment conducive to both public and private electricity providers.

Western Power is currently a vertically integrated electricity utility undertaking electricity generation, transmission, distribution and retailing. It is also the dominant market player in each of these elements. A key objective of structural reform is to create a level playing field for all competitors.

The current industry structure also makes it harder for the Government, as shareholder of Western Power, to assess the costs and benefits of undertaking new investment in electricity infrastructure.

Significant new investment in generation will be required in the future to meet the growing demands of the State’s industrial base. With technological change, increasing competition, fuel price fluctuations and growing environmental concerns, the risks associated with investment in electricity generation could be significant.

Generators and their direct customers (large users and retailers) need to use the transmission and distribution systems to be able to transport electricity. In this sense, the transmission and distribution systems need to be a shared resource on conditions that are fair and reasonable for both the owners/operators of these systems and the persons wishing to use the services of the systems. It is also the case that the ‘wires businesses’ are likely to be natural monopolies in the sense that from a cost and technical perspective, it is most efficient for these to be owned and operated by the one company in any given area.

One possible model of structural reform would be to allow any competing electricity generator to deliver its power to large customers and electricity retailers under contract or via a wholesale power pool by gaining access to Western Power's transmission and distribution systems. Similarly, with open access to the network, competing electricity retailers could be allowed to source power from any electricity generator or a wholesale pool with which to supply their customers.

It is considered important to isolate the value and costs of operating the wires so that all players in the market pay a fair price for the use of the shared resource, so that its use is optimised, and so that sensible investment decisions are made in response to system constraints.

A dedicated wires company could also potentially perform complementary activities such as ensuring reliability of supply and managing a power pool that allows the trading of wholesale electricity. The Taskforce will address all important questions of market design and the disaggregation of Western Power in detail.

The Taskforce will also ensure that renewable energy and energy conservation have an important place in the new market arrangements. In particular, it will give due consideration to the role that sustainable/renewable energy has to reduce gross greenhouse gas emissions.

Delivering the choice of supplier to consumers will encourage more informed decisions about energy consumption. This should heighten consumer awareness of the costs and potential savings associated with energy conservation.

The Taskforce will also consider methods for funding the losses incurred in providing the uniform tariff to residential and small business customers. For example, it will consider how to provide the uniform tariff in a way that encourages efficiency in the delivery of the service and electricity conservation by users, while maintaining transparent net cash flows between service providers and the general Government budget.

The ultimate goal is to have a fully contestable market - one where all customers can choose who supplies their electricity - by July 2005. The steps towards this goal are as follows:

Table 1

ELECTRICITY MARKET REFORM
Contestability Timetable^(a)

	Access Threshold	Representative Customers
PREVIOUS THRESHOLD	greater than 1 MW 8,760 MWh pa	Mine sites, smelters, refineries, hospitals, universities, airports, railways, office towers
JULY 2001	greater than 0.23 MW 2,000 MWh pa	Shopping centres, telephone exchanges, bakeries, cold stores, service stations
JANUARY 2003	greater than 0.034 MW 300 kWh pa	Fast food stores, smaller buildings
JULY 2005 (PROPOSED)	All customers	All households and small businesses

(a) the contestability timetable reflects the dates and level of usage at which customers can choose an alternative supplier. Lower usage thresholds (0.034 MW) apply to regional non-interconnected systems, and for energy from renewable sources.

MW = megawatt or million watts
MWh = megawatt hour
kW = kilowatt or thousand watts
kWh = kilowatt hour

Customers using an average of 0.23 megawatts or more at a single site became contestable on 1 July 2001 (bringing the total number of contestable customers to approximately 450).

The threshold will next be lowered in January 2003 to customers using an average of 0.034 megawatts or more (a total of approximately 2,500 customers who typically spend more than \$40,000 per annum on electricity will be contestable). These customers have also been eligible to source their power from renewable sources since 1 October 2000.

The Government has asked the Electricity Reform Taskforce to advise it on approaches to implementing full retail contestability by 2005. Many of the issues to be faced by electricity will have been encountered in implementing full retail contestability in the gas market (see below).

Gas Market Reform

In comparison to the electricity market, reform of the Western Australian gas market is much further advanced. Structural reform involved separating the market into distinct functions of transmission and distribution/retail, and the gas supply chain is now serviced entirely by private sector companies. The final steps are also being taken towards having a fully contestable retail market.

Western Australia continues to adopt reforms in accordance with the 1997 Natural Gas Pipelines Access Agreement. Since January 2000, customers consuming more than 100TJ of natural gas, such as refineries, smelters, chemical production plants, brickworks and other medium to large industrial establishments, have been able to contract directly with any gas supplier.

In January 2002, the market is scheduled to be opened to those customers consuming more than 1TJ of natural gas per annum, such as hospitals, hotels, restaurants, laundries and bakeries.

The last stage of contestability is scheduled to begin on 1 July 2002, when over 430,000 small business and household customers, consuming less than 1TJ per annum, would be able to choose their gas retailer.

In preparing for full retail contestability, the Minister for Energy has established a Gas Retail Deregulation Steering Committee. The Steering Committee will guide the development of the regulatory framework and market systems to operate in a fully contestable environment to ensure that:

- a smooth transition occurs to a fully contestable retail market;
- a contestable gas market delivers net benefits to gas consumers;
- the market operates in an efficient and effective manner; and
- regulatory arrangements reflect an appropriate balance of the interests of gas distributors, gas retailers and consumers.

Moving to a fully contestable environment presents a number of regulatory challenges, for example:

- the interests and bargaining power of consumers, and in particular, small volume consumers, will need to be protected. Consumer protection issues needing to be addressed include a marketing code of conduct, the possible establishment of an Energy Ombudsman to deal with any disputes, and ensuring access to a supplier of last resort. Customer information and education campaigns and the use of price and quality benchmarking could assist greatly in the transition.
- an appropriate regulatory framework needs to be developed to govern the operations of retailers. This framework would seek to ensure fair and efficient market operations, which encourage competition between gas retailers while protecting consumers. In order to achieve this aim, appropriate procedures, arrangements and systems to facilitate the legal transfer of customers from one retailer to another will be needed.

- the introduction of full retail contestability will require greater technical coordination of the multiple retailers utilising gas infrastructure. A range of technical and safety issues will need to be addressed in order to ensure the safe transportation, delivery and use of natural gas sold through retail markets. These include the development of appropriate systems to coordinate the supply and demand for gas and the technical and information systems to ensure the correct measurement and delivery of gas to consumers.

Water Market Reform

Tradeable Water Entitlements

The legislative basis for irrigators to trade water entitlements came into effect on 10 January 2001 when amendments made to the *Rights in Water and Irrigation (RIWI) Act 1914* were proclaimed. There has been a significant interest in trading of water entitlements and in using the tradeable entitlements as security for loans indicating the benefits of the legislation to irrigators.

While trading is predicted to increase in the future, trading markets are effective only where a water resource is fully allocated. Allocation limits have not been reached for some of the State's water resources and for this reason it may be some years before trading is implemented in some areas of Western Australia. The areas of interest to traders are the near urban horticulture and market gardening areas of Wanneroo, Swan, Gingin and Serpentine and the viticulture and horticulture areas at Carnarvon, Manjimup and Busselton.

Tradeable Water Entitlements are a market-based tool intended to realise the following benefits:

- allow water users to respond to changing conditions and water needs;
- enable re-allocation of water resources in fully allocated systems;
- enable migration of water to higher value uses; and
- encourage the efficient use of water resources (within allocation limits) by providing the opportunity to capitalise on water savings through sale or lease.

However, water trading is subject to the provisions of the Environmental Protection Act and the Environmental Water Provisions Policy of the Water and Rivers Commission. Where significant environmental impacts are considered likely to occur as part of a trade, the Commission will either refuse the application or refer the matter to the Environmental Protection Authority. Important social values and the legitimate interests of third parties are also protected under the legislation.

Petrol Pricing Reform

In response to rising fuel prices and significant variations between city and country prices, the Parliament established a Select Committee in April 2000 to uncover any issues which may have been influencing local petroleum products prices and recommend measures that could be adopted to address consumer concerns.

In response to the Select Committee's recommendations the *Petroleum Products Pricing Act 1983* was amended to ensure greater transparency in fuel prices at both the retail and wholesale levels and increase competition at supply terminals statewide. These arrangements extended price monitoring and price control to include liquid petroleum gas (LPG) products and the retailing of petroleum motor fuels.

The initiatives introduced have focused on both the retail and wholesale pricing of petroleum products, improving the level of information available to the public and developing more transparency and less volatility in local motor fuel markets. The focus to date has largely been on the metropolitan area but attention is now being given to city/country price differentials.

In line with its pre-election commitments, in early May 2001 the Government introduced the *Petroleum Legislation Amendment Bill 2001* which allows franchisees to source up to 50 per cent of their fuel from sources other than the franchisor to further increase wholesale competition in the industry. The new arrangements also apply to other retailers of motor fuel who are not franchisees (but have contractual supply obligations) and apply to all contracts signed after 10 February 2001 (the date of the State Election). This measure explicitly recognises that enhancing competition is the most effective means to ensure lower prices. The Bill was passed by the Legislative Council on 28 June 2001 and is now awaiting proclamation.

APPENDIX 1

Detailed Financial Projections

Appendix 1 contains detailed financial projections for the various sectors of the total public sector under the 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 2: *Fiscal Strategy and Financial Projections*, Table 6.

Contents

General Government	
Table 1: Operating Statement	186
Table 2: Balance Sheet at 30 June	187
Table 3: Cash Flow Statement.....	188
Public Non-Financial Corporations	
Table 4: Operating Statement	189
Table 5: Balance Sheet at 30 June	190
Table 6: Cash Flow Statement.....	191
Total Non-Financial Public Sector	
Table 7: Operating Statement	192
Table 8: Balance Sheet at 30 June	193
Table 9: Cash Flow Statement.....	194
Public Financial Corporations	
Table 10: Operating Statement	195
Table 11: Balance Sheet at 30 June	196
Table 12: Cash Flow Statement.....	197
Total Public Sector	
Table 13: Operating Statement	198
Table 14: Balance Sheet at 30 June	199
Table 15: Cash Flow Statement.....	200
Loan Council Allocations	
Table 16: Loan Council Allocations.....	201
Agency Classification	
General Government Sector	202
Public Non-Financial Corporations	203
Public Financial Corporations	203
Agencies Outside the State's Public Sector.....	203

GENERAL GOVERNMENT
Operating Statement

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
REVENUE						
Taxation	3,421.7	2,861.1	2,775.5	3,039.8	3,218.1	3,392.8
Current grants and subsidies	3,673.6	4,772.3	5,157.0	5,096.6	5,162.4	5,456.0
Capital grants	202.7	255.4	287.0	280.2	256.8	231.9
Sales of goods and services	1,047.9	914.9	851.7	839.4	853.1	856.3
Interest income	118.8	130.4	136.0	128.0	121.2	108.4
Revenue from public corporations						
Dividends	381.4	398.3	421.9	414.9	431.1	448.7
Tax equivalent payments	214.3	357.5	232.8	257.5	260.9	270.2
Royalty income	468.7	685.5	643.9	647.1	644.5	626.6
Other	163.7	156.2	207.7	142.3	172.4	173.6
<i>Total</i>	<i>9,692.8</i>	<i>10,531.5</i>	<i>10,713.5</i>	<i>10,846.0</i>	<i>11,120.5</i>	<i>11,564.4</i>
EXPENSES						
Gross operating expenses						
Salaries	3,759.9	3,901.0	4,034.7	4,145.7	4,264.7	4,364.5
Depreciation and amortisation	453.7	443.0	496.0	516.4	537.7	561.8
Superannuation	332.8	353.0	364.3	395.9	406.2	416.3
Other	2,656.7	2,677.8	2,667.3	2,618.9	2,695.1	2,853.0
Nominal superannuation interest	296.7	304.1	274.4	277.4	281.4	285.3
Other interest	235.7	244.5	252.7	260.8	245.5	233.7
Other property expenses	-	-	-	-	-	-
Current transfers	1,720.2	2,123.5	2,331.8	2,215.0	2,270.6	2,340.6
Capital transfers	267.3	229.4	240.8	239.4	235.5	248.5
<i>Total</i>	<i>9,723.0</i>	<i>10,276.4</i>	<i>10,661.8</i>	<i>10,669.4</i>	<i>10,936.8</i>	<i>11,303.6</i>
NET OPERATING BALANCE	-30.2	255.1	51.6	176.6	183.8	260.8
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	731.7	1,000.7	979.1	704.3	643.0	710.6
<i>less</i> depreciation	453.7	443.0	496.0	516.4	537.7	561.8
<i>plus</i> change in inventories	-18.9	-5.8	-1.8	-0.6	0.6	0.1
<i>plus</i> other movements in non-financial assets	-16.2	8.1	-44.2	20.9	24.5	36.7
<i>Total</i>	<i>242.9</i>	<i>560.0</i>	<i>437.1</i>	<i>208.2</i>	<i>130.3</i>	<i>185.6</i>
NET LENDING/BORROWING	-273.1	-304.9	-385.5	-31.5	53.4	75.3
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	-30.2	255.1	51.6	176.6	183.8	260.8
<i>less</i> provisions for doubtful debts	-	0.3	-0.6	-	-	-
<i>plus</i> net gains on assets (including derivatives)	-227.8	471.6	90.6	12.5	12.5	27.5
<i>plus</i> capitalised interest	-	-	-	-	-	-
<i>less</i> revaluation of superannuation liabilities	34.6	21.1	60.4	-	-	-
<i>plus</i> all other adjustments	-43.9	-	-	-	-	-
AAS OPERATING RESULT	-335.9	705.3	82.3	189.0	196.3	288.4

Note: Columns may not add due to rounding.

Table 2

GENERAL GOVERNMENT
Balance Sheet at 30 June

	2000 Actual \$m	2001 Estimated Actual \$m	2002 Budget Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m	2005 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	227.0	166.3	149.0	156.2	148.3	139.8
Advances paid	858.4	862.5	866.7	856.1	843.9	830.7
Investments, loans and placements	1,094.1	1,661.3	1,206.0	994.6	853.3	754.6
Other non-equity assets	767.5	719.7	661.2	672.0	699.9	698.1
Equity	14,757.5	15,258.4	15,717.1	16,261.9	16,794.9	17,246.3
<i>Total</i>	<i>17,704.6</i>	<i>18,668.2</i>	<i>18,599.9</i>	<i>18,940.7</i>	<i>19,340.3</i>	<i>19,669.4</i>
<i>Non-Financial assets</i>						
Land and fixed assets	23,259.5	24,067.2	24,736.2	25,039.2	25,264.8	25,561.6
Other non-financial assets	163.2	66.6	127.4	128.1	128.6	129.0
<i>Total</i>	<i>23,422.7</i>	<i>24,133.7</i>	<i>24,863.6</i>	<i>25,167.3</i>	<i>25,393.4</i>	<i>25,690.6</i>
TOTAL ASSETS	41,127.2	42,801.9	43,463.5	44,108.0	44,733.7	45,360.0
LIABILITIES						
Deposits held	150.8	213.0	176.3	189.5	186.8	171.4
Advances received	732.5	620.9	593.2	581.5	561.2	549.2
Borrowings	2,022.7	2,307.7	2,377.9	2,357.9	2,265.3	2,176.4
Unfunded superannuation liabilities	5,069.1	5,150.6	5,216.1	5,228.2	5,240.6	5,235.8
Other employee entitlements and provisions	976.2	999.6	1,026.9	1,060.9	1,108.6	967.8
Non-equity liabilities	484.9	491.6	455.6	411.2	420.4	537.5
TOTAL LIABILITIES	9,436.2	9,783.5	9,846.0	9,829.2	9,783.0	9,638.0
NET WORTH	31,691.0	33,018.4	33,617.4	34,278.8	34,950.6	35,721.9
<i>Memorandum Item: Net Debt</i>	<i>726.5</i>	<i>451.6</i>	<i>925.9</i>	<i>1,122.1</i>	<i>1,167.9</i>	<i>1,172.0</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	31,691.0	33,018.4	33,617.4	34,278.8	34,950.6	35,721.9
<i>less equity (net worth) of PNFC and PFC sectors</i>	<i>14,757.4</i>	<i>15,258.5</i>	<i>15,717.2</i>	<i>16,261.9</i>	<i>16,795.0</i>	<i>17,246.4</i>
<i>less all other adjustments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS NET ASSETS	16,933.6	17,759.9	17,900.2	18,016.8	18,155.6	18,475.6

Note: Columns may not add due to rounding.

GENERAL GOVERNMENT
Cash Flow Statement

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	3,333.7	2,857.1	2,850.1	3,106.8	3,287.1	3,462.6
Receipts from sales of goods and services	1,131.5	889.0	876.6	815.7	811.1	818.7
Grants and subsidies received	3,811.4	5,088.7	5,444.5	5,388.9	5,439.4	5,708.6
Other receipts	1,187.0	2,266.2	2,160.6	2,105.5	2,112.7	2,107.7
<i>Total</i>	<i>9,463.5</i>	<i>11,101.0</i>	<i>11,331.8</i>	<i>11,416.8</i>	<i>11,650.3</i>	<i>12,097.6</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-6,818.1	-7,073.3	-7,299.3	-7,433.6	-7,622.0	-8,024.1
Grants and subsidies paid	-1,941.2	-2,203.1	-2,503.5	-2,414.0	-2,471.3	-2,525.4
Interest paid	-226.7	-240.3	-257.3	-261.1	-247.4	-238.1
Other payments	-121.8	-707.7	-676.1	-613.1	-612.4	-614.5
<i>Total</i>	<i>-9,107.8</i>	<i>-10,224.4</i>	<i>-10,736.2</i>	<i>-10,721.8</i>	<i>-10,953.1</i>	<i>-11,402.0</i>
Net Cash Flow from Operating Activities	355.7	876.6	595.6	695.0	697.2	695.5
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-841.7	-1,100.7	-1,112.7	-829.4	-776.0	-855.8
Sales of non-financial assets	99.7	64.5	136.9	71.7	108.5	108.5
<i>Total</i>	<i>-742.0</i>	<i>-1,036.2</i>	<i>-975.8</i>	<i>-757.7</i>	<i>-667.5</i>	<i>-747.3</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	280.5	445.9	-99.2	-99.8	-89.2	5.9
Liquidity purposes	-3.6	-74.7	51.2	47.3	23.8	15.2
<i>Total</i>	<i>276.8</i>	<i>371.2</i>	<i>-47.9</i>	<i>-52.5</i>	<i>-65.3</i>	<i>21.1</i>
Net Cash Flow from Investing Activities	-465.1	-665.0	-1,023.8	-810.2	-732.8	-726.1
FINANCING ACTIVITIES						
Advances received (net)	-202.1	-113.8	81.0	58.1	82.2	93.1
Borrowings (net)	286.6	283.4	129.3	-17.8	-90.4	-86.4
Deposits received (net)	-	32.4	-14.2	-	-	-
Distributions paid	-	-	-	-	-	-
Other financing	52.3	-45.0	-40.6	-21.9	-22.3	5.1
<i>Total</i>	<i>136.8</i>	<i>157.1</i>	<i>155.5</i>	<i>18.4</i>	<i>-30.5</i>	<i>11.8</i>
<i>Opening cash balance</i>	<i>742.0</i>	<i>769.4</i>	<i>1,138.0</i>	<i>865.4</i>	<i>768.6</i>	<i>702.5</i>
NET INCREASE IN CASH HELD ^(a)	27.4	368.6	-272.7	-96.8	-66.1	-18.8
<i>Closing cash balance</i>	<i>769.4</i>	<i>1,138.0</i>	<i>865.4</i>	<i>768.6</i>	<i>702.5</i>	<i>683.6</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>-386.2</i>	<i>-159.6</i>	<i>-380.3</i>	<i>-62.7</i>	<i>29.8</i>	<i>-51.8</i>
Surplus	-386.2	-159.6	-380.3	-62.7	29.8	-51.8

(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

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
REVENUE						
Current grants and subsidies	395.2	451.5	499.1	524.5	551.4	582.7
Capital grants	101.6	108.8	108.7	108.7	100.1	99.9
Sales of goods and services	5,564.8	5,109.9	5,006.6	5,138.6	5,281.6	5,387.7
Interest income	103.6	89.7	76.4	80.5	81.3	82.2
Other	225.0	110.4	90.7	100.1	109.3	84.5
<i>Total</i>	<i>6,390.2</i>	<i>5,870.3</i>	<i>5,781.5</i>	<i>5,952.3</i>	<i>6,123.7</i>	<i>6,236.9</i>
EXPENSES						
Gross operating expenses						
Salaries	485.2	427.2	418.0	425.8	435.0	435.9
Depreciation and amortisation	580.4	573.9	584.6	588.3	604.4	618.0
Superannuation	43.0	40.5	39.3	42.9	43.5	43.3
Other gross operating expenses	3,776.8	3,413.3	3,372.2	3,439.8	3,547.3	3,602.3
Nominal superannuation interest	-	-	-	-	-	-
Other interest	498.0	451.8	389.8	402.2	421.2	427.8
Other property expenses	570.6	755.0	638.2	663.0	682.2	711.7
Current transfers	196.7	200.2	207.6	213.0	218.7	223.7
Capital transfers	0.9	-	-	-	0.1	-
<i>Total</i>	<i>6,151.6</i>	<i>5,861.9</i>	<i>5,649.7</i>	<i>5,775.1</i>	<i>5,952.5</i>	<i>6,062.8</i>
NET OPERATING BALANCE	238.6	8.4	131.8	177.3	171.2	174.1
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	940.2	1,004.0	1,082.8	1,010.4	1,006.5	900.6
less depreciation	580.4	573.9	584.6	588.3	604.4	618.0
plus change in inventories	71.8	-87.5	104.4	16.4	12.1	17.5
plus other movements in non-financial assets	-144.2	-26.7	-37.2	-0.6	-42.0	-34.3
<i>Total</i>	<i>287.4</i>	<i>315.8</i>	<i>565.4</i>	<i>437.8</i>	<i>372.1</i>	<i>265.8</i>
NET LENDING/BORROWING	-48.9	-307.4	-433.6	-260.5	-200.9	-91.7
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	238.6	8.4	131.8	177.3	171.2	174.1
less provisions for doubtful debts	-	-	-	-	-	-
plus net gains on assets (including derivatives)	48.1	-44.9	66.9	45.1	48.9	18.1
plus capitalised interest	-	-	-	-	-	-
less revaluation of superannuation liabilities	3.4	-	-	-	-	-
plus all other adjustments	-18.2	-	-	-	-	-
AAS OPERATING RESULT	265.1	-36.5	198.7	222.4	220.1	192.2

Note: Columns may not add due to rounding.

PUBLIC NON-FINANCIAL CORPORATIONS
Balance Sheet at 30 June

	2000 Actual \$m	2001 Estimated Actual \$m	2002 Budget Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m	2005 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	226.0	211.5	187.7	215.9	246.2	228.1
Advances paid	233.2	215.4	202.4	191.8	183.2	174.6
Investments, loans and placements	1,130.5	1,116.0	1,098.7	1,117.0	1,125.2	1,134.8
Other non-equity assets	712.2	743.8	728.0	748.9	770.3	794.7
Equity	4.2	1.1	1.1	1.1	1.1	1.1
<i>Total</i>	<i>2,306.1</i>	<i>2,287.8</i>	<i>2,217.9</i>	<i>2,274.6</i>	<i>2,325.9</i>	<i>2,333.3</i>
<i>Non-Financial assets</i>						
Land and fixed assets	20,438.7	20,745.6	21,469.1	22,012.3	22,567.3	22,994.2
Other non-financial assets	1.9	9.5	4.7	4.5	4.2	5.0
<i>Total</i>	<i>20,440.5</i>	<i>20,755.1</i>	<i>21,473.8</i>	<i>22,016.8</i>	<i>22,571.5</i>	<i>22,999.3</i>
TOTAL ASSETS	22,746.6	23,042.9	23,691.7	24,291.4	24,897.4	25,332.6
LIABILITIES						
Deposits held	3.7	0.5	0.5	0.5	0.5	0.5
Advances received	610.2	596.4	585.1	573.3	561.2	549.2
Borrowings	5,847.2	5,538.2	5,809.6	5,949.9	6,086.5	6,146.1
Unfunded superannuation liabilities	270.0	257.7	253.7	252.5	251.0	249.3
Other employee entitlements and provisions	232.2	223.2	210.1	213.4	218.5	227.0
Non-equity liabilities	1,041.1	1,206.2	1,203.0	1,214.1	1,233.9	1,230.6
TOTAL LIABILITIES	8,004.4	7,822.2	8,062.0	8,203.8	8,351.7	8,402.6
NET WORTH	14,742.1	15,220.7	15,629.7	16,087.6	16,545.7	16,930.0
<i>Memorandum Item: Net Debt</i>	<i>4,871.5</i>	<i>4,592.2</i>	<i>4,906.4</i>	<i>4,999.1</i>	<i>5,093.7</i>	<i>5,158.2</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	14,742.1	15,220.7	15,629.7	16,087.6	16,545.7	16,930.0
<i>less all other adjustments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS NET ASSETS	14,742.1	15,220.7	15,629.7	16,087.6	16,545.7	16,930.0

Note: Columns may not add due to rounding.

Table 6

PUBLIC NON-FINANCIAL CORPORATIONS
Cash Flow Statement

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	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	5,547.1	5,344.0	4,875.8	5,038.8	5,195.4	5,338.7
Grants and subsidies received	501.5	565.0	624.9	641.6	653.7	685.3
Other receipts	103.8	323.9	369.9	370.7	367.7	364.0
<i>Total</i>	<i>6,152.4</i>	<i>6,232.9</i>	<i>5,870.5</i>	<i>6,051.1</i>	<i>6,216.8</i>	<i>6,387.9</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-4,118.7	-4,204.2	-3,736.8	-3,867.0	-3,919.8	-4,040.9
Grants and subsidies paid	-144.6	-38.8	-46.4	-46.1	-47.7	-47.9
Interest paid	-496.4	-455.4	-422.9	-420.4	-438.5	-431.2
Other payments	-86.5	-330.2	-386.6	-386.5	-389.3	-390.1
<i>Total</i>	<i>-4,846.1</i>	<i>-5,028.5</i>	<i>-4,592.7</i>	<i>-4,720.0</i>	<i>-4,795.3</i>	<i>-4,910.1</i>
Net Cash Flow from Operating Activities	1,306.2	1,204.3	1,277.8	1,331.1	1,421.5	1,477.8
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-1,222.5	-1,162.9	-1,273.7	-1,209.4	-1,172.1	-1,059.7
Sales of non-financial assets	451.9	290.0	343.9	327.9	324.9	295.7
<i>Total</i>	<i>-770.6</i>	<i>-872.9</i>	<i>-929.8</i>	<i>-881.5</i>	<i>-847.2</i>	<i>-764.0</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-95.0	1,016.2	-	-	-	-
Liquidity purposes	5.5	33.0	-55.5	-1.6	-34.7	-22.0
<i>Total</i>	<i>-89.5</i>	<i>1,049.2</i>	<i>-55.5</i>	<i>-1.6</i>	<i>-34.7</i>	<i>-22.0</i>
Net Cash Flow from Investing Activities	-860.0	176.4	-985.3	-883.1	-881.9	-786.0
FINANCING ACTIVITIES						
Advances received (net)	-204.2	-10.9	-11.3	-7.6	-12.1	-12.4
Borrowings (net)	127.3	-471.3	301.0	159.9	167.7	91.7
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-471.3	-845.9	-640.9	-660.6	-676.7	-711.9
Other financing	58.7	48.2	173.2	170.4	161.5	20.6
<i>Total</i>	<i>-489.5</i>	<i>-1,279.8</i>	<i>-177.9</i>	<i>-338.0</i>	<i>-359.5</i>	<i>-612.0</i>
<i>Opening cash balance</i>	<i>454.7</i>	<i>411.4</i>	<i>512.3</i>	<i>626.9</i>	<i>736.9</i>	<i>917.1</i>
NET INCREASE IN CASH HELD ^(a)	-43.3	100.9	114.6	110.1	180.1	79.8
<i>Closing cash balance</i>	<i>411.4</i>	<i>512.3</i>	<i>626.9</i>	<i>736.9</i>	<i>917.1</i>	<i>996.9</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>64.4</i>	<i>-514.4</i>	<i>-292.9</i>	<i>-210.9</i>	<i>-102.3</i>	<i>1.9</i>
<i>Surplus</i>	<i>64.4</i>	<i>-514.4</i>	<i>-292.9</i>	<i>-210.9</i>	<i>-102.3</i>	<i>1.9</i>

(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.

TOTAL NON-FINANCIAL PUBLIC SECTOR
Operating Statement

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
REVENUE						
Taxation	3,247.1	2,693.9	2,610.6	2,873.4	3,050.1	3,222.8
Current grants and subsidies	3,673.6	4,772.3	5,157.0	5,096.6	5,162.4	5,456.0
Capital grants	202.8	255.4	287.0	280.2	256.8	231.9
Sales of goods and services	6,485.3	5,915.3	5,742.7	5,875.6	6,030.6	6,139.4
Interest income	171.8	185.1	180.3	174.4	167.9	155.0
Royalty income	468.7	685.5	643.9	647.1	644.5	626.6
Other	368.2	231.1	301.5	238.3	277.5	251.5
<i>Total</i>	<i>14,617.4</i>	<i>14,738.6</i>	<i>14,923.0</i>	<i>15,185.6</i>	<i>15,589.8</i>	<i>16,083.1</i>
EXPENSES						
Gross operating expenses						
Salaries	4,245.1	4,328.2	4,452.8	4,571.5	4,699.7	4,800.5
Depreciation and amortisation	1,034.1	1,016.9	1,080.6	1,104.8	1,142.1	1,179.8
Superannuation	365.2	393.5	403.6	438.8	449.7	459.6
Other gross operating expenses	6,178.9	5,851.3	5,797.2	5,827.5	6,008.5	6,219.4
Nominal superannuation interest	296.7	304.1	274.4	277.4	281.4	285.3
Other interest	683.1	661.3	610.4	628.8	632.1	625.9
Other property expenses	-	-	-	-	-	-
Current transfers	1,463.1	1,803.8	1,988.7	1,852.2	1,886.0	1,929.1
Capital transfers	141.9	116.0	132.0	130.7	135.4	148.6
<i>Total</i>	<i>14,408.2</i>	<i>14,475.0</i>	<i>14,739.6</i>	<i>14,831.7</i>	<i>15,234.9</i>	<i>15,648.2</i>
NET OPERATING BALANCE	209.2	263.5	183.4	353.9	354.9	435.0
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	1,666.4	2,000.0	2,061.9	1,714.6	1,649.3	1,611.2
<i>less</i> depreciation	1,034.1	1,016.9	1,080.6	1,104.8	1,142.1	1,179.8
<i>plus</i> change in inventories	52.9	-93.3	102.6	15.8	12.6	17.6
<i>plus</i> other movements in non-financial assets	-160.4	-18.7	-81.4	20.3	-17.6	2.4
<i>Total</i>	<i>524.8</i>	<i>871.1</i>	<i>1,002.5</i>	<i>645.9</i>	<i>502.3</i>	<i>451.4</i>
NET LENDING/BORROWING	-315.6	-607.6	-819.1	-292.0	-147.3	-16.4
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	209.2	263.5	183.4	353.9	354.9	435.0
<i>less</i> provisions for doubtful debts	-	0.3	-0.6	-	-	-
<i>plus</i> net gains on assets (including derivatives)	-179.7	426.7	157.4	57.6	61.5	45.6
<i>plus</i> capitalised interest	-	-	-	-	-	-
<i>less</i> revaluation of superannuation liabilities	38.0	21.1	60.4	-	-	-
<i>plus</i> all other adjustments	-62.4	0.1	-	-	-	-
AAS OPERATING RESULT	-70.8	668.9	281.0	411.4	416.4	480.6

Note: Columns may not add due to rounding.

Table 8

TOTAL NON-FINANCIAL PUBLIC SECTOR
Balance Sheet at 30 June

	2000 Actual \$m	2001 Estimated Actual \$m	2002 Budget Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m	2005 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	343.9	268.9	252.1	275.8	298.7	285.4
Advances paid	481.3	481.5	484.0	474.5	465.8	456.1
Investments, loans and placements	2,220.7	2,776.1	2,303.5	2,110.3	1,977.3	1,888.2
Other non-equity assets	1,118.6	1,254.4	1,201.3	1,234.8	1,280.3	1,305.4
Equity	19.6	38.9	88.6	175.4	250.4	317.5
<i>Total</i>	<i>4,184.1</i>	<i>4,819.8</i>	<i>4,329.4</i>	<i>4,270.9</i>	<i>4,272.5</i>	<i>4,252.6</i>
<i>Non-Financial assets</i>						
Land and fixed assets	43,698.2	44,812.8	46,205.3	47,051.5	47,832.1	48,555.9
Other non-financial assets	165.0	76.1	132.2	132.5	132.8	134.0
<i>Total</i>	<i>43,863.2</i>	<i>44,888.9</i>	<i>46,337.4</i>	<i>47,184.0</i>	<i>47,964.9</i>	<i>48,689.9</i>
TOTAL ASSETS	48,047.3	49,708.7	50,666.9	51,454.9	52,237.4	52,942.4
LIABILITIES						
Deposits held	42.1	104.2	91.7	93.2	91.0	88.9
Advances received	732.5	620.9	593.2	581.5	561.2	549.2
Borrowings	7,869.3	7,845.3	8,186.9	8,307.1	8,351.1	8,321.9
Unfunded superannuation liabilities	5,339.1	5,408.4	5,469.8	5,480.7	5,491.6	5,485.1
Other employee entitlements and provisions	1,208.4	1,118.4	1,150.8	1,195.6	1,244.9	1,111.2
Non-equity liabilities	1,165.0	1,594.3	1,558.1	1,519.2	1,547.9	1,665.3
TOTAL LIABILITIES	16,356.3	16,691.3	17,050.5	17,177.2	17,287.8	17,221.6
NET WORTH	31,691.0	33,017.4	33,616.4	34,277.8	34,949.6	35,720.9
<i>Memorandum Item: Net Debt</i>	<i>5,597.9</i>	<i>5,043.8</i>	<i>5,832.2</i>	<i>6,121.1</i>	<i>6,261.6</i>	<i>6,330.2</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	31,691.0	33,017.4	33,616.4	34,277.8	34,949.6	35,720.9
<i>less equity (net worth) of PNFC and PFC sectors</i>	<i>15.2</i>	<i>37.8</i>	<i>87.5</i>	<i>174.4</i>	<i>249.3</i>	<i>316.4</i>
<i>less all other adjustments</i>	<i>0.1</i>	<i>-1.0</i>	<i>-1.0</i>	<i>-1.0</i>	<i>-1.1</i>	<i>-1.1</i>
AAS NET ASSETS	31,675.7	32,980.6	33,529.9	34,104.4	34,701.3	35,405.6

Note: Columns may not add due to rounding.

TOTAL NON-FINANCIAL PUBLIC SECTOR
Cash Flow Statement

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	3,247.2	2,734.4	2,730.0	2,986.1	3,166.1	3,341.3
Receipts from sales of goods and services	6,446.7	6,125.2	5,640.2	5,751.8	5,905.7	6,056.1
Grants and subsidies received	3,811.4	5,098.0	5,451.5	5,395.9	5,446.4	5,715.6
Other receipts	758.1	1,683.1	1,829.3	1,762.5	1,750.6	1,709.1
<i>Total</i>	<i>14,263.5</i>	<i>15,640.8</i>	<i>15,651.0</i>	<i>15,896.2</i>	<i>16,268.8</i>	<i>16,822.2</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-10,694.5	-11,160.2	-10,914.6	-11,188.5	-11,431.4	-11,954.0
Grants and subsidies paid	-1,584.4	-1,686.2	-1,932.4	-1,826.0	-1,872.8	-1,895.5
Interest paid	-671.4	-661.1	-648.4	-647.6	-651.6	-634.5
Other payments	-119.7	-912.9	-940.5	-876.6	-878.5	-881.1
<i>Total</i>	<i>-13,070.0</i>	<i>-14,420.4</i>	<i>-14,435.9</i>	<i>-14,538.8</i>	<i>-14,834.3</i>	<i>-15,365.0</i>
Net Cash Flow from Operating Activities	1,193.5	1,220.3	1,215.1	1,357.4	1,434.5	1,457.1
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-2,058.7	-2,263.6	-2,386.4	-2,038.8	-1,948.1	-1,915.4
Sales of non-financial assets	551.7	354.5	480.8	399.6	433.4	404.1
<i>Total</i>	<i>-1,507.0</i>	<i>-1,909.1</i>	<i>-1,905.6</i>	<i>-1,639.2</i>	<i>-1,514.6</i>	<i>-1,511.3</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	13.7	1,462.1	11.1	15.3	14.7	14.2
Liquidity purposes	1.9	-41.7	-4.3	45.7	-10.9	-6.8
<i>Total</i>	<i>15.6</i>	<i>1,420.4</i>	<i>6.8</i>	<i>61.0</i>	<i>3.8</i>	<i>7.4</i>
Net Cash Flow from Investing Activities	-1,491.4	-488.6	-1,898.8	-1,578.2	-1,510.8	-1,503.9
FINANCING ACTIVITIES						
Advances received (net)	-228.6	-124.6	69.8	50.5	70.1	80.7
Borrowings (net)	413.9	-187.9	430.3	142.1	77.3	5.3
Deposits received (net)	-	32.4	-14.2	-	-	-
Distributions paid	-2.7	14.7	17.0	7.6	7.0	3.8
Other financing	99.5	3.2	22.7	33.9	35.9	17.9
<i>Total</i>	<i>282.0</i>	<i>-262.2</i>	<i>525.6</i>	<i>234.0</i>	<i>190.3</i>	<i>107.8</i>
<i>Opening cash balance</i>	<i>1,536.0</i>	<i>1,520.1</i>	<i>1,989.7</i>	<i>1,831.6</i>	<i>1,844.8</i>	<i>1,958.9</i>
NET INCREASE IN CASH HELD ^(a)	-15.9	469.5	-158.1	13.2	114.0	61.0
<i>Closing cash balance</i>	<i>1,520.1</i>	<i>1,989.7</i>	<i>1,831.6</i>	<i>1,844.8</i>	<i>1,958.9</i>	<i>2,019.9</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>-316.2</i>	<i>-674.0</i>	<i>-673.5</i>	<i>-274.2</i>	<i>-73.1</i>	<i>-50.4</i>
Surplus	-316.2	-674.0	-673.5	-274.2	-73.1	-50.4

(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

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
REVENUE						
Current grants and subsidies	-	2.0	-	-	-	-
Capital grants	-	-	-	-	-	-
Sales of goods and services	504.9	470.7	537.3	617.7	654.0	698.0
Interest income	949.5	867.9	884.9	927.1	981.6	997.2
Other	-	-	-	-	-	-
<i>Total</i>	<i>1,454.5</i>	<i>1,340.6</i>	<i>1,422.2</i>	<i>1,544.8</i>	<i>1,635.5</i>	<i>1,695.3</i>
EXPENSES						
Gross operating expenses						
Salaries	16.5	17.5	18.6	19.3	20.2	21.2
Depreciation and amortisation	1.5	2.2	3.0	3.3	3.1	3.0
Superannuation	1.5	1.0	1.4	2.4	2.6	2.7
Other gross operating expenses	509.4	455.7	530.5	579.0	629.1	683.9
Nominal superannuation interest	-	-	-	-	-	-
Other interest	820.0	785.5	801.1	842.8	894.3	908.0
Other property expenses	16.4	8.0	16.1	9.3	9.4	7.5
Current transfers	1.5	4.6	2.3	2.3	2.3	2.4
Capital transfers	-	-	-	-	-	-
<i>Total</i>	<i>1,366.8</i>	<i>1,274.5</i>	<i>1,372.9</i>	<i>1,458.3</i>	<i>1,561.0</i>	<i>1,628.7</i>
NET OPERATING BALANCE	87.7	66.2	49.3	86.5	74.5	66.6
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	2.7	10.6	4.0	1.4	1.4	1.4
<i>less</i> depreciation	<i>1.5</i>	<i>2.2</i>	<i>3.0</i>	<i>3.3</i>	<i>3.1</i>	<i>3.0</i>
<i>plus</i> change in inventories	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>plus</i> other movements in non-financial assets	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Total</i>	<i>1.2</i>	<i>8.4</i>	<i>1.0</i>	<i>-1.9</i>	<i>-1.7</i>	<i>-1.6</i>
NET LENDING/BORROWING	86.5	57.8	48.3	88.3	76.3	68.2
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	87.7	66.2	49.3	86.5	74.5	66.6
<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>39.5</i>	<i>-0.1</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</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>2.0</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>plus</i> all other adjustments	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS OPERATING RESULT	125.2	66.0	49.3	86.5	74.5	66.6

Note: Columns may not add due to rounding.

PUBLIC FINANCIAL CORPORATIONS

Balance Sheet at 30 June

	2000 Actual \$m	2001 Estimated Actual \$m	2002 Budget Estimate \$m	2003 Forward Estimate \$m	2004 Forward Estimate \$m	2005 Forward Estimate \$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	24.0	15.3	8.7	6.8	7.6	6.4
Advances paid	1,578.4	1,848.0	1,952.8	2,052.2	2,147.4	2,242.6
Investments, loans and placements	11,310.4	11,244.5	12,746.6	13,007.6	13,194.1	12,702.3
Other non-equity assets	329.6	307.8	354.9	454.6	598.4	733.4
Equity	542.3	583.7	631.4	687.2	750.1	826.1
<i>Total</i>	<i>13,784.7</i>	<i>13,999.3</i>	<i>15,694.4</i>	<i>16,208.4</i>	<i>16,697.5</i>	<i>16,510.7</i>
<i>Non-Financial assets</i>						
Land and fixed assets	276.8	304.0	326.7	350.3	377.1	410.1
Other non-financial assets	-	-	-	-	-	-
<i>Total</i>	<i>276.8</i>	<i>304.0</i>	<i>326.7</i>	<i>350.3</i>	<i>377.1</i>	<i>410.1</i>
TOTAL ASSETS	14,061.5	14,303.3	16,021.1	16,558.7	17,074.7	16,920.8
LIABILITIES						
Deposits held	-	-	-	-	-	-
Advances received	3.5	3.5	3.4	3.4	3.4	3.4
Borrowings	12,285.2	12,490.2	14,058.5	14,366.2	14,592.2	14,124.9
Unfunded superannuation liabilities	16.0	15.0	14.0	14.0	14.0	14.0
Other employee entitlements and provisions	9.7	7.9	6.1	5.0	3.7	2.3
Non-equity liabilities	1,731.9	1,749.0	1,851.5	1,995.7	2,212.0	2,459.9
TOTAL LIABILITIES	14,046.3	14,265.5	15,933.6	16,384.3	16,825.3	16,604.4
NET WORTH	15.2	37.8	87.5	174.4	249.3	316.4
<i>Memorandum Item: Net Debt</i>	<i>-624.1</i>	<i>-614.1</i>	<i>-646.2</i>	<i>-697.0</i>	<i>-753.5</i>	<i>-822.9</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	15.2	37.8	87.5	174.4	249.3	316.4
<i>less all other adjustments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
AAS NET ASSETS	15.2	37.8	87.5	174.4	249.3	316.4

Note: Columns may not add due to rounding.

Table 12

PUBLIC FINANCIAL CORPORATIONS
Cash Flow Statement

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	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	484.4	463.5	509.5	530.8	574.4	642.6
Grants and subsidies received	-	2.0	-	-	-	-
Other receipts	895.8	919.4	929.9	931.9	938.0	927.7
<i>Total</i>	<i>1,380.2</i>	<i>1,384.8</i>	<i>1,439.5</i>	<i>1,462.7</i>	<i>1,512.4</i>	<i>1,570.3</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-466.1	-442.8	-503.3	-534.2	-553.2	-595.0
Grants and subsidies paid	-	-	-	-	-	-
Interest paid	-777.0	-785.4	-794.5	-796.4	-802.1	-788.1
Other payments	-1.9	-54.1	-45.8	-48.3	-51.6	-55.1
<i>Total</i>	<i>-1,245.0</i>	<i>-1,282.2</i>	<i>-1,343.6</i>	<i>-1,378.9</i>	<i>-1,406.9</i>	<i>-1,438.2</i>
Net Cash Flow from Operating Activities	135.2	102.7	95.8	83.8	105.6	132.1
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-3.0	-10.6	-4.0	-1.4	-1.4	-1.4
Sales of non-financial assets	0.3	-	-	-	-	-
<i>Total</i>	<i>-2.7</i>	<i>-10.6</i>	<i>-4.0</i>	<i>-1.4</i>	<i>-1.4</i>	<i>-1.4</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	-	-	-	-	-	-
Liquidity purposes	-45.6	-265.2	-177.6	-162.4	-176.6	-203.1
<i>Total</i>	<i>-45.6</i>	<i>-265.2</i>	<i>-177.6</i>	<i>-162.4</i>	<i>-176.6</i>	<i>-203.1</i>
Net Cash Flow from Investing Activities	-48.2	-275.8	-181.5	-163.8	-177.9	-204.5
FINANCING ACTIVITIES						
Advances received (net)	-	-0.1	-	-	-	-
Borrowings (net)	472.2	185.5	101.8	93.3	70.7	70.7
Deposits received (net)	-	-	-	-	-	-
Distributions paid	-11.2	-4.6	-17.0	-9.2	-9.4	-7.5
Other financing	-1.4	-	-	-	-	-
<i>Total</i>	<i>459.6</i>	<i>180.9</i>	<i>84.8</i>	<i>84.1</i>	<i>61.2</i>	<i>63.1</i>
<i>Opening cash balance</i>	<i>2,783.2</i>	<i>3,329.7</i>	<i>3,337.4</i>	<i>3,336.5</i>	<i>3,340.7</i>	<i>3,329.5</i>
NET INCREASE IN CASH HELD ^(a)	546.5	7.7	-0.9	4.1	-11.1	-9.3
<i>Closing cash balance</i>	<i>3,329.7</i>	<i>3,337.4</i>	<i>3,336.5</i>	<i>3,340.7</i>	<i>3,329.5</i>	<i>3,320.3</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>	<i>121.3</i>	<i>87.5</i>	<i>74.9</i>	<i>73.2</i>	<i>94.8</i>	<i>123.2</i>
<i>Surplus</i>	<i>121.3</i>	<i>87.5</i>	<i>74.9</i>	<i>73.2</i>	<i>94.8</i>	<i>123.2</i>

(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.

TOTAL PUBLIC SECTOR
Operating Statement

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
REVENUE						
Taxation	3,245.6	2,692.1	2,608.8	2,871.6	3,048.2	3,220.9
Current grants and subsidies	3,673.6	4,772.3	5,157.0	5,096.6	5,162.4	5,456.0
Capital grants	202.8	255.4	287.0	280.2	256.8	231.9
Sales of goods and services	6,893.2	6,283.1	6,169.1	6,373.3	6,554.0	6,706.8
Interest income	520.6	444.7	492.7	510.6	557.1	560.3
Royalty income	468.7	685.5	643.9	647.1	644.5	626.6
Other	356.4	220.4	287.0	228.6	267.6	243.5
<i>Total</i>	<i>15,361.0</i>	<i>15,353.5</i>	<i>15,645.3</i>	<i>16,008.0</i>	<i>16,490.6</i>	<i>17,045.9</i>
EXPENSES						
Gross operating expenses						
Salaries	4,261.6	4,345.7	4,471.4	4,590.9	4,719.9	4,821.6
Depreciation and amortisation	1,035.6	1,019.0	1,083.6	1,108.0	1,145.2	1,182.8
Superannuation	366.1	394.5	405.0	441.2	452.3	462.3
Other gross operating expenses	6,596.7	6,202.2	6,218.7	6,286.5	6,506.9	6,772.6
Nominal superannuation interest	296.7	304.1	274.4	277.4	281.4	285.3
Other interest	902.4	838.3	838.9	880.7	934.0	941.9
Other property expenses	-	-	-	-	-	-
Current transfers	1,463.1	1,803.9	1,988.7	1,852.2	1,886.0	1,929.1
Capital transfers	141.9	116.0	132.0	130.7	135.4	148.6
<i>Total</i>	<i>15,064.1</i>	<i>15,023.8</i>	<i>15,412.7</i>	<i>15,567.7</i>	<i>16,061.2</i>	<i>16,544.3</i>
NET OPERATING BALANCE	296.9	329.7	232.7	440.3	429.5	501.6
NET ACQUISITION OF NON-FINANCIAL ASSETS						
Gross fixed capital formation	1,669.1	2,010.6	2,065.9	1,716.0	1,650.7	1,612.6
<i>less</i> depreciation	1,035.6	1,019.0	1,083.6	1,108.0	1,145.2	1,182.8
<i>plus</i> change in inventories	52.9	-93.3	102.6	15.8	12.6	17.6
<i>plus</i> other movements in non-financial assets	-160.4	-18.7	-81.4	20.3	-17.6	2.4
<i>Total</i>	<i>526.0</i>	<i>879.6</i>	<i>1,003.5</i>	<i>644.0</i>	<i>500.5</i>	<i>449.8</i>
NET LENDING/BORROWING	-229.1	-549.9	-770.8	-203.7	-71.1	51.8
Reconciliation of GFS net operating balance to operating result obtained in accordance with Australian Accounting Standards (AAS)						
NET OPERATING BALANCE	296.9	329.7	232.7	440.3	429.5	501.6
<i>less</i> provisions for doubtful debts	-	0.3	-0.6	-	-	-
<i>plus</i> net gains on assets (including derivatives)	-140.1	426.6	157.4	57.6	61.5	45.6
<i>plus</i> capitalised interest	-	-	-	-	-	-
<i>less</i> revaluation of superannuation liabilities	40.0	21.1	60.4	-	-	-
<i>plus</i> all other adjustments	-62.4	0.1	-	-	-	-
AAS OPERATING RESULT	54.4	734.9	330.3	497.9	490.9	547.2

Note: Columns may not add due to rounding.

Table 14

TOTAL PUBLIC SECTOR
Balance Sheet at 30 June

	2000	2001	2002	2003	2004	2005
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
ASSETS						
<i>Financial assets</i>						
Cash and deposits	364.0	284.2	259.1	279.4	305.2	292.9
Advances paid	2,056.2	2,326.1	2,433.4	2,523.3	2,609.8	2,695.3
Investments, loans and placements	5,068.0	5,606.8	6,236.7	6,176.3	6,171.3	5,589.4
Other non-equity assets	1,293.4	1,460.9	1,458.7	1,595.9	1,789.0	1,952.6
Equity	546.7	584.8	632.4	688.3	751.1	827.2
<i>Total</i>	<i>9,328.4</i>	<i>10,262.8</i>	<i>11,020.3</i>	<i>11,263.2</i>	<i>11,626.5</i>	<i>11,357.4</i>
<i>Non-Financial assets</i>						
Land and fixed assets	43,975.0	45,116.8	46,532.0	47,401.7	48,209.2	48,966.0
Other non-financial assets	165.0	76.1	132.2	132.5	132.8	134.0
<i>Total</i>	<i>44,140.0</i>	<i>45,192.9</i>	<i>46,664.1</i>	<i>47,534.3</i>	<i>48,342.0</i>	<i>49,100.0</i>
TOTAL ASSETS	53,468.5	55,455.7	57,684.4	58,797.5	59,968.5	60,457.4
LIABILITIES						
Deposits held	38.3	104.2	90.0	90.0	90.0	90.0
Advances received	732.5	620.9	593.2	581.5	561.2	549.2
Borrowings	11,691.9	11,921.6	13,432.0	13,731.6	13,943.3	13,445.8
Unfunded superannuation liabilities	5,355.1	5,423.4	5,483.8	5,494.7	5,505.6	5,499.1
Other employee entitlements and provisions	1,218.1	1,126.3	1,157.0	1,200.5	1,248.6	1,113.5
Non-equity liabilities	2,741.6	3,241.0	3,311.0	3,420.4	3,669.2	4,037.9
TOTAL LIABILITIES	21,777.5	22,437.3	24,067.0	24,518.7	25,017.9	24,735.5
NET WORTH	31,691.0	33,018.4	33,617.4	34,278.7	34,950.6	35,721.9
<i>Memorandum Item: Net Debt</i>	<i>4,974.3</i>	<i>4,429.6</i>	<i>5,186.1</i>	<i>5,424.2</i>	<i>5,508.1</i>	<i>5,507.3</i>
Reconciliation of GFS net worth to net assets result obtained in accordance with Australian Accounting Standards (AAS)						
NET WORTH	31,690.5	33,017.4	33,616.4	34,277.7	34,949.6	35,720.9
<i>less all other adjustments</i>	<i>-0.4</i>	<i>-1.0</i>	<i>-1.0</i>	<i>-1.1</i>	<i>-1.0</i>	<i>-1.1</i>
AAS NET ASSETS	31,690.9	33,018.4	33,617.4	34,278.8	34,950.6	35,722.0

Note: Columns may not add due to rounding.

TOTAL PUBLIC SECTOR
Cash Flow Statement

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
RECEIPTS FROM OPERATING ACTIVITIES						
Taxes received	3,245.4	2,732.9	2,728.4	2,984.5	3,164.5	3,339.7
Receipts from sales of goods and services	6,824.3	6,485.9	6,039.0	6,162.8	6,349.7	6,568.2
Grants and subsidies received	3,811.4	5,098.0	5,451.5	5,395.9	5,446.4	5,715.6
Other receipts	1,001.3	1,982.2	2,140.8	2,077.9	2,072.0	2,032.7
<i>Total</i>	<i>14,882.4</i>	<i>16,299.1</i>	<i>16,359.7</i>	<i>16,621.1</i>	<i>17,032.6</i>	<i>17,656.2</i>
PAYMENTS FOR OPERATING ACTIVITIES						
Payments for goods and services	-11,049.5	-11,499.5	-11,306.7	-11,602.4	-11,853.7	-12,418.1
Grants and subsidies paid	-1,584.4	-1,684.2	-1,932.4	-1,826.0	-1,872.8	-1,895.5
Interest paid	-847.8	-839.2	-834.8	-835.9	-843.4	-823.2
Other payments	-83.3	-953.3	-974.8	-915.6	-922.6	-930.2
<i>Total</i>	<i>-13,564.9</i>	<i>-14,976.2</i>	<i>-15,048.7</i>	<i>-15,179.8</i>	<i>-15,492.5</i>	<i>-16,067.0</i>
Net Cash Flow from Operating Activities	1,317.5	1,322.9	1,311.0	1,441.3	1,540.1	1,589.2
INVESTMENT IN NON-FINANCIAL ASSETS						
Purchase of non-financial assets	-2,061.7	-2,274.2	-2,390.4	-2,040.2	-1,949.4	-1,916.8
Sales of non-financial assets	552.0	354.5	480.8	399.6	433.4	404.1
<i>Total</i>	<i>-1,509.7</i>	<i>-1,919.7</i>	<i>-1,909.6</i>	<i>-1,640.6</i>	<i>-1,516.0</i>	<i>-1,512.7</i>
INVESTMENT IN FINANCIAL ASSETS						
Policy purposes	13.7	1,459.2	11.1	15.2	14.6	14.1
Liquidity purposes	-43.7	-306.9	-181.8	-116.7	-187.4	-209.9
<i>Total</i>	<i>-30.0</i>	<i>1,152.3</i>	<i>-170.8</i>	<i>-101.4</i>	<i>-172.8</i>	<i>-195.8</i>
Net Cash Flow from Investing Activities	-1,539.7	-767.4	-2,080.4	-1,742.0	-1,688.8	-1,708.4
FINANCING ACTIVITIES						
Advances received (net)	-228.6	-121.7	69.8	50.5	70.1	80.7
Borrowings (net)	886.1	-2.4	532.1	235.4	148.0	76.0
Deposits received (net)	-	32.4	-14.2	-	-	-
Distributions paid	-2.7	10.2	-	-1.7	-2.4	-3.7
Other financing	98.1	3.2	22.7	33.9	35.9	17.9
<i>Total</i>	<i>752.8</i>	<i>-78.3</i>	<i>610.4</i>	<i>318.1</i>	<i>251.6</i>	<i>170.9</i>
<i>Opening cash balance</i>	<i>3,976.7</i>	<i>4,507.3</i>	<i>4,984.6</i>	<i>4,825.6</i>	<i>4,843.0</i>	<i>4,945.9</i>
NET INCREASE IN CASH HELD^(a)	530.6	477.2	-159.0	17.4	102.9	51.7
<i>Closing cash balance</i>	<i>4,507.3</i>	<i>4,984.6</i>	<i>4,825.6</i>	<i>4,843.0</i>	<i>4,945.9</i>	<i>4,997.6</i>
<i>Net cash from operating activities, investments in non-financial assets and distributions paid less finance leases and similar arrangements</i>						
	-194.9	-586.6	-598.6	-201.0	21.7	72.8
	-	-	-	-	-	-
Surplus	-194.9	-586.6	-598.6	-201.0	21.7	72.8

(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.

LOAN COUNCIL ALLOCATIONS ^(a)
Western Australia

Table 16

	2000-01 Budget \$m	2000-01 Estimated Actual \$m	2001-02 Budget Estimate \$m
General Government deficit	345.5	159.6	380.3
Public Non-financial Corporations' net financing requirement	215.4	514.4	292.9
Net Capital Advances	14.1	1,462.1	11.1
<i>Total non-financial public sector deficit</i>	<i>546.8</i>	<i>-788.1</i>	<i>662.4</i>
<i>Memorandum Items</i> ^(b)	<i>81.0</i>	<i>34.2</i>	<i>-152.0</i>
Loan Council Allocation	627.7	-753.9	510.4

(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.

Agency Classification

The following is a comprehensive list of the State's agencies, classified by sector under the GFS framework.

General Government Sector

Agricultural Practices Board of Western Australia
Agriculture Protection Board of Western Australia
Anti-Corruption Commission
Anzac Day Trust
Betting Control Board
Botanic Parks and Gardens Authority
Building and Construction Industry Training Board
Central Metropolitan College of TAFE
Central West College of TAFE
Commissioner of Main Roads
Country High School Hostels Authority
Curriculum Council
Department of Agriculture
Department for Community Development
Department of Conservation
Department of Consumer and Employment Protection
Department of Culture and the Arts
Department of Education
Department of Education Services
Department of Environmental Protection
Department of Fisheries
Department of Health
Department of Housing and Works
Department of Indigenous Affairs
Department of Industry and Technology
Department of Justice
Department of Land Administration
Department of Local Government and Regional Development
Department of Minerals and Petroleum Resources
Department for Planning and Infrastructure
Department of the Premier and Cabinet
Department of Racing, Gaming and Liquor
Department of Sport and Recreation
Department of the Registrar, Western Australian Industrial Relations Commission
Department of Training
Department of Transport
Department of Treasury and Finance
Disability Services Commission
Eastern Pilbara College of TAFE
Equal Opportunity Commission
Fire and Emergency Services Authority
Gaming Commission of Western Australia
Gascoyne Development Commission
Goldfields-Esperance Development Commission
Governor's Establishment
Great Southern Development Commission
Great Southern Regional College of TAFE
Heritage Council of Western Australia
Horticultural Produce Commission
Karratha College
Keep Australia Beautiful Council (W.A.)
Kimberley Development Commission
Kimberley Regional College of TAFE
Landcare Trust
Law Reform Commission of Western Australia
Legal Aid Commission of Western Australia
Legal Costs Committee
Legislative Assembly
Legislative Council
Local Health Authorities Analytical Committee
Midland College of TAFE
Mid-West Development Commission
Minerals and Energy Research Institute of Western Australia
Office of Energy
Office of the Auditor General
Office of the Director of Public Prosecutions
Office of the Information Commissioner
Office of the Inspector of Custodial Services
Office of the Public Sector Standards Commissioner
Office of Water Regulation
Parliamentary Services Department
Peel Development Commission
Perth International Centre for Application of Solar Energy
Pilbara Development Commission
Police Service
Professional Standards Council
Racecourse Development Trust
Racing Penalties Appeal Tribunal of Western Australia
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 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
Trustees of the Public Education Endowment
Water and Rivers Commission
West Coast College of TAFE
Western Australian Boxing Commission
Western Australian Building Management Authority
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 Sports Centre Trust
Western Australian Tourism Commission
Wheatbelt Development Commission
Workers' Compensation and Rehabilitation Commission
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
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 Board

APPENDIX 2

General Government Operating Revenue

This appendix contains revenue estimates prepared on an accrual basis consistent with Government Finance Statistics (GFS).

Table 1

OPERATING REVENUE						
General Government						
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
TAXATION						
Taxes on employers' payroll and labour force						
<i>Payroll tax</i>	765.7	822.6	910.4	1,044.6	1,112.9	1,183.8
Property taxes						
<i>Land tax</i> ^(a)	195.5	217.3	238.6	290.6	310.9	332.6
Conveyances and transfers	516.6	529.7	520.0	565.5	609.0	642.5
Mortgages	68.2	74.7	78.5	84.5	90.0	95.0
Other stamp duties	87.5	103.0	57.9	59.4	62.4	65.4
<i>Total stamp duties on financial and capital transactions</i>	672.3	707.4	656.4	709.4	761.4	802.9
Financial Institutions Duty	131.8	137.9	12.5	-	-	-
Debits Tax	103.2	99.8	99.5	99.5	99.5	99.5
<i>Total financial institutions taxes</i>	235.0	237.7	112.0	99.5	99.5	99.5
Metropolitan Region						
Improvement Tax	31.5	36.2	39.0	40.5	43.0	46.0
Loan guarantee fees	8.6	8.5	8.4	9.0	10.2	10.3
<i>Total other property taxes</i>	40.1	44.7	47.4	49.5	53.2	56.3
Taxes on provision of goods and services						
<i>Statutory contribution</i>	2.7	-	-	-	-	-
Lotteries Commission	86.4	90.1	85.2	85.6	85.6	85.6
less rebates	-	-15.4	-16.6	-16.9	-17.5	-17.7
Video lottery terminals	0.5	0.5	0.5	0.5	0.5	0.5
Casino Tax	43.3	42.2	46.0	46.7	46.9	47.0
less rebates	-	-23.6	-25.8	-26.3	-27.2	-27.5
TAB betting tax	39.9	42.7	44.0	45.5	46.5	48.0
less rebates	-	-14.8	-19.2	-19.6	-20.3	-20.7
Other gambling	0.1	0.1	0.1	0.1	0.1	0.1
<i>Total taxes on gambling</i>	170.1	121.6	114.1	115.5	114.5	115.3
Insurance companies contribution to fire brigades	58.0	60.4	61.7	63.3	65.0	67.8
Stamp Duty on insurance policies	139.3	155.0	159.0	167.0	174.5	182.0
Other	-	0.1	0.1	0.1	0.1	0.1
<i>Total taxes on insurance</i>	197.4	217.2	222.4	232.0	241.1	251.4
Taxes on use of goods and performance of activities						
Stamp Duty on Vehicle Licences Permits - Oversize Vehicles and Loads	160.2	161.2	170.5	179.0	187.5	195.5
Loads	1.6	1.8	1.6	1.6	1.6	1.6
Motor Vehicle recording fee	-	36.7	36.6	38.0	39.6	41.2
Motor Vehicle registrations	227.9	252.2	267.2	281.7	297.5	314.4
<i>Total motor vehicle taxes</i>	389.7	450.1	474.3	498.8	524.6	551.0
Franchise fee safety net arrangements: ^(b)						
Petroleum	278.4	22.0	-	-	-	-
Tobacco	369.9	7.2	-	-	-	-
Liquor	105.1	13.1	-	-	-	-
<i>Total franchise fees</i>	753.4	42.3	-	-	-	-
Total Taxation	3,421.7	2,861.1	2,775.5	3,039.8	3,218.1	3,392.8

(a) Includes the introduction of the Premium Property Tax from 2001-02 which raises \$12.1 million, \$8.8 million, \$9.4 million and \$10.1 million respectively in each year commencing 2001-02.

(b) Consistent with GFS principles, includes gross revenue less subsidies paid to petroleum and liquor distributors.

Table 1 (cont.)

OPERATING REVENUE						
General Government						
	2000	2001	2002	2003	2004	2005
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	Actual	Estimate	Estimate	Estimate	Estimate
		\$m	\$m	\$m	\$m	\$m
CURRENT GRANTS AND SUBSIDIES						
<i>General Purpose Grants</i>						
Financial assistance grants	1,591.4	-	-	-	-	-
Goods and Services Revenue:						
Grants	-	2,374.6	2,641.8	2,785.1	2,898.1	3,090.0
Budget balancing assistance	-	213.0	181.4	113.4	34.7	-
Competition Reform	43.2	45.5	70.6	72.4	74.5	76.7
<i>Specific Purpose Grants to the State</i>						
<i>Australian Health Care</i>						
Agreement	567.6	585.7	644.2	688.5	733.3	781.1
Other health	148.1	169.4	188.5	187.1	175.5	175.5
<i>Schools assistance – government schools</i>						
Vocational training	174.6	174.9	169.9	173.3	178.0	183.3
Roads	75.4	74.7	89.3	92.2	98.9	99.3
Other	26.0	48.1	49.2	32.9	21.7	37.2
<i>Specific Purpose Grants through the State</i>						
<i>Schools assistance – non-government schools</i>						
Local government grants	301.6	134.1	215.9	106.0	105.0	96.3
Local government roads	256.5	326.7	333.0	359.3	390.9	416.3
<i>Other grants</i>						
North west shelf royalties	85.0	89.2	92.8	96.1	99.5	103.1
Total Current Grants and Subsidies	3,673.6	4,772.3	5,157.0	5,096.6	5,162.4	5,456.0
CAPITAL GRANTS						
<i>Specific Purpose Grants to the State</i>						
Roads	48.1	27.0	58.5	53.3	34.3	4.7
<i>Schools assistance – government schools</i>						
Vocational training	22.5	22.6	22.9	23.0	23.0	23.0
Other	16.9	15.4	18.9	15.3	18.8	22.2
<i>Specific Purpose Grants through the State</i>						
<i>Schools assistance – non-government schools</i>						
Total Capital Grants	107.2	178.3	177.7	178.7	171.5	172.7
Total Capital Grants	202.7	255.4	287.0	280.2	256.8	231.9
SALES OF GOODS AND SERVICES						
Department of Conservation	154.2	96.7	34.9	33.9	33.9	33.9
Department of Consumer and Employment Protection	8.4	9.3	10.8	10.8	11.0	11.3
Department of Culture and the Arts	8.9	11.9	11.9	12.5	12.6	12.6
Department of Education	55.8	80.3	73.9	73.6	76.9	80.2
Department of Fisheries	15.1	16.9	19.7	19.2	19.6	19.9
Department of Health	136.1	131.4	132.4	133.1	133.1	133.1
Department of Mineral and Petroleum Resources	9.3	10.9	13.3	13.5	13.6	13.7
Department of Training	11.8	14.6	12.5	12.2	12.3	12.3
TAFE colleges	67.3	70.5	68.9	74.8	77.4	77.7
Main Roads	18.4	55.6	18.3	3.6	3.9	2.9
All Others	562.6	416.9	455.1	452.3	458.9	458.8
Total Sale of Goods and Services	1,047.9	914.9	851.7	839.4	853.1	856.3

Table 1 (cont.)

OPERATING REVENUE						
General Government						
	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Forward	Forward	Forward
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
			\$m	\$m	\$m	\$m
INTEREST INCOME	118.8	130.4	136.0	128.0	121.2	108.4
REVENUE FROM PUBLIC CORPORATIONS						
Dividends	381.4	398.3	421.9	414.9	431.1	448.7
Tax Equivalent Regime	214.3	357.5	232.8	257.5	260.9	270.2
Total Revenue from Public Corporations	595.7	755.8	654.7	672.5	692.0	718.9
ROYALTY INCOME						
Revenue from Territorial less petroleum and other refunds	487.1	701.5	658.5	661.4	654.1	632.5
Total Royalty Income	468.7	685.5	643.9	647.1	644.5	626.6
LAND RENT						
Revenue from Territorial	35.6	36.0	38.2	38.4	38.4	38.4
Total Land Rent	35.6	36.0	38.2	38.4	38.4	38.4
OTHER						
Fines	60.2	61.8	63.1	63.1	63.1	63.1
Current revenue not elsewhere counted	67.9	58.4	106.4	40.8	70.9	72.1
Total Other	163.7	156.2	207.7	142.3	172.4	173.6
GRAND TOTAL	9,692.8	10,531.5	10,713.5	10,846.0	11,120.5	11,564.4

Note: Columns may not add due to rounding.

APPENDIX 3

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 taxpayers, from an exemption or other concession that departs from 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 about its appropriateness. It merely makes the amount of the exemption or concession explicit, and thereby facilitates scrutiny as part of the annual budget process (including review of whether the concession is still effective in achieving any 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. Furthermore, data limitations mean that the tax and royalty expenditures identified in this Statement are only approximations.

This Statement is not exhaustive. For example, it does not include estimates of revenue foregone from exemptions provided to charities, religious organisations or government agencies (it could be argued that these exemptions form part of the benchmark tax base). Very small exemptions or concessions are also excluded.

This year's Statement includes estimates of tax and royalty expenditures for the period 1998-99 to 2000-01.

Specific tax and royalty expenditures

Full details of the methodology and assumptions employed in calculating specific tax and royalty expenditures can be obtained from the 1999-2000 Budget Paper No. 3.

In terms of significant movements in the value of specific tax or royalty expenditures:

- the increase in the value of the payroll tax exemption for small business in 2000-01 primarily reflects a larger increase in average weekly earnings than experienced in previous years;
- the total value of the stamp duty exemption for corporate reconstructions in 2000-01 declined due to a drop in the average value of the exemption for each corporate reconstruction. The number of stamp duty exemptions remained unchanged from the previous year;
- the decrease in the value of the gold royalty concession in 2000-01 was due to the normal rate of gold royalty (2.5% instead of 1.25%) coming into effect for three quarters of 2000-01; and
- the value of the iron ore royalty Agreement Act concession rose significantly in 2000-01, reflecting an increase in the production of beneficiated ore (which generally attracts a royalty rate of 3.25% under Agreement Acts, compared to the standard 5.0% rate under the Mining Act).

Table 1

SUMMARY OF MAJOR TAX AND ROYALTY EXPENDITURES
Western Australia

	1998–99 Actual \$m	1999–00 Actual \$m	2000-01 Estimated Actual \$m
PAYROLL TAX			
Small business exemption	357.5	377.5	407.5
Medium business concessions	83.0	102.0	109.5
Non-grossing up of fringe benefits	13.0	13.5	14.5
Apprentices and trainees exemption	6.0	6.0	6.5
LAND TAX & MRIT			
Principal place of residence exemption	132.5	142.0	151.5
Primary production exemption	24.5	27.5	29.5
Land developers' concession	3.5	3.5	5.5
FINANCIAL INSTITUTIONS DUTY			
Maximum duty limit	21.5	22.5	23.5
Social security payments exemption	2.5	3.0	3.0
STAMP DUTY ON CONVEYANCES			
Corporate reconstructions exemption	10.0	40.5	34.5
Family farms exemption	4.0	3.5	4.0
Concessional rate for homes and businesses	2.0	2.0	2.0
\$500 rebate for first home buyers	1.5	2.0	2.0
STAMP DUTY ON INSURANCE POLICIES			
Health insurance policies exemption	41.5	46.5	49.5
Motor vehicle third party concession	21.5	22.0	22.5
Workers' compensation insurance concession	10.5	17.0	20.0
Transport of goods; marine hulls exemption	3.0	3.0	3.0
STAMP DUTY ON MORTGAGES			
Concessional rate for homes	6.5	7.0	7.5
MOTOR VEHICLE LICENCE FEES			
Family vehicle concession	23.5	23.5	24.0
Primary producer vehicle concession	9.0	7.5	8.0
Pensioner vehicle concession	11.5	13.0	15.0
Intrastate heavy vehicle concession	3.0	-	-
MINING ROYALTIES			
Concession for gold	52.0	35.0	11.0
Iron ore Agreement Act concessions	51.0	40.0	51.0
TOTAL	894.5	960.0	1,005.0

APPENDIX 4

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 social 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 27 agencies that provide social concessions. Complete data for the 2000-01 year is not available at this stage. Therefore the information provided in this Statement relates only to the two prior years, 1998-99 and 1999-2000.

In 1999-2000, the State Government provided social concessions with an estimated value of \$322.6 million across a range of service areas. The cost to the State was partly offset by a \$13.6 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.

Extension of concessions from 1 July 2001

The State Government has approved amendments to eligibility criteria for some social concessions to take effect from 1 July 2001. These mainly deal with the extending the eligibility for the concessions to holders of the Commonwealth Seniors Health Card (CSHC). The CSHC is available to Australians who are of Age Pension age but do not qualify for the Age Pension and is subject to annual income limits. Including CSHC holders in eligibility criteria will allow low-income self-funded retirees access to certain concessions for which they were previously ineligible, thereby improving equity of access to the concessions.

Details of the extensions are provided as follows:

- extend the 50% rebate (or deferment) for local government and water rates currently available to pensioner concession card (PCC) holders to Commonwealth Seniors Health Card (CSHC) holders;
- provide a capped 25% local government rates rebate for State Seniors Card (SSC) holders without a CSHC;
- provide a pro-rata rebate (or deferment) of local government and water rates to holders of PCC, CSHC or SSC who become eligible after the commencement of the rating year;
- allow PCC and CSHC holders with rate arrears to obtain a rebate (or deferment) in respect of their current year's rates, subject to them entering into a repayment arrangement;
- extend the 50% motor vehicle fee concession currently provided to PCC holders to CSHC holders;
- extend the 100% driver's license fee concession currently provided to PCC holders to CSHC holders; and
- introduce a new air-conditioning subsidy to holders of PCC or CSHC holders living north of the 26th parallel and other specified climatically harsh areas.

Table 1

SUMMARY OF STATE GOVERNMENT SOCIAL CONCESSIONS
Western Australia

Class of Concession	1998–99 Estimated Total Value \$m	1998–99 Estimated No. of Recipients	1999–00 Estimated Total Value \$m	1999–00 Estimated No. of Recipients
ENERGY				
Supply charge rebate	18.6	175,406	17.9	220,782
Dependent child rebate	10.1	51,020	8.4	55,218
Other	0.9	n.a.	0.6	n.a.
WATER, SEWERAGE & DRAINAGE				
Rates rebate for pensioners	21.0	103,469	21.1	100,305
Consumption concession for pensioners	4.2	125,382	4.4	125,209
Rates rebate for seniors	2.4	22,831	2.6	23,474
Other	0.1	n.a.	0.1	n.a.
HOUSING AND LAND				
Homeswest rental subsidy	84.7	28,048	82.4	27,752
Homeswest right to buy subsidy	3.1	172	3.7	180
Stamp duty concession for homes and small business	2.1	6,503	2.1	6,229
Homeswest amenities fee waiver	1.1	14,190	1.0	13,007
First home buyers' stamp duty rebate	1.8	3,693	1.8	3,756
Homeswest cash assistance grant	0.7	419	0.5	290
Other	0.3	n.a.	0.3	n.a.
LOCAL GOVERNMENT				
Rates rebate for pensioners	20.9	95,385	23.0	101,230
TRANSPORT				
Contract school bus services	37.2	20,100	47.6	25,100
Transperth fares concession	29.7	76,250	30.0	72,060
Motor vehicle license fee concession	11.5	132,652	12.8	137,371
Student fares concession	4.9	5,650	5.9	6,050
Taxi User subsidy	5.4	15,620	5.4	17,207
Drivers license fee concession	2.6	79,670	4.1	98,116
Subsidised student travel	1.1	631	1.1	1,100
Pensioners' annual free trip	1.2	1,727	1.1	1,750
Other	5.3	n.a.	5.1	n.a.
HEALTH				
Subsidised dental care	11.7	73,248	11.8	79,143
Spectacle subsidy scheme	2.4	49,370	2.5	52,387
Other	2.3	n.a.	2.6	n.a.
EDUCATION				
Secondary assistance scheme – school charges	4.6	27,014	5.1	26,170
Secondary assistance scheme – clothing	3.1	27,014	3.0	26,170
Department of Training tuition fees	2.3	20,082	2.3	20,283
Boarding away from home allowance	1.2	1,963	1.3	2,222
Other	0.6	n.a.	0.6	n.a.
LEGAL SERVICES				
Legal assistance	7.5	43,571	8.8	43,019
Other	0.1	n.a.	0.1	n.a.
CULTURE, LEISURE & RECREATION				
Children's Zoo discount	0.7	134,481	0.6	116,024
Other	1.1	n.a.	0.8	n.a.
OTHER				
Various	0.1	n.a.	0.1	n.a.
TOTAL	308.6	n.a.	322.6	n.a.

Energy

Supply charge rebate (\$17.9 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 \$81 per year.

Dependent child rebate (\$8.4 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 \$152 per year.

Other (\$0.6 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 (\$21.1 million)

Home owners in possession of a PCC or a SCC 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 \$211 per year.

Consumption concession for pensioners (\$4.4 million)

Holders of a PCC or a SCC 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 \$34 per year.

Rates rebate for seniors (\$2.6 million)

Home owners in possession of a SSC 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 \$109 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 (\$82.4 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 \$2,970 per year.

Homeswest right to buy subsidy (\$3.7 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 1999-2000, 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.

Homeswest amenities fee waiver (\$1.0 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 1999-2000, 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.

Homeswest cash assistance grant (\$0.5 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 \$1,770.

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 (\$23.0 million)

The Department of Treasury and Finance (formerly 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 \$227 per year.

Transport

Contract school bus services (\$47.6 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 \$4.81 per journey, or about \$1,895 per year.

Transperth fare concessions (\$30.0 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 (\$12.8 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 \$93 per year.

Student fares concession (\$5.9 million)

Full time students pay concessional fares for regular non Transperth "school bus" passenger transport services. The average value of the concession is \$2.46 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 and 2000 there were respectively 15,620 and 17,207 active members of the scheme. The average value of the concession is \$7.65 per trip.

Drivers licence fee concession (\$4.1 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 \$41 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 \$981 per recipient.

Pensioners' free annual trip (\$1.1 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 \$643 per recipient.

Other (\$5.1 million)

Other transport concessions include the *intra town* and *inter town travel concessions* for pensioners and seniors.

Health**Subsidised dental care (\$11.8 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 \$149 per treatment.

Spectacle subsidy scheme (\$2.5 million)

Age pensioners, disability pensioners and holders of a SSC receive a subsidy from the Department of Health to acquire spectacles or contact lenses. The average value of the concession per recipient is \$48.

Other (\$2.6 million)

Other health concessions include the *country patients' dental subsidy scheme* and the *patients assisted travel scheme*.

Education**Secondary assistance scheme for school charges (\$5.1 million)**

The Department of Education 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 (\$3.0 million)

The Department of Education 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 \$0.45 per hour of tuition.

Boarding away from home allowance (\$1.3 million)

Families in receipt of Commonwealth assistance for geographically isolated students receive a \$600 concession each year from the Department of Education.

Other (\$0.6 million)

Other education concessions include the Department of Training *Adult Community Education tuition fee concession* and the Department of Education's *special subsidy for boarders at Agricultural Colleges* (who are not eligible for Commonwealth assistance).

Legal Services

Legal assistance (\$8.8 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 (\$0.6 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 \$5.50 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 (\$0.8 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.

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.

Commonwealth Seniors Health Card (CSHC)

The Commonwealth Government issues the CSHC to senior Australians who are of Age Pension age but do not qualify for the Age Pension. The CSHC is subject to annual income limits and helps senior Australians with the cost of medicines by reducing the cost of prescription medicines.

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 Department of Community Development 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 5

Capital Works Program - Summary of Expenditure and Source of Funds

This Appendix contains two tables.

Table 1 shows expenditure on capital works and associated funding¹ sources by Agency within portfolio groups.

Table 2 shows detailed sources of funds for the aggregate capital works program by year.

¹ Funding sources before 2001-02 are not adjusted for comparability and therefore will not necessarily correspond to the information provided for each agency in Budget Paper 2.

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2000-01 Budget Estimate				2000-01 Estimated Actual				2001-02 Budget Estimate			
	Capital Contribution	Borrowings	Other Funding	Total Expenditure	Capital Contribution	Borrowings	Other Funding	Total Expenditure	Capital Contribution	Borrowings	Other Funding	Total Expenditure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PARLIAMENT												
Parliament	2,898	-	-	2,898	3,077	-	(70)	3,007	1,724	-	1,187	2,911
Parliamentary Commissioner for Administrative Investigations	50	-	-	50	50	-	23	73	50	-	-	50
PREMIER; MINISTER FOR PUBLIC SECTOR MANAGEMENT; FEDERAL AFFAIRS; SCIENCE; CITIZENSHIP AND MULTICULTURAL INTERESTS												
Premier and Cabinet	2,971	-	3,792	6,763	2,791	-	12,955	15,746	2,234	-	2,785	5,019
Anti-Corruption Commission	400	-	-	400	400	-	-	400	422	-	-	422
Governor's Establishment	232	-	202	434	232	-	110	342	270	-	-	270
Office of the Commissioner for Public Sector Standards	90	-	-	90	90	-	(25)	65	70	-	25	95
Salaries and Allowances Tribunal	-	-	-	-	-	-	-	-	-	-	-	-
DEPUTY PREMIER; TREASURER; ENERGY												
Office of the Auditor General	434	-	1,205	1,639	434	-	-	434	379	-	-	379
WA Independent Gas Pipelines Access Regulator	-	-	-	-	-	-	7	7	-	-	101	101
Treasury and Finance	405	-	16,000	16,405	3,085	-	1,713	4,798	3,300	-	1,066	4,366
Western Australian Treasury Corporation	-	-	-	-	-	-	2,725	2,725	-	-	4,787	4,787
Office of Energy	208	-	-	208	208	-	114	322	247	-	-	247
Perth International Centre for Application of Solar Energy	-	-	-	-	-	-	-	-	24	-	-	24
Western Power Corporation	-	-	276,384	276,384	-	-	270,637	270,637	-	10,000	376,000	386,000

Table 1 (cont.)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2000-01 Budget Estimate				2000-01 Estimated Actual				2001-02 Budget Estimate			
	Capital Contribution	Borrowings	Other Funding	Total Expenditure	Capital Contribution	Borrowings	Other Funding	Total Expenditure	Capital Contribution	Borrowings	Other Funding	Total Expenditure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
MINISTER FOR AGRICULTURE, FORESTRY AND FISHERIES; THE MID-WEST, WHEATBELT AND GREAT SOUTHERN												
Agriculture	4,220	-	6,449	10,669	7,484	-	1,599	9,083	4,250	-	1,484	5,734
Agriculture Protection Board	-	-	-	-	-	-	-	-	-	-	-	-
Meat Industry Authority	-	-	200	200	-	-	-	-	-	-	200	200
Perth Market Authority	-	2,847	2,168	5,015	-	556	879	1,435	-	-	3,442	3,442
Rural Business Development Corporation	-	-	-	-	-	-	-	-	-	-	-	-
Fisheries	2,863	-	2,298	5,161	4,138	-	1,309	5,447	4,769	-	4,207	8,976
Forest Products Commission	-	5,520	3,000	8,520	-	-	4,015	4,015	-	-	1,886	1,886
Mid West Development Commission	3,205	-	100	3,305	3,205	-	(196)	3,009	30	-	227	257
Wheatbelt Development Commission	300	-	-	300	300	-	(208)	92	45	-	260	305
Great Southern Development Commission	677	-	-	677	677	-	(166)	511	30	-	459	489
MINISTER FOR HOUSING AND WORKS; LOCAL GOVERNMENT AND REGIONAL DEVELOPMENT; THE KIMBERLEY, PILBARA AND GASCOYNE												
Housing and Works	24,749	-	30	24,779	24,749	-	(9,993)	14,756	2,715	-	15,027	17,742
Country Housing Authority	-	9,000	3,050	12,050	-	-	10,000	10,000	-	13,755	2,198	15,953
Government Employees Housing Authority	-	-	4,200	4,200	-	-	8,014	8,014	-	-	2,301	2,301
State Housing Commission	-	14,500	712,741	727,241	-	14,500	742,833	757,333	-	10,000	639,130	649,130
State Supply Commission	25	-	-	25	25	-	60	85	15	-	25	40
Western Australian Building Management Authority	350	-	-	350	350	-	227	577	25	-	555	580
Local Government and Regional Development	1,600	-	-	1,600	1,657	-	9	1,666	2,428	-	4	2,432
Fremantle Cemetery Board	-	1,000	735	1,735	-	-	318	318	-	2,500	240	2,740
Metropolitan Cemeteries Board	-	-	5,620	5,620	-	-	2,942	2,942	-	-	6,405	6,405
Kimberley Development Commission	29	-	-	29	29	-	-	29	30	-	-	30
Pilbara Development Commission	639	-	2,352	2,991	639	-	2,161	2,800	30	-	950	980
Gascoyne Development Commission	620	-	-	620	620	-	(496)	124	25	-	2,732	2,757

Table 1 (cont.)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2000-01 Budget Estimate				2000-01 Estimated Actual				2001-02 Budget Estimate			
	Capital	Borrowings	Other	Total	Capital	Borrowings	Other	Total	Capital	Borrowings	Other	Total
	Contribution \$'000	\$'000	Funding \$'000	Expenditure \$'000	Contribution \$'000	\$'000	Funding \$'000	Expenditure \$'000	Contribution \$'000	\$'000	Funding \$'000	Expenditure \$'000
MINISTER FOR CONSUMER AND EMPLOYMENT PROTECTION; TRAINING												
Consumer and Employment Protection	720	-	-	720	720	-	(151)	569	3,043	-	298	3,341
Commissioner of Workplace Agreements	159	-	-	159	159	-	-	159	-	-	-	-
Registrar, Western Australian Industrial Relations Commission	40	-	-	40	40	-	-	40	150	-	-	150
Training	7,810	-	16,083	23,893	7,810	-	17,019	24,829	8,570	-	20,692	29,262
ATTORNEY GENERAL; MINISTER FOR JUSTICE AND LEGAL AFFAIRS; ELECTORAL AFFAIRS; PEEL AND THE SOUTH WEST												
Justice	54,247	-	10,732	64,979	43,164	-	27,986	71,150	31,340	-	18,513	49,853
Commissioner for Equal Opportunity	51	-	-	51	51	-	28	79	53	-	-	53
Law Reform Commission	-	-	-	-	-	-	-	-	-	-	10	10
Office of Director of Public Prosecutions	206	-	-	206	206	-	20	226	257	-	6	263
Office of the Information Commissioner	25	-	-	25	25	-	(1)	24	25	-	1	26
Office of the Inspector of Custodial Services	-	-	-	-	-	-	-	-	-	-	-	-
Western Australian Electoral Commission	-	-	-	-	-	-	123	123	-	-	-	-
Peel Development Commission	570	-	-	570	570	-	92	662	30	-	1,207	1,237
South West Development Commission	3,923	-	550	4,473	3,923	-	(1,422)	2,501	122	-	5,476	5,598
MINISTER FOR THE ENVIRONMENT AND HERITAGE												
Conservation and Land Management	4,791	600	6,800	12,191	6,924	-	13,911	20,835	7,242	-	8,700	15,942
Botanic Gardens and Parks Authority	7,974	-	(1,742)	6,232	7,662	-	(4,883)	2,779	-	-	9,331	9,331
Environmental Protection	800	-	443	1,243	800	-	548	1,348	800	-	278	1,078
Office of Water Regulation	75	-	-	75	75	-	(3)	72	55	-	4	59
Swan River Trust	80	-	-	80	80	-	(51)	29	60	-	51	111
Water and Rivers Commission	800	-	-	800	800	-	81	881	2,500	-	16	2,516
Zoological Gardens Board	-	1,417	185	1,602	-	200	445	645	-	1,264	553	1,817
Heritage Council of Western Australia	-	-	50	50	-	-	49	49	-	-	45	45
National Trust of Australia (WA)	270	-	500	770	1,370	-	530	1,900	382	-	4,000	4,382

Table 1 (cont.)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2000-01 Budget Estimate				2000-01 Estimated Actual				2001-02 Budget Estimate			
	Capital Contribution	Borrowings	Other Funding	Total Expenditure	Capital Contribution	Borrowings	Other Funding	Total Expenditure	Capital Contribution	Borrowings	Other Funding	Total Expenditure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
MINISTER FOR POLICE AND EMERGENCY SERVICES; MINISTER ASSISTING THE MINISTER FOR PLANNING AND INFRASTRUCTURE												
Police Service	44,790	-	31,000	75,790	74,119	-	(4,904)	69,215	25,618	-	11,748	37,366
Fire and Emergency Services Authority of Western Australia	2,324	5,795	1,480	9,599	2,324	3,894	5,391	11,609	1,410	6,290	8,943	16,643
Eastern Goldfields Transport Board	-	-	-	-	-	552	-	552	-	-	-	-
MINISTER FOR PLANNING AND INFRASTRUCTURE												
Planning and Infrastructure	6,000	48,575	5,708	60,283	66,571	51,975	(2,966)	115,580	2,766	34,200	33,227	70,193
East Perth Redevelopment Authority	-	-	68,000	68,000	-	-	38,138	38,138	-	-	36,617	36,617
Land Administration	6,807	-	4,692	11,499	6,807	-	959	7,766	4,991	-	7,334	12,325
Main Roads	222,741	80,650	112,304	415,695	217,020	46,500	246,056	509,576	230,867	69,150	87,713	387,730
Midland Redevelopment Authority	-	3,845	-	3,845	-	2,689	2,450	5,139	-	6,687	10,527	17,214
Subiaco Redevelopment Authority	-	-	6,413	6,413	-	-	6,537	6,537	-	-	11,275	11,275
Transport	1,000	-	3,000	4,000	400	-	5,738	6,138	6,361	-	-	6,361
Albany Port Authority	-	12,470	5,250	17,720	-	6,300	6,406	12,706	-	5,870	750	6,620
Broome Port Authority	-	-	715	715	-	-	981	981	-	-	1,565	1,565
Bunbury Port Authority	-	-	2,680	2,680	-	-	4,832	4,832	-	-	8,234	8,234
Dampier Port Authority	-	-	1,870	1,870	-	-	86	86	-	9,000	4,630	13,630
Esperance Port Authority	-	18,000	6,900	24,900	-	23,800	8,423	32,223	-	24,000	1,200	25,200
Fremantle Port Authority	-	11,600	8,495	20,095	-	10,000	1,239	11,239	-	11,000	24,826	35,826
Geraldton Port Authority	-	-	3,887	3,887	-	-	2,171	2,171	-	-	4,930	4,930
Port Hedland Port Authority	-	-	8,548	8,548	-	-	7,919	7,919	-	-	2,119	2,119
Western Australian Government Railways Commission	-	165,812	18,000	183,812	-	76,576	(10,672)	65,904	-	63,942	77,672	141,614
Western Australian Land Authority	-	-	153,083	153,083	-	-	57,968	57,968	-	-	192,685	192,685
Western Australian Planning Commission	19,000	-	35,400	54,400	19,000	-	30,983	49,983	7,000	-	90,523	97,523

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2000-01 Budget Estimate				2000-01 Estimated Actual				2001-02 Budget Estimate			
	Capital Contribution	Borrowings	Other Funding	Total Expenditure	Capital Contribution	Borrowings	Other Funding	Total Expenditure	Capital Contribution	Borrowings	Other Funding	Total Expenditure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
MINISTER FOR STATE DEVELOPMENT; TOURISM; SMALL BUSINESS												
Industry and Technology	33,870	-	47,654	81,524	19,814	-	18,326	38,140	60,813	-	58,756	119,569
Mineral and Petroleum Resources	4,971	-	2,792	7,763	1,639	-	3,102	4,741	8,981	-	1,776	10,757
Minerals and Energy Research Institute of Western Australia	-	-	-	-	-	-	-	-	-	-	-	-
Rottneest Island Authority	-	-	3,500	3,500	-	-	3,618	3,618	-	-	2,763	2,763
Western Australian Tourism Commission	4,500	-	-	4,500	4,500	-	2,166	6,666	1,717	-	424	2,141
Small Business Development Corporation	50	-	-	50	50	-	78	128	120	-	-	120
MINISTER FOR EDUCATION; SPORT AND RECREATION; INDIGENOUS AFFAIRS												
Education	91,023	-	39,692	130,715	91,023	-	50,012	141,035	88,961	-	51,352	140,313
Country High School Hostels Authority	1,300	8,229	168	9,697	1,300	-	(291)	1,009	125	8,559	2,291	10,975
Curriculum Council	110	-	2	112	110	-	94	204	1,128	-	2	1,130
Education Services	5,000	-	-	5,000	5,000	-	-	5,000	5,050	-	-	5,050
Recreation Camps and Reserves Board	103	-	44	147	103	-	(17)	86	105	-	339	444
Sport and Recreation	450	-	-	450	450	-	517	967	150	-	5,821	5,971
Western Australian Sports Centre Trust	3,300	-	-	3,300	6,261	-	8,141	14,402	136	-	1,200	1,336
Indigenous Affairs	-	-	-	-	-	-	-	-	630	-	200	830
MINISTER FOR COMMUNITY DEVELOPMENT, WOMEN'S INTERESTS, SENIORS AND YOUTH; DISABILITY SERVICES; CULTURE AND THE ARTS												
Community Development	7,781	-	495	8,276	7,781	-	(1,531)	6,250	4,817	-	9,462	14,279
Disability Services Commission	-	1,000	-	1,000	-	-	969	969	-	2,097	2,679	4,776
Culture and the Arts	4,243	500	-	4,743	4,243	500	773	5,516	14,640	-	2,441	17,081
MINISTER FOR HEALTH												
Health	90,850	-	6,400	97,250	104,005	-	2,226	106,231	93,086	-	9,793	102,879

Table 1 (cont.)

CAPITAL WORKS PROGRAM SUMMARY OF EXPENDITURE AND FUNDING

	2000-01 Budget Estimate				2000-01 Estimated Actual				2001-02 Budget Estimate			
	Capital Contribution	Borrowings	Other Funding	Total Expenditure	Capital Contribution	Borrowings	Other Funding	Total Expenditure	Capital Contribution	Borrowings	Other Funding	Total Expenditure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
MINISTER FOR RACING AND GAMING; GOVERNMENT ENTERPRISES; GOLDFIELDS-ESPERANCE												
Racing, Gaming and Liquor	72	-	227	299	471	-	-	471	419	-	-	419
Totalisator Agency Board	-	-	3,094	3,094	-	-	815	815	-	-	9,845	9,845
Western Australian Greyhound Racing Authority	-	-	700	700	-	-	420	420	-	-	900	900
Bunbury Water Board	-	-	2,304	2,304	-	-	1,565	1,565	-	-	3,291	3,291
Busselton Water Board	-	-	1,406	1,406	-	-	717	717	-	-	1,728	1,728
Gold Corporation	-	-	7,400	7,400	-	-	8,000	8,000	-	-	7,000	7,000
Insurance Commission of Western Australia	-	-	5,385	5,385	-	-	2,901	2,901	-	-	2,478	2,478
Lotteries Commission	-	-	12,885	12,885	-	-	10,501	10,501	-	-	7,390	7,390
Water Corporation	-	210,000	263,438	473,438	-	266,500	213,600	480,100	-	200,000	210,700	410,700
Goldfields-Esperance Development Commission	310	-	210	520	310	-	100	410	-	-	110	110
TOTAL	680,101	601,360	1,949,348	3,230,809	761,920	504,542	1,840,354	3,106,816	637,632	478,314	2,146,123	3,262,069

Table 2

CAPITAL WORKS PROGRAM SOURCE OF FUNDS

	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	Actual	Estimated	Budget	Budget	Budget	Budget
	\$m	\$m	Estimate	Estimate	Estimate	Estimate
	\$m	\$m	\$m	\$m	\$m	\$m
APPROPRIATIONS						
Capital contribution	482.9	761.9	637.6	376.4	421.0	544.6
Funding included in output appropriations			106.6	215.2	159.6	131.1
OTHER FUNDING						
Holding Account			1.5	75.6	87.0	66.9
Borrowings	431.9	504.5	478.3	322.1	247.0	257.1
Commonwealth grants	179.6	193.4	263.0	222.6	182.4	153.9
Specific contributions	96.8	25.6	140.4	128.5	115.2	34.9
Land and Property Sales	226.9	234.6	211.7	182.3	195.6	166.1
Internal funds and balances	(26.3)	177.5	118.3	11.5	2.4	3.5
Other	1,490.5	1,209.3	1,304.7	1,284.1	1,273.9	1,149.4
TOTAL FUNDING	2,882.3	3,106.8	3,262.1	2,818.3	2,684.1	2,507.3

Note: Columns may not add due to rounding.

APPENDIX 6

Public Corporations - Revenue and Expenses

As discussed in Chapter 2, the State's major public corporations are liable for income tax equivalent and dividend payments. A number of public corporations are also liable for local government rate equivalent payments.

Tax and local government rate equivalents are levied by the State to ensure competitive neutrality (ie. a level playing field) between significant government business activities and private sector businesses.

A detailed overview of revenue received by general government from individual public corporations is provided in Table 1 below.

However, there are also significant payments from general government to public corporations. Such payments include funding of community service obligations (CSOs), which are non-commercial services provided by public corporations at the request of government to sections of the general public. Examples include funding of pensioner and senior concessions for electricity and water services.

In addition, funding may be provided to public corporations as part of government initiatives to attract and support the establishment of down-stream industries in Western Australia. Where possible, this form of financial assistance is directed at supporting the construction of infrastructure that will be available for common use. An example is the establishment of a woodchip mill near Albany, with financial assistance being provided to the Albany Port Authority, the Western Australian Land Authority (LandCorp) and the Western Australian Government Railways Commission. Funding will be used to provide common user berthing facilities and to purchase land for a multiple occupant industrial estate, which will be serviced by a common user railspur.

A detailed overview of expenses from general government to individual public corporations is provided in Table 2 below.

Table 1

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2000-01 Estimated Actual \$'000	2001-02 Budget Estimate \$'000	2002-03 Forward Estimate \$'000	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000
Western Power					
Income tax expense	89,315	85,026	92,984	91,300	90,453
LGRE	2,781	2,905	3,028	3,132	3,242
Dividends	94,452	102,319	111,159	111,237	114,388
<i>Subtotal</i>	<i>186,548</i>	<i>190,250</i>	<i>207,171</i>	<i>205,669</i>	<i>208,083</i>
Water Corporation					
Income tax expense	108,296	122,193	132,078	139,549	149,313
LGRE ^(a)	1,600	2,500	2,500	2,500	2,500
Dividends	237,814	285,549	264,287	277,625	298,311
<i>Subtotal</i>	<i>347,710</i>	<i>410,242</i>	<i>398,865</i>	<i>419,674</i>	<i>450,124</i>
Western Australian Land Authority (LandCorp)					
Income tax expense	4,863	3,444	9,191	5,361	5,291
LGRE	1,114	1,000	1,000	1,000	1,000
Dividends	9,000	6,952	17,695	16,693	10,700
<i>Subtotal</i>	<i>14,977</i>	<i>11,396</i>	<i>27,886</i>	<i>23,054</i>	<i>16,991</i>
AlintaGas^(b)					
Income tax expense	130,944	-	-	-	-
LGRE	-	-	-	-	-
Dividends	439,743	-	-	-	-
<i>Subtotal</i>	<i>570,687</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Gold Corporation					
Statutory contributions/Dividends	-	1,648	2,394	3,720	4,780
<i>Subtotal</i>	<i>-</i>	<i>1,648</i>	<i>2,394</i>	<i>3,720</i>	<i>4,780</i>
Western Australian Treasury Corporation					
Income tax expense	3,416	3,317	3,364	3,494	3,431
Dividends	4,598	12,769	5,870	5,925	4,076
<i>Subtotal</i>	<i>8,014</i>	<i>16,086</i>	<i>9,234</i>	<i>9,419</i>	<i>7,507</i>
Albany Port Authority					
Income tax expense	211	120	120	120	120
LGRE	60	-	-	-	-
Dividends	-	-	81	190	426
<i>Subtotal</i>	<i>271</i>	<i>120</i>	<i>201</i>	<i>310</i>	<i>546</i>
Broome Port Authority					
Income tax expense	47	159	239	296	355
LGRE	4	4	4	4	4
Dividends	-	144	101	169	237
<i>Subtotal</i>	<i>51</i>	<i>307</i>	<i>344</i>	<i>496</i>	<i>596</i>
Bunbury Port Authority					
Income tax expense	2,036	1,221	1,502	1,743	2,014
LGRE	116	109	112	116	119
Dividends	1,185	2,181	1,635	2,009	2,447
<i>Subtotal</i>	<i>3,337</i>	<i>3,511</i>	<i>3,249</i>	<i>3,868</i>	<i>4,580</i>

Table 1 (cont.)

REVENUE TO GOVERNMENT FROM PUBLIC CORPORATIONS

Details of Payment	2000-01 Estimated Actual \$'000	2001-02 Budget Estimate \$'000	2002-03 Forward Estimate \$'000	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000
Dampier Port Authority					
Income tax expense	176	139	154	188	613
LGRE	10	12	12	12	13
Dividends	34	162	180	220	716
<i>Subtotal</i>	<u>220</u>	<u>313</u>	<u>346</u>	<u>420</u>	<u>1,342</u>
Esperance Port Authority					
Income tax expense	688	1,082	1,142	1,010	2,069
LGRE	75	75	75	75	75
Dividends	442	1,022	1,405	1,502	1,800
<i>Subtotal</i>	<u>1,205</u>	<u>2,179</u>	<u>2,622</u>	<u>2,587</u>	<u>3,944</u>
Fremantle Port Authority					
Income tax expense	5,616	4,360	4,809	5,618	5,344
LGRE	295	310	325	342	359
Dividends	609	3,936	4,440	5,349	4,967
<i>Subtotal</i>	<u>6,520</u>	<u>8,606</u>	<u>9,574</u>	<u>11,309</u>	<u>10,670</u>
Geraldton Port Authority					
Income tax expense	589	204	345	474	135
LGRE	114	140	140	140	140
Dividends	-	207	340	309	296
<i>Subtotal</i>	<u>703</u>	<u>551</u>	<u>825</u>	<u>923</u>	<u>571</u>
Port Hedland Port Authority					
Income tax expense	925	924	915	834	271
LGRE	96	93	94	95	95
Dividends	493	1,211	1,202	1,110	451
<i>Subtotal</i>	<u>1,514</u>	<u>2,228</u>	<u>2,211</u>	<u>2,039</u>	<u>817</u>
Bunbury Water Board					
Income tax expense	1,107	747	797	833	833
<i>Subtotal</i>	<u>1,107</u>	<u>747</u>	<u>797</u>	<u>833</u>	<u>833</u>
Busselton Water Board					
Income tax expense	52	130	130	130	130
<i>Subtotal</i>	<u>52</u>	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>
Forrest Products Commission					
Income tax expense	1,159	2,610	2,488	2,504	2,322
LGRE	-	-	-	-	-
Dividends	2,572	3,784	4,136	5,045	5,131
<i>Subtotal</i>	<u>3,731</u>	<u>6,394</u>	<u>6,624</u>	<u>7,549</u>	<u>7,453</u>
Total Amounts					
Income tax expense	349,440	225,676	250,258	253,454	262,694
Wholesale sales tax	1,783	-	-	-	-
LGRE	6,265	7,148	7,290	7,416	7,547
Dividends	809,155	421,902	414,943	431,121	448,744
Total	<u>1,166,643</u>	<u>654,726</u>	<u>672,491</u>	<u>691,991</u>	<u>718,985</u>

- (a) This negative value is to adjust for an overpayment in the previous year.
- (b) Amounts for AlintaGas are on an accounting basis and include sale related amounts not all of which are incorporated in the GFS sectoral consolidation.

Table 2

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Payment Type	Funding Department	2000-01 Estimated Actual \$'000	2001-02 Budget Estimate \$'000	2002-03 Forward Estimate \$'000	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000
Western Power							
Air Conditioning Subsidy for Seniors (North of 26 th Parallel)	CSO	DTF	-	605	479	493	508
Community Service Concessions ^a	CSO	DTF	-	298	307	316	326
Gas Lateral Line to Murchison Area – Interest Costs	Other	DMPR	832	832	832	832	832
Onslow Gas Fired Power Station – Interest Costs	Other	DMPR	183	183	183	183	183
Pensioner and Senior Concessions	CSO	DTF	28,338	31,228	32,288	33,135	33,889
Underground Power Program	Other	OoE	5,823	3,340	4,813	4,813	4,813
Undergrounding of 132kV Transmission Line – Burswood	Other	DTF	-	-	-	-	-
<i>Subtotal</i>			<i>35,176</i>	<i>36,486</i>	<i>38,902</i>	<i>39,772</i>	<i>40,551</i>
Water Corporation							
Country Water, Sewerage and Drainage Operations	CSO	DTF	149,673	153,230	160,479	164,269	166,124
Infill Sewerage Program	CSO	DTF	16,319	18,709	20,667	22,217	23,486
Pensioner and Senior Concessions	CSO	DTF	53,228	60,009	64,119	68,414	71,982
Rural Irrigation Schemes	CSO	DTF	6,747	6,833	7,042	7,207	7,285
Partial Reimbursement of Proceeds from the Sale of Surplus Land	Other	DTF	-	400	1,000	1,400	-
<i>Subtotal</i>			<i>225,967</i>	<i>239,181</i>	<i>253,307</i>	<i>263,507</i>	<i>268,877</i>
Western Australian Government Railways Commission							
Albany Woodchip Mill – Rail Spur – Interest Costs	CSO	DTF	-	85	85	85	85
Albany Woodchip Mill – Rail Spur – Purchase	Other	DTF	-	-	-	-	660
Country Rail (Prospector & Australind) and Inter-town Coach Services	CSO	DTF	20,199	21,361	25,028	27,163	28,027
Geraldton Southern Rail Corridor – Debt Servicing Costs	CSO	DTF	-	-	293	423	1,528
Freight Division – Infrastructure – Debt Servicing Costs	CSO	DTF	10,607	20,824	20,076	19,380	18,692
Freight Division – Superannuation – Debt Servicing Costs	CSO	DTF	-	1,150	1,127	1,095	1,061
Freight Network – Post-sale management costs	CSO	DTF	4,326	5,637	4,283	3,369	3,650
Metropolitan Urban Rail Services Contract	Other	DPI	110,223	119,792	112,322	127,793	153,637
Pensioner and Senior Concessions (Country Rail and Inter-town Coach only)	CSO	DTF	786	786	786	786	786
Perth Urban Rail Development Project	Other	DTF	-	67,000	94,000	83,000	-
Reimbursement of Proceeds from Sale of Surplus Land	Other	DTF	3,829	13,100	16,050	15,850	3,250
<i>Subtotal</i>			<i>149,970</i>	<i>249,735</i>	<i>274,050</i>	<i>278,944</i>	<i>211,376</i>

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Table 2 (cont.)

Details of Payment	Payment Type	Funding Department	2000-01 Estimated Actual \$'000	2001-02 Budget Estimate \$'000	2002-03 Forward Estimate \$'000	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000
Western Australian Land Authority (LandCorp)							
Albany Gasworks Site	CSO	DTF	-	3,000	5,100	-	-
Albany Woodchip Mill – Land Acquisition	Other	DMPR	839	-	-	-	-
BP Kwinana – Land Acquisition	Other	DMPR	-	5,000	-	-	-
Breton Bay – Study Costs	CSO	DTF	-	150	-	-	-
Breton Bay Land Acquisition – Interest Costs	Other	DMPR	-	-	-	-	1,000
Exmouth Marina Village	CSO	DTF	1,100	3,500	8,000	-	-
Hope Valley / Wattleup Land Acquisition	CSO	DTF	10,000	14,00	12,000	19,500	8,500
Jervoise Bay Commercial Yard Improvements	CSO	DTF	2,534	-	-	-	-
Karratha / Burrup Western Service Corridor	CSO	DTF	-	190	375	375	375
Kemerton Industrial Estate – Expansion	Other	DMPR	981	1,219	100	-	-
Land Development Function Previously Undertaken by the Department of Land Administration	CSO	DTF	-	-	11,974	12,481	13,329
Mandurah Ocean Marina Development	CSO	DTF	1,440	1,560	2,839	2,839	-
Oakajee Industrial Estate Buffer Expansion	Other	DMPR	3,356	2,449	-	-	-
Oakajee to Narngulu Rail Corridor	Other	DMPR	1,076	1,174	-	-	-
PIL Kwinana Land – Interest Costs	CSO	DTF	714	714	714	714	714
Thomsons Lake – Consultation	CSO	DTF	495	-	-	-	-
Service Corridor Hearson Cove to Dampier Port	Other	DMPR	-	700	700	700	700
<i>Subtotal</i>			<u>22,535</u>	<u>33,656</u>	<u>41,802</u>	<u>36,609</u>	<u>24,618</u>
Albany Port Authority							
Albany Woodchip Mill ^b	Other	DTF	-	173	173	173	173
Land Tax Reimbursement	Other	DTF	24	-	-	-	-
<i>Subtotal</i>			<u>24</u>	<u>173</u>	<u>173</u>	<u>173</u>	<u>173</u>
Fremantle Port Authority							
Fremantle Waterfront Project	Equity	DTF	-	3,820	-	-	-
Land Tax Reimbursement	Other	DTF	314	-	-	-	-
Multi-user Bulk Unloader – Interest Costs	Equity	DTF	72	222	215	200	183
<i>Subtotal</i>			<u>386</u>	<u>4,042</u>	<u>215</u>	<u>200</u>	<u>183</u>
Broome Port Authority							
Infrastructure Program – Upgrade	Equity	DTF	-	-	-	-	-
Land Tax Reimbursement	Other	DTF	52	-	-	-	-
<i>Subtotal</i>			<u>52</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Table 2 (cont.)

EXPENSES FROM GOVERNMENT TO PUBLIC CORPORATIONS

Details of Payment	Payment Type	Funding Department	2000-01 Estimated Actual \$'000	2001-02 Budget Estimate \$'000	2002-03 Forward Estimate \$'000	2003-04 Forward Estimate \$'000	2004-05 Forward Estimate \$'000
Bunbury Port Authority							
Casting Basin Loan – Interest Costs	Other	DMPR	95	95	95	95	95
Land Tax Reimbursement	Other	DTF	41				
<i>Subtotal</i>			<i>136</i>	<i>95</i>	<i>95</i>	<i>95</i>	<i>95</i>
Dampier Port Authority							
Multi-user Infrastructure – Interest Costs	Other	DMPR	-	-	520	520	520
<i>Subtotal</i>			<i>-</i>	<i>-</i>	<i>520</i>	<i>520</i>	<i>520</i>
Forest Products Commission							
Forest Enhancement Program	CSO	DTF	-	500	500	230	-
Reimbursement of Proceeds from Asset Sales	Other	DTF	-	1,285	1,287	1,289	1,291
<i>Subtotal</i>			<i>-</i>	<i>1,785</i>	<i>1,787</i>	<i>1,519</i>	<i>1,291</i>
Total			434,246	565,153	610,851	621,339	547,684

- Note
- a. The Community Service Concession is a concession of up to \$276 per year to eligible voluntary and charitable organisations.
 - b. Funding for infrastructure associated with the Albany Woodchip Mill in 2000-01 was through DMPR, but will be through DTF in future years.